

FOREIGN FIRMS - IN SA

BRITISH - 1989

W H A P

New agenda for inquiry into bid for ConsGold

Cape Times 3/1/89



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.

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 investigation 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."

BP deal turns RTZ into major player in the world gold market

KENNETH GOODING in London

It is common in the mining industry for joint venture deals to include pre-emptive rights should one of the partners wish to sell. That is the case in nearly all BP Minerals joint ventures, including the Olympic Dam project where Western Mining of Australia has pre-emptive rights on the sale of BP's 49% stake. Birkin said the hoped talks would start soon.

Acquisition of the BP assets would also take RTZ for the first time into the titanium dioxide feedstock business through QIT, which has 40% of the market for the product which is used to create white pigments for paint, paper, plastics, etc.

BP also has a 50% interest in another titanium dioxide producer, Richards Bay in SA, and this would increase RTZ's exposure there from just over 2% of total assets employed to about 4%.

Birkin insisted that his company can well afford to buy BP Minerals, even though RTZ's debt to equity ratio will go from nil to 60% if, as seems likely, RTZ borrows all the necessary cash.

The deal will also boost RTZ's share of Western world copper output from 4% to 6.5%, because the biggest element within BP Minerals is Bingham Canyon in Utah, the deepest open pit copper/gold mine in the world. The gold by-product and a recently re-invested US\$400m investment programme has made Bingham one of the world's lowest-cost copper producers.

If the deal goes through, RTZ's beneficial share of Western uranium production will be boosted from 8% to 10%. This will depend on discussions with Western Mining Corporation of Australia, however, which is BP Minerals partner

the successful development of the company well into the 21st century. The greatest attraction lies in BP's precious metals interests, since these will turn RTZ into a major player in the gold market. But the deal will also expand RTZ's industrial minerals business, establish a new source of uranium output for it and provide more low-cost base metals properties.

The deal will increase the group's attributable annual gold output to about 1-million troy ounces and place it third — after Newmont and Placer Dome — in the ranking of producers outside SA.

Projects in the pipeline might increase RTZ's gold output to more than 1.6-million ounces in the early 1990s.

£406m, operating profits of £100m and capital employed of £1,540m. Sales and operating profit in the first nine months of 1988 were £484m and £180m respectively.

Capital gain

Gilliam believes that BP, having bought at the top of the cycle in metals prices, is also selling when they are at a peak. After substantial closures and write-offs, the assets being sold stand in the BP books at about US\$3bn, so the company will record a capital gain on the deal.

As for RTZ, which has been undergoing a major reshaping over the last two years, Birkin says the deal will give it "an unrivalled position in the mining world and secures

EXECUTIVES of both British Petroleum (BP) and the RTZ Corporation were looking very pleased with themselves this week after announcing the biggest-ever private deal between two British companies — agreement in principle for the sale of BP's minerals operations to RTZ for £2,400m.

John Gilliam, BP MD responsible for BP Minerals, said: "We've stripped it bare of all the rubbish and sold RTZ a very good business — at a handsome price." Derek Birkin, CE of RTZ, pointed out his company had developed a healthy reputation for not paying over the odds for any asset, however well it might fit the corporate strategy.

We have taken a typical RTZ conservative view when valuing BP Minerals," he added. BP admits to having spent a vast amount on its minerals operations since it started its excursion into the mining business first, with the acquisition of Selection Trust, the London-based mining finance house, in 1980 for £407m and then the purchase of Kennecott Corporation of the US, one of the world's largest copper producers, which changed hands in 1981 for US\$1,800m.

In 1987, BP Minerals had sales of

Blue Circle ^{CPM Trading} ~~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 manufacturer 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

C & W to dispose of TR interests in SA

*CWA TRS
10/1/89*

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.

SAB stalks Da Gama as UK partner disinvests

B/Dam 10/11/89

THE sharp recent uptrend in the share price of textile manufacturer Da Gama became clear yesterday when Tootal Group of the UK confirmed it was negotiating to disinvest and sell its indirect stake of 49,8% in the company.

Da Gama has been the subject of market rumours that SA Breweries would pick up Tootal's controlling interest but the Manchester-based company declined to identify the interested parties. Negotiations are now a year old, but the presence overseas of SAB directors spurred suggestions that Breweries was the likely buyer at 700c a share.

Speculation

After bottoming in February last year at 390c, the shares were nudged to the 500c level in September on the company's fine interim results to June when earnings jumped 39% to 45,1c a share.

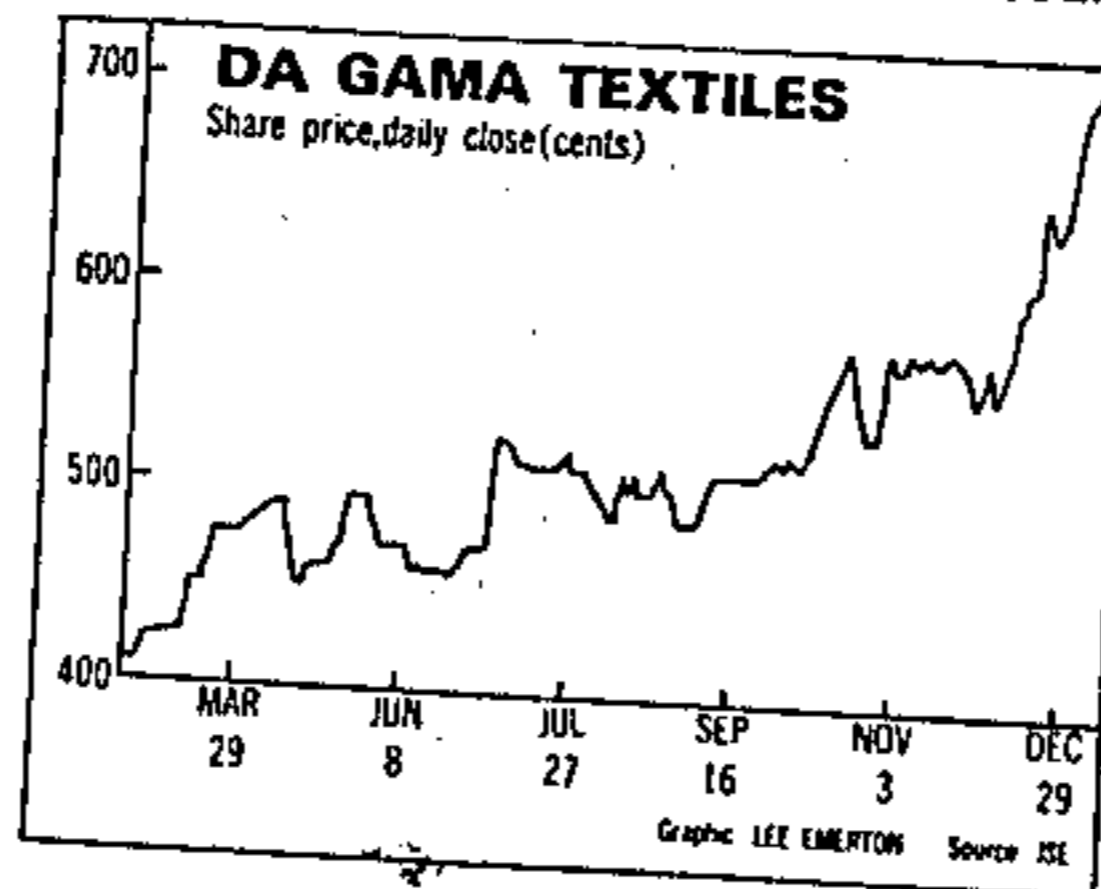
But speculation was fuelled by the sharp rise of the shares to the current peak of 710c, coupled with the increase in trading in the stock on the JSE — volumes more than doubled to 534 660 from a monthly average of 257 820 during the rest of 1988.

A big institution was the major buyer of the shares but the stocks had been widely and highly recommended by several stockbrokers. Analysts believe SAB would be interested in buying Da

MERVYN HARRIS

Gama to extend the range of its consumer-based industries outside the field of beer. Da Gama financial director Nick Pietersma declined to comment.

Da Gama is cash flush with about R30m on hand. With gearing at the interim stage only 0,6%, the company is well placed to make acquisitions. Market talk was rife three months ago that Da Gama would take a stake in the Fr ame group but nothing materialised.



Analyst Heidi Vollmer of stockbrokers Frankel, Kruger said that before its recent rise, Da Gama showed the best fundamental potential among textile stocks.

Vollmer believed the shares were now fairly priced at the current level. Carol Neff of stockbrokers Davis Borkum Hare said the shares were lag-

ging in relation to other leading industrial stocks and part of the latest upsurge was on expectations of bumper results for the year to December. "On purely investment criteria, the shares represented a good buy", she said.

As the group's Ciskeian operations for about 75% of its activities, the group has a low tax rate. The rate was 20% last year and should not be much higher in the current financial year.

Another analyst suggested, however, that a degree of caution should be exercised about the group's prospects. Textiles is a cyclical industry and investors should look at the weak rand and import replacement.

Margins

Da Gama could nevertheless be protected from a cyclical downturn as it supplies products to government agencies such as hospitals, prisons and the Defence Force.

Another factor bothering some analysts is that Da Gama has one of the highest pre-interest margins of companies on the JSE. The company worked on a pre-interest margin of 21,3% in 1988 and analysts are looking to a pre-interest margin of 23% this year.

While this reflects creditably on management, the analyst doubts whether such high pre-interest margins can be maintained, especially in a downturn.

UK firms to disinvest

Star
10/1/89

Finance Staff

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Two British firms yesterday confirmed they are planning to sell their SA holdings, together worth almost R200 million.

Cable & Whireless said in London yesterday it would dispose of the SA interests of Telephone Rentals, a UK telecommunications company it recently acquired, while textile group Tootal confirmed discussions were under way for the sale of its 49,8 percent holding in another Da Gama Textiles, which is listed on the JSE.

TR (UK) has a 65 percent shareholding another company listed on the JSE, TR Services, worth about R20 million.

Blue Circle denies plans to sell off SA interests

1/10/89

COMPANIES

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

ROBERT GENTLE

hind 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 in 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 among the three companies sold in the deal was a British manufacturer 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 worldwide strategy to concentrate on its core business of pharmaceuticals.

Da Gama, TR Services to be sold B/day 10/11/89

British firms plan R200m SA pullout

LONDON — Two British firms, textile group Tootal and telecommunications multinational Cable & Wireless (C & W), confirmed yesterday plans were afoot to sell their SA holdings with a combined market value of almost R200m.

Manchester-based Tootal confirmed discussions were under way on the sale of JSE-listed Da Gama Textiles, one of its SA operations. Tootal's 49,8% holding in Da Gama is worth R177,5m at current market prices.

In an unrelated development, C & W said yesterday said it would dispose of the SA interests of Telephone Rental (TR), a UK telecommunications company it has just acquired. TR has a 65% stake in JSE-listed TR Services — worth almost R20m at yesterday's price of R2,40 a share.

Tootal director Jim Harrison said there had discussions on the sale of its SA stake for the past 12 months, but declined to name parties involved.

Pressed to confirm or deny suggestions that SA Breweries was one of the parties involved, and was in fact tying down the deal, he said: "I cannot com-

ROBERT GENTLE

ment any further on that."

Tootal, which last year made pre-tax profits of £40,3m on turnover of £504m, has textile interests worldwide. Besides Da Gama Textiles in SA, in which it has a stake of just under 50%, it owns around 60% of the Natal Thread Company.

Shortly after Tootal's confirmation, a C & W spokesman issued a terse statement saying: "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, about 82-million TR shares representing just more than 90% of the issued share capital.

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.

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

● See Page 6

GEC, Plessey will not sell SA interests

B/Dag

0/1/89 ROBERT GENTLE

LONDON — The SA interests of the two British electronics giants Plessey and GEC are unlikely to be significantly affected by the outcome of the multi-billion-pound bids each is making for the other. Both companies yesterday ruled out any possibility of going down the road taken by the other British telecommunications multinational Cable & Wireless (C & W), which has confirmed it will sell off the SA interests of TR (Telephone Rental); a rival telecommunications company it has finally acquired after a lengthy takeover battle.

Expand

A Plessey spokesman said that far from wanting to get out of SA, it was company policy to expand and exploit markets wherever they could be found in the world.

This was in keeping with Plessey's worldwide strategy of growth organically and through acquisition. "We have no immediate plans to offload anything," he said.

Similar pronouncements were made by GEC, which has a 50% stake in GEC SA. A spokesman said if GEC's bid for Plessey was successful, the only notable effect in SA would most likely be a change of ownership of the local joint-venture telecommunications company owned by Plessey and GEC. However, its structure would not be materially affected.

Da Gama in joint venture

By Ann Crotty

Latest announcement from Da Gama is that negotiations could result in the UK-based Tootal group, which indirectly owns 50 percent of Da Gama, entering into a joint venture arrangement in respect of its interest in Da Gama based on a price of 700c a share.

This settles the issue of the price at which a deal may be effected, but it does not throw any light on the identity of the other party involved.

Nor does it make any clearer why Tootal would want to sell off one of its most profitable concerns. Proceeds from a sale would be remitted in financial rands, while dividend income from this holding is remitted in commercial rands.

The list of possible buyers includes SAB, Frame, Tongaat and Romatex. There is even talk of a management buy-out. Market talk favours SAB.

Mervyn King, chief executive of Frame, says Frame is not involved. It is unlikely that Tongaat or Romatex would be given Competition Board approval since it would lead to too large a concentration of power in the industry.

Even SAB may have to get approval because of its related interests in the textile industry through holdings in Edgars, Jet and OK.

Da Gama Textiles' roots go back to 1946

DA GAMA Textiles which was thrust on to centre-stage yesterday by the news that its controlling shareholder, the UK Tootal Group, is negotiating with an undisclosed party to sell its 49,8% interest — has a history which goes back to 1946.

In that year the Calico Printers' Association of Manchester (now part of the Tootal Group), and the Industrial Development Corporation (IDC), as equal shareholders, established Good Hope, an SA-based textile operation near King William's Town.

In 1962, the IDC entered into a partnership with an overseas textile manufacturer which resulted in the establishment of Cyril Lord at Arnoldton, East London.

The Cyril Lord factory was established as a manufacturer of poplin for

REINIE BOOYSEN

the shirting industry and subsequently expanded into mens' and ladies' fashionwear and workwear.

In 1968 the Calico Printers' Association sold its interest in Good Hope to the IDC and the IDC formed Da Gama Textiles as the holding company of Good Hope and Cyril Lord.

Management support

In 1980, on the IDC's invitation, the Tootal Group acquired a 50% interest in De Gama. In 1982, Home Fashions was established in the Ciskei, a kilometre from the Cyril Lord factory.

Since 1980, the Tootal Group, with its worldwide textile and trading interests, has given management sup-

port to Da Gama Textiles.

The company was listed on the JSE in November 1986. It is now one of SA's leading textile manufacturers, with operations covering the full range of textile manufacture from cotton spinning to weaving, bleaching, dyeing, printing and finishing of fabrics.

The company has three manufacturing plants situated at Mdantsane, Zwellitsha and Arnoldton.

□ Da Gama shares were well-traded on the JSE yesterday, with 72 100 shares changing hands in 15 deals, compared with a daily average of 15 405 shares over the past three months. The share price was unchanged at 710c, although it has risen substantially from the 500c level of September last year.

Too tall to make huge profit on Da Gama sale

LONDON — Tootal, the Manchester-based textile group, stands to make a huge profit on the disposal of a portion of its holding in East London-based Da Gama Textiles.

The two companies yesterday informed shareholders that an undisclosed portion of Tootal's 49.8% stake in JSE-listed Da Gama was up for sale at around 700c per ordinary share.

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

This compares with the £250 000 Tootal paid when it first became involved with Da Gama in the late 1970s.

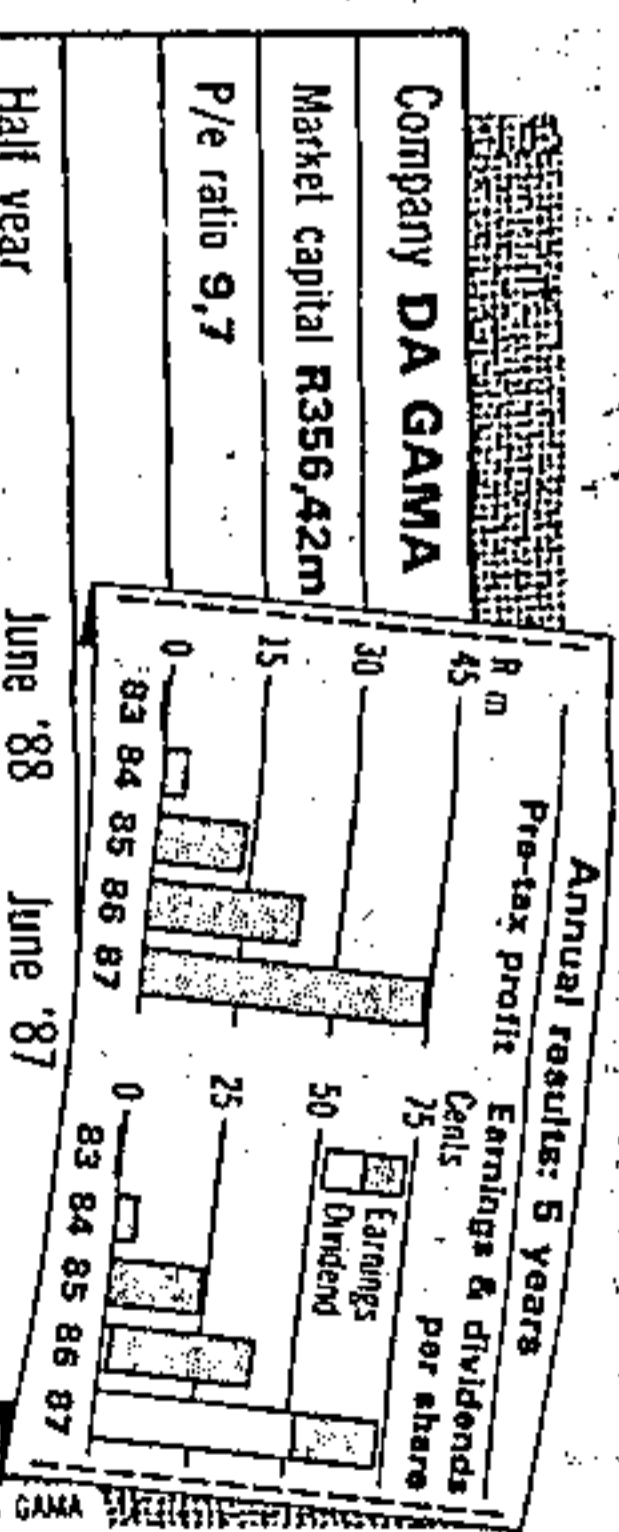
The company is still not saying exactly who the likely buyer or buyers will be, or

ROBERT GENTLE

exactly when the deal will be concluded. Discussions are at a "very delicate stage" and are "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 rationalisation, started almost three years ago, of the group's worldwide 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.



Company	DA GAMA
Market capital	R356,42m
P/e ratio	9.7
Halt year	June '88
Sales (Rm)	119.2
Pre-tax profits (Rm)	28.18
Earnings per share (c)	45.1
Dividend per share (c)	15.0

Meanwhile Da Gama's 4 900-strong workforce are unlikely to be affected by a decision to sell some of its shares in the group, reports Sapa.

opment group postponed its listing plans in October 1987 when the steam ran out for new issues. It was listed late last year.

The board is confident that the results for the year will improve on those for 1988.

Since October 1988, the

Stocks & Stocks shares are trading at 155c, a 28% discount to the stated net asset value of 213c a share.

By Richard Rolfe

LONDON. — Tootal, the £350-million UK group which owns 49.8% of Da Gama Textiles, said this week that its negotiations to sell the stake should not be interpreted as a withdrawal from SA.

Tootal intends to retain a small interest in Da Gama. It will also keep its traditional sewing thread interests, held through 56%-owned Natal Thread.

Geoffrey Maddrell, chief executive of Tootal, said he expected the SA negotiations to be concluded by the end of the month.

The Da Gama interest represents about 12% of Tootal's market capitalisation and Mr Maddrell describes it as peripheral.

Like many other companies, Tootal is selling such interests to achieve a better focus.

Tootal is likely to be on the

Tootal hangs on to threads

receiving end of a bid from entrepreneur Abe Goldberg, who controls Australia's largest textile group.

Mr Goldberg launched an unsuccessful bid for Tootal in 1985 and has recently built up a stake of 9%.

He says he will seek discussions shortly with SA-born John Craven, Tootal's non-executive chairman and chief executive of merchant bank Morgan Grenfell, to determine whether or not to make a new bid.

Forklift fleet rises

FORKLIFT Hire, a member of the Sure Group, has increased its fleet of forklifts to more than 300 with the purchase of 70 Mitsubishi units from APE.

Forklift Hire has the youngest forklift fleet in SA. It is the only nationwide operator. Older units have been re-

moved from the fleet, keeping the average age to under two years.

Downtime caused by breakdowns is kept to a minimum and it is the company's policy that if problems develop which cannot be put right in four hours, the unit is replaced.

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.

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.



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

Plessey bid hanging on thick red tape

B/Dew 13/11/89

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LONDON — Caution is rampant in Europe over the £1.7bn international bid for Britain's Plessey electronics company.

Prime Minister Margaret Thatcher's Tory government and the EC Commission joined the fray yesterday with probes into an Anglo-German raid into a key technological sector.

The Conservatives have called in the watchdog Monopolies and Mergers Commission.

The EC is launching a formal inquiry to see whether the proposed joint bid by Britain's General Electric Co and West Germany's Siemens violates the 12-nation organisation's competition rules.

EC commissioner Leon Brittan wants information from the companies involved and hopes to complete the inquiry soon.

A successful takeover would create one of Europe's biggest electronics concerns.

Any deal has been put on ice, however, for about three months because Britain's Office of Fair Trading's referring of the bid to the Monopolies watchdog puts the affair in limbo until the UK government reviews the findings.

The Trade and Industry Department cited possible competition implications, particularly in defence electronics and traffic control equipment, which it said deserved investigation.

"The decision to make a reference to the

commission does not prejudge the question of whether or not the merger concerned would be against the public interest," it said.

Plessey, target of a GEC bid two years ago, has been building defences against this assault by its bigger rival.

Trade Minister Lord Young said GEC and Siemens would be prohibited from acquiring an aggregate 15% or more of the voting shares in Plessey during the period of review.

The Monopolies Commission steps in, ironically, amid evidence GEC will be the target of a consortium bid with Plessey support.

Purchases

□ The GEC-Siemens joint venture increased its stake in Plessey yesterday to about 14.9% after their take-over bid went to the Monopolies and Mergers Commission.

Barclays de Zoete Wedd, London broker to the companies, said yesterday purchases amounted to about 89-million shares — slightly under 12% of Plessey's share capital.

GEC-Siemens paid 245p a share in the mid-morning raid shortly after announcement of the bid referral.

This is well above the 225p offered in their take-over bid. — Sapa-Reuter, AP-DJ.

GEC, Plessey fallout for SA

S/Times 15/1/89

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

By Richard Rolfe

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.

Greenhaigh to lead W & A foreign expansion

W & A's London-listed subsidiary AAF Investment Corp has appointed British merchant banker Peter Greenhaigh to spearhead its expansion in the UK and internationally.

He will establish a London head office and assume the position of MD and CE of AAF from February 1.

Greenhaigh has been an adviser to FSI since 1984, when he acted as merchant bank adviser to the group in its acquisition of National Bolts, and has

MERVYN HARRIS

been a non executive director of National since then.

After FSI gained control of W & A in September 1987, Greenhaigh was appointed to the AAF board as a non-executive director and has been strategically involved in the conversion of AAF from an inconvenient and costly dividend conduit in the W & A structure

into a free-standing company with a London listing, £25m cash and no borrowings.

AAF shares traded in London yesterday at 205p compared with their net asset value of 160p.

FSI CE and AAF chairman Jeff Liebesman said: "The appointment of Greenhaigh ensures continuity of direction for AAF which will be developed as the international expansion arm for

W & A."

Greenhaigh was until recently head of corporate finance at British merchant bank Arbutnot Latham and brings core members of his team at the bank to AAF.

No stranger to SA, Greenhaigh first served as a merchant banker for Hill Samuel in London and then in Johannesburg. His academic career included spells at Cambridge and as a professor at the University of Cape Town.

12/Day 26/11/87

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CAPE TOWN —
The UK and EC call
for a ban on new in-
vestment to SA
should be with-
drawn as a gesture
of support for some
of the positive changes now taking
place in the country.

So says a high-powered British trade
mission led by UK-SA Trade Associ-
ation chairman Sir Keith Stuart, which
visited SA late last year.

In its report, details of which have
been obtained by Cape Town's Chamber
of Commerce, the mission records that
the SA government has made several
important gestures towards interna-
tional opinion that need to be recog-
nised and supported by a reciprocal
gesture. These include:

- Acceptance of the basis of agreement
leading to the withdrawal of Cuban
forces from Angola and implementa-
tion of independence for Namibia;
- Reprieve of the Sharpeville Six;
- Gradual steps that could eventually

Changes in SA 'deserve gesture'

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CHRIS CAIRNCROSS

lead to Nelson Mandela's release; and
 Government's condemnation of Boks-
burg municipality's intention to re-in-
troduce petty apartheid to the area.

The report says the association will,
from a business standpoint, attempt to
blunt pressures for increased sanctions
against SA in the EC.

It declares that enough progress has
been made in the country for at least a
small gesture of reciprocity to come
from the international community, such
as removing the voluntary ban on pro-
moting tourism or new investment.

The report further concludes that the
most urgent need for peaceful change is
greater economic opportunity for black
South Africans and, therefore, growth.

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 conglomerate, 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 resources 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.

'Appropriate to disinvest'

Minet sells local stake to Syfrets

976 7th US 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 Min-

neapolis 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."

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

Minorco's missing millions

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 slung 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 Phillimore as Minorco's hidden fist — and arguably more persuasive than the one Sir Michael Edwards 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 GFS. As wags might put it: Edwards 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 Johannesburg to London. Roger Phillimore, former personal assistant to Anglo chairman Gavin Rilly 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 inves-

tor relations have been a severe handicap. Fund managers before last autumn could have been forgiven for thinking "Minorco" 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."

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Minorco's missing millions

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Lawyers wary of SA profit

LONDON — The Law Society, which represents almost all solicitors in England and Wales, is withdrawing investments from two prominent British companies with operations in SA.

It has approved by 34 votes to 27 a move to pull out about £73 000 invested in Northern Engineering Industries and textile group Courtaulds.

The society said NEI and Courtaulds had fallen foul of a rule stipulating no investments would be made in any company that derived more than 5% of pro-

fit from SA.

Courtaulds said the Law Society's figures were inaccurate because the company derived only 1% of earnings from SA. NEI refused to comment.

Society spokesman Sharon Wallach said investments in any other British company in a similar position would also be withdrawn.

The Law Society's portfolio stands at about £1.9m and has investments in BP, Shell and ICI.

BIDAM 307/1187
ROBERT GENTLE

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BIDM 30/1/87
ROBERT GENTLE

SAB scoops control of Da Gama Textiles

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 'totally vindicated' by bid approval ^{CME Times 3/2/87} 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."

Full board to plan renewed Minorco bid

CPM. Tim's 6/2/89 (61) ~~EX~~ ~~EX~~
Own Correspondent

LONDON. — A full meeting of Minorco's 17-strong board — including Harry Oppenheimer and Anglo American chairman Gavin Relly — has been called for February 16 in Luxembourg to put the finishing touches to a renewed takeover offer for Cons Gold, now worth £3m on the stock market.

Ahead of this crucial meeting, Relly and Anglo deputy chairman Julian Ogilvie Thompson slipped secretly into London late last week.

This weekend they held informal talks over the historic opportunities presented by the Monopolies and Mergers Commission's no-string clearance of Minorco's bid.

Minorco, led by CE Sir Michael Edwardes, has until February 23 to relaunch its bid for ConsGold. Discussions have already begun between Minorco's five-man inner cabinet and financial advisers.

The Luxembourg meeting is likely to be the last attended by the legendary Harry Oppenheimer. A deck clearing exercise is planned by Sir Michael Edwardes to halve the eight present and former Anglo directors on the Minorco board.

The move is designed to reduce the overall size of Minorco's cumbersome directorate, eliminate the duplication of Anglo representation and clear the way for senior City names to represent outside shareholders.

Shares in Cons Gold closed on Friday at £14.27, up 13p on the week and well above the original Minorco terms of £13.20.

The MMC clearance has much enhanced the standing of Minorco, whose shares jumped 72p on the week to 769p.

● According to a snippet in yesterday's Sunday Telegraph, all eyes in the mining world Down Under are on Robert de Crespigny, boss of Normandy Resources, and seen by some as "Oppenheimer's Man in Oz".

The newspaper said if Minorco wins its bid for Cons Gold, it is pledged to sell Cons Gold's stake in the Australian mining group Renison.

One buyer could be Western Mining, which has stepped in on Normandy's side in a £160m battle for control of the Poseidon group between Normandy and Sir Peter Abeles' TNT.

COMPANIES

Management buyout of five Glynnwed firms

LONDON — Glynnwed International, the Birmingham-based industrial group, yesterday confirmed it had disposed of its remaining interests in five SA companies via a management buyout.

The largest of these companies is Glynnwed's wholly owned subsidiary Falkirk Industries, which manufactures iron foundry products for the building and consumer markets. In 1987, it reported a loss of £1m.

ROBERT GENTILE

Yesterday the management of Falkirk Industries in SA confirmed the buyout but refused to comment further.

Also being sold are four property companies associated with Falkirk. Glynnwed would not reveal the names of these companies, saying only that they were "pretty trivial". The interests in the five companies

will be taken on board by Adeva Group Investments, a company formed by certain members of the Falkirk management. The purchase consideration was not disclosed, and was merely said to be "nominal".

However, it is understood to be close to £1.3m, as the net effect of the transaction reduces Glynnwed's borrowings by this amount.

The move marked the end of a disinvestment process that started back in

1984 when Glynnwed disposed of white goods manufacturer Defy, till then the flagship of its SA operations.

Attempts in subsequent years to off-load Falkirk as well were not successful. "We had difficulty finding a buyer," a spokesman said.

He added that the decision to dispose of the loss-making Falkirk was purely a commercial one. Glynnwed made pre-tax profits of £62m last year on its worldwide operations.

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B/D and 8/2/89

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61 BID and 8/2/89

British deny promoting trade with Republic

9/2/89
LONDON — The British government has defended itself against claims by the Anti-Apartheid Movement that it was encouraging companies to continue trading with South Africa.

A spokesman for the Department of Trade and Industry said: "We adhere to the measures agreed to at the Commonwealth summit in Nassau in 1985.

"There is no government funding for trade missions to South Africa or for trade fairs in South Africa," he said. However ordinary businessmen received normal support.

"Sir James Cleminson, chairman of the British Overseas Trade Board, has said there is good business to be done there and we should be doing it," he

said.

The AAM this week published a report, "Selling Out to Apartheid", which accused the DTI of deliberately ignoring the sanctions to which Britain was nominally committed, and taking commercial advantage of other countries' sanctions measures.

The report listed various British companies which, it was claimed, had made new investments in South Africa since September 1986 in defiance of a voluntary ban announced by Prime Minister Mrs Margaret Thatcher.

The AAM said it would continue to view Shell as its main target and "hoped to break its back" and force a pull-out from South Africa by the end of the year. — Sapa.

British companies sink £5bn into 'stable' SA

CME TUNBS 14/2/81 (61)

By AUDREY D'ANGELO
Financial Editor

BRITISH companies have invested £5bn in this country because they expect it to become stable and prosperous with an expanding economy, Lord Marsh, new chairman of the British Industry Committee on SA, (Bicsa) said in Cape Town yesterday.

In addition, money is being invested in black housing and education as a positive contribution to change.

But, he warned, if progress towards making SA a peaceful, stable, non-racial society seemed to come to a halt the element of risk to the investment would increase and it could be withdrawn.

Bicsa accounts for 80% of direct British investment in SA and about half the total capitalization of the London stock market.

Emphasizing that apartheid was as unattractive to its members "as to any young student who thinks the world should be a perfect place", Lord Marsh said that Bicsa took a wider view.

Along with Margaret Thatcher it regarded apartheid as an abomination on economic as well as moral grounds. But he was quite willing to argue against sanctions — on moral as well as economic grounds — because they hindered the development of an educated prosperous black middle class.

British companies who had weighed the risks were investing in SA because the economy was in difficulties only for political reasons and "they think there is a future here, and a good one."

"It is not far-fetched to see SA becoming the lynch-pin of devel-

opment for the whole of Southern Africa and a very good place to be."

Lord Marsh said he did not believe feelings of hostility towards SA whites in black Africa would prevent this from happening or would be permanent. Black African countries were well aware that SA was "a potential economic powerhouse and this would be for everyone's benefit."

Pointing out that two bitter wars had been fought between European nations, he said there was now no ill-feeling between them about this.

He did not think the solution to SA's complex problems would be quick. But "these things evolve after a time. Human beings eventually start behaving sensibly, realizing they have a vested interest in doing so."

Bicsa expects SA to stabilise

CAPE TOWN — UK companies had invested £5bn in SA because they expected the country to become stable with an expanding economy, incoming chairman of the British Industry Committee on SA (Bicsa) Lord Marsh said here yesterday.

The companies were also investing in black housing and education as a positive contribution to change.

Own Correspondent

But, he warned, if progress towards making SA a peaceful, stable, non-racial society appeared to come to a halt, the element of risk to the investment would increase and it could be withdrawn.

Events appeared to be moving in the right direction in SA, he said.

14/2/89
G.D.

Wiggins Teape sells SA holding to Malbak

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14/2/89

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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 resources 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.

one trip 1/12/89

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 injunction 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.

Suter wants to sell stake

LONDON — Suter, the giant UK industrial group, said yesterday it would dispose of its 26% stake in the SA freight company, Grindrod, if a suitable buyer could be found.

Financial director Brian Hoare said: "If we had an appropriate offer, we would definitely consider selling."

The reason for the disposal of Grindrod, whose freight operations cover land, sea and air, would be "purely commercial" as the company did not fit in with Suter's main line of business.

Hoare said no contact had yet been established with potential suitors. As

ROBERT GENTLE

for the fate of Suter's more extensive investment in the SA company, Refrigeration Investment, he said that was a long-term holding which Suter had no intention of relinquishing.

Suter's SA interests have been steadily decreasing since the acquisition in the UK in 1987 of the Mitchell Cotts engineering group. Virtually all of the latter's SA operations have now been disposed of.

Hoare said it was no longer accurate to describe Suter as having "extensive" SA interests.

61
16/2/87
B/D

'Need to respond quickly'

AS DERIVATIVE products based on established financial instruments in the equity, capital and money markets, financial futures and options rely on active cash markets.

And, to fulfil the hedging needs of their users, exchanges in these derivative products need to respond quickly to changes in the underlying cash markets.

That was the message the London Financial Futures Exchange (Liffe) conveyed to SA's futures market at this week's Frankel, Kruger, Vinderine conference.

Liffe business development director Nic Carew Hunt said besides being able to adapt their contract specifications to changing demand in the cash markets, the exchanges should aim for diversified product ranges. This would help to offset the effects of changes in a major underlying market.

The reduction in the UK government's borrowing requirements as a result of privatisation, meant that Liffe had to adapt its main contract — the long-term gilt future. The contract which once contribut-

Day 17/2/89
LESLEY LAMBERT

ed up to 60% of the exchange's turnover, now accounts for up to 40% and its contribution will continue to diminish as new cash issues dry up and government buys back existing gilts.

Carew Hunt said: "There is nothing much an exchange can do when this happens except provide new products or adapt existing ones to suit changes in the cash markets."

Liffe has changed the specifications of the long gilt, introduced a medium-term gilt future and marketed its short-term interest rate contract to users who needed to hedge increased volatility at the short end of the interest rate yield curve.

The bulk of SA futures trade is also attributed to a long-term bond contract, with about 70% of trade in the Eskom loan 168 future. The local futures market has considered a new long bond contract based on a notional bond which, unlike the Eskom stock, would not be a wasting asset.

CME Times 20/2/89

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.

£3,2bn offer a sighting shot?

Minorco's fresh bid 'a ploy'

cmf 1/25 21/2/87

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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 Consgold 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.

SA must rid itself of ^{Star 2/1/87} discrimination — BP ⁽⁶¹⁾

Staff Reporter

BP Southern Africa seeks the total elimination of legislative discrimination, the company's chairman Mr Ian Sims says in BPSA's "Social Report" released today.

"Despite the turmoil, the sometimes mixed signals, the periodic setbacks we encounter in South Africa, there is an increasing recognition that the country must change," Mr Sims says.

Speaking on BPSA's initiative, announced in the company's last "Social

Report", to campaign for District Six to be designated an open area, Mr Sims said significant progress had been made.

"We have invited 19 private sector companies to participate in a non-profit development company and the Cape Town City Council is completely supportive and involved."

"Dialogue with the community confirms strong support for the project with many hundreds of requests from people who wish to be rehoused in District Six."

Transatlantic notches 34% jump in profit

By ROBERT GENTLE

LONDON. — Transatlantic Holdings, the UK financial services giant in which SA life insurer 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 TransAtlantic", 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 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.

Business Report

Minorco bid pales

By ROBERT GENTILE

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 Ed-

wardes, 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 being 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 treasurer 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 low 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.

New highs lows

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Consgold profits drop 25%

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CM-Trade
2/12/89

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 then 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.

Minorco keeps the heat on Consgold

CN/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 institutional shareholders — holding between them 20% of the equity — showed a majority believed a bid of between £15 and £17 would be needed to succeed.

turnover rose by 30.7% to R21,7m

Sweet results from Cadswep

CADBURY Schweppes' (Cadswep) earnings a share are up by 37% and taxed profit has grown by 42%. Earnings a share rose from 254c to 349c after taxed profit increased from R16m to R22,8m. A final dividend of 117c a share brought the total to 150c (110c). Turnover grew by 20% to R326,4m (R271,1m).

Turnover

112695 6/3/89

New strike vote threat to fuel supply

The Argus Correspondent

DURBAN. — As the strike by about 650 workers at the Shell and BP SA petroleum refineries entered its sixth day today, more than 400 workers at Mobil's refinery have voted overwhelmingly in favour of strike action which could affect the country's fuel supplies.

Mobil spokesman Mr Barry Housdon said he was unable to comment because Mobil had not been advised either by the union of the result of the ballot.

Management was to meet the union today at its request.

The Southern Natal petroleum co-ordinator for the Cosatu-affiliated Chemical Workers Industrial Union, Miss Pat Horn, said today that 95 percent of the 84 percent of workers polled voted for the strike.

This followed management's refusal to take part in joint industry-wide negotiations.

She confirmed today's meeting with Mobil management and said workers would meet tomorrow to discuss action after the ballot.

Miss Horn said a conciliation board meeting between the union and Shell subsidiary, Veetech Oil, failed on Friday to resolve a dispute on wages and working conditions.

Wages at Veetech were below those of Shell and the company was not prepared to negotiate a worker housing scheme. All other Shell workers had a housing scheme, she said.

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CAF Tips

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Mobil workers vote to join petrol strike

Own Correspondent

DURBAN. — The strike by workers at BP South Africa Petroleum Services (Sapref) enters its sixth day today while at the Mobil refinery, workers voted on Thursday and Friday to go on strike.

Ms Pat Horn, co-ordinator of the Chemical Workers' Industrial Union's petroleum sector in southern Natal, said 95% of the 84% poll at Mobil had voted to take strike action as a result of management's refusal to participate in joint negotiations in the petroleum industry.

The company has requested a meeting today with the union to try to resolve the wage dispute and workers will meet tomorrow to discuss the next step, Ms Horn said.

In the other dispute, shop stewards and Sapref management met on Friday in an effort to resolve the strike by Sapref workers.

"Some progress was made in the meeting and in principle agreement was reached on the wage increases.

"But the company's refusal to agree to educational assistance for their employees' children has created a stumbling block to reaching a settlement," Ms Horn said.

"This is a particularly important issue to workers," she said.

Minorco

confident
of bid

CA & Times 7/3/89
7/6/89
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'

From SVEN LÜNSCHE

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, especially 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 there was no legal limit to the holding of foreign funds by UK institutions".



Sir Michael Edwardes.

~~TOP SECRET~~ 8/3/09

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1 strike ends, another looms

DURBAN. — The strike by 650 Sapref workers here ended yesterday after the Chemical Workers' Industrial Union accepted management's wage offer of R160 a month or 15% across the board.

But CWIU organiser Miss Pat Horn warned that 450 workers at the Mobil refinery in Durban were "likely" to begin strike action today because "Mobil refused to negotiate jointly with other companies in the industry, and a dispute has arisen". — Sapa

ConsGold unveils defence document

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."

Minorco gladiator comes a-wooing

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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.

Business Report

'Long on rhetoric, short on facts'

Minorco slams Consgold defence

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 portfolio 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.

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Consgold snaps back at Minorco

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.

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"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 misrepresentation".

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.

MINING

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**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 which 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 give 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.

New scheme aimed at unlocking fresh foreign funds

LONDON — A \$51m loan securitisation scheme, which could unlock fresh foreign funds for SA, was unveiled by UK corporate finance group Gemini Capital on Friday.

The move, approved by the Reserve Bank and a group of institutional SA investors, is seen as an effort to

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broaden the shrinking pool of foreign lenders. It involves a swap process whereby banks with loans to SA can "securitise" them by trading them for higher-yielding floating-rate notes partly backed by 20-year zero-coupon

US treasury bonds.

Gemini Capital, in which Johannesburg-based UAL Merchant Bank has a one-third stake, has set up a company called Stratus which will own the treasury bonds, worth \$40m.

Stratus will offer to buy up SA loans with a face value of \$51m.

Minorco expected to pull out all stops

From ROBERT GENTILE

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 alleged anti-

trust grounds and selectively 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 be-

fore 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 shareholder-

ers. 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 inadequate.

Now, however, the bottom has all but fallen out of the ConsGold share price, and analysts ex-

pect 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 Rudolph 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.

Altron not daunted by Telemetrix's losses

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 re-

ROBERT GENTLE

sults 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.

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."



Member firms stick to EC code on pay

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28/3/89

The Argus
Foreign Service

LONDON. — More than 97 percent of black workers employed by British companies operating in South Africa are paid above the European Community code of conduct's recommended minimum level.

This is disclosed in the British Department of Trade and Industry's latest assessment of the working of the code.

The assessment covers the 12 months to the end of June last year.

Companies also reported "impressive" levels of involvement in projects benefiting not only their employees and their families, but also the communities from which their workforce was drawn.

The companies continued to encourage the growth of black businesses, an element introduced in the code in 1985.

99 report

Altogether, 99 companies with full reporting responsibilities (Category A) submitted reports for the period under review, 10 fewer than the previous period. Eleven reports were submitted from from Category B companies.

Category A companies employed 62 600 black workers, 7 700 fewer than the last reporting period.

The report said that more than 95 percent of the Category A companies confirmed that all employees, irrespective of race, were free to choose the type of organisations to represent them.

Most also reported formal involvement with trade unions representing their black employees.

All but one of the companies confirmed that common pay scales were applied for all employees.

On merit

More than two-thirds of the companies indicated specific policies in the employment and promotion of black workers in and to supervisory and management jobs.

The remainder confirmed that employment and promotion was based on merit, with no discrimination according to race.

Assistance provided by companies to black-owned businesses included sub-contracting and giving such businesses priority treatment in customer-supplier relations.

● Britain's Anti-Apartheid Movement said: "The minimum wage level is utterly inadequate, and many British subsidiaries either do not report on their performance, or argue that they fall outside the code's definition of a foreign subsidiary. The code itself has gaping loopholes."

'British investment needed in SA'

Star 20/3/87
THE STAR'S FOREIGN NEWS SERVICE

LONDON — British Premier Margaret Thatcher should offer British investment in South African enterprises in which workers of all races are promoted on merit, the *Independent* newspaper said in an editorial yesterday.

The newspaper said the survey it commissioned on black South African opinion "raises serious difficulties for supporters of economic sanctions".

But the results also suggested Mrs Thatcher has failed to convince black South

Africans of her good faith.

"Mere opposition to sanctions is a mean-spirited position to adopt. It is amply justified in theory: The more a country is cut off from the outside world, the greater the scope powerful bigots inside it enjoy to impose their narrow-minded prescriptions.

"But in practice, hostility to sanctions can appear indistinguishable from support for racism. Mrs Thatcher is right about sanctions, but so far she has failed to convey repugnance for apartheid, still less to

show imagination in seeking ways to hasten its end."

It suggested vast economic development was needed in South Africa. This would dissolve opposition from poorer whites afraid of losing their jobs to black competition.

"Capitalism is colour-blind. This is the point Mrs Thatcher should be making on her present tour, and to prove her good faith she should offer additional British investment in South African enterprises in which workers of all races are promoted on merit."

MINING

AKKUS 3/3/87

Minorco offers to post \$100-m bond with US court

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".

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Shell demands apology from AAM activists

Own Correspondent

LONDON. — Shell UK yesterday demanded a full retraction and apology from key anti-apartheid activists for what it called defamatory statements about the company's investment policy in South Africa.

In the oil multi-national's sights are up to 16 key anti-apartheid activists, many from the Anti-Apartheid Movement (AAM).

At the centre of the controversy are allegations made by the AAM earlier this year that Shell had breached sanctions against SA during 1986 and 1989.

This led to Shell being put on a list of 16 such British companies, which was circulated at the Commonwealth Foreign Ministers' conference in March this year and given to the BBC.

ROBERT GENTLE

LONDON — Shell UK yesterday demanded a full retraction and apology from anti-apartheid activists for "defamatory" statements about the company's investment policy in SA.

Although Shell would not be drawn on what would happen if these demands were not met, the possibility of legal action was not ruled out.

In Shell's sights are up to 16 anti-apartheid activists, many from the Anti-Apartheid Movement (AAM).

They include MP and former Liberal Party leader David Steel, the Rev Trevor Huddleston and actress Julie Christie.

At the centre of the controversy are allegations made by the AAM earlier this year that Shell had breached sanctions against SA during 1986 and 1989.

This led to Shell being put on a list of 16 such UK companies which was circu-

Shell demands AAM apology

BIDEN 4/4/89

lated at the Commonwealth Foreign Ministers' conference in March this year and given to the BBC.

Shell's defence was sent to Deputy Foreign Secretary Lynda Chalker and the Commonwealth Secretariat.

In it, the company said it had acted in full accordance with the voluntary ban on new investment in SA.

Shell further accused the AAM of repeatedly inventing facts, distorting information, publishing falsehoods and promoting its own objectives at the expense of Shell's reputation.

AAM president Stuart Bell said the matter was in the hands of lawyers.

There are two sets of clues, but the answers are the same

Matthews brothers take major stake in UK company

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 development.

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.

Minorco in final bid for ConsGold

Copy Times 10/4/89

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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 Rudolph 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 unnecessary 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 pre-emptive 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 instructions 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 Rembrandt 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.

Plessey UK denies reports of sale of stake

LONDON — Plessey UK confirmed its commitment to the local subsidiary yesterday, denying SA Press reports that it was on the point of selling its stake in the local subsidiary to Sanlam.

"There have been no discussions at all with Sanlam or any other buyer," a spokesman said. *8/10/84 11/4/84*
Sanlam, through its industrial arm

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ROBERT GENTLE

SanCorp, owns 26% of Plessey SA.

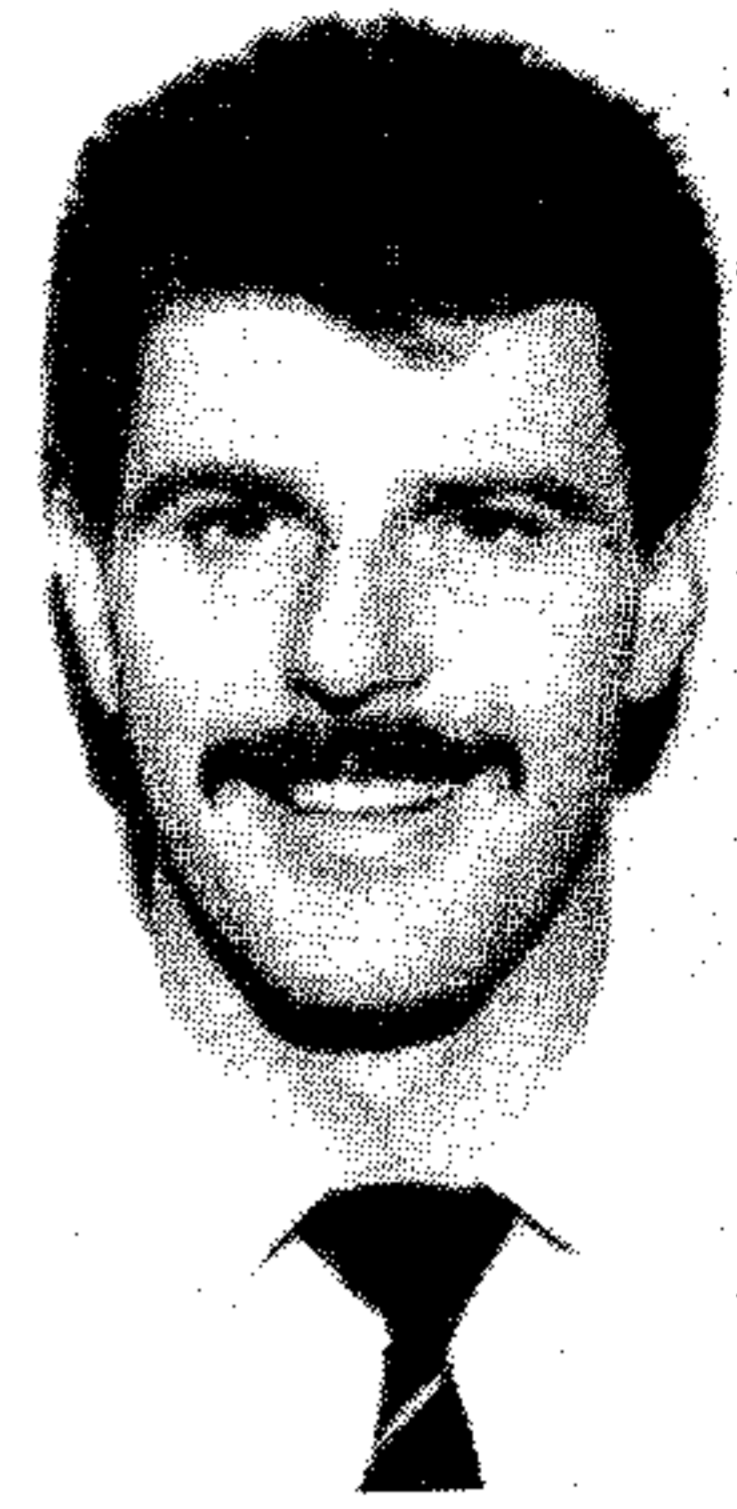
Meanwhile, the British Monopolies and Mergers Commission report into the £1.7bn joint GEC-Siemens bid for Plessey has been completed.

The report is now in the hands of Trade Secretary Lord Young.

Further drop in ConsGold price

Minorco's new offer given 'thumbs-down'

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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-denominated 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 knockout 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 too 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.

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SA by far the UK's biggest African trading partner

LONDON — SA was far and away the UK's biggest African trading partner in 1988, with exports and imports up in spite of the sanctions climate.

The London Chamber of Commerce's Tropical Africa section's annual report said UK exports to SA rose 13.3% to £1,07bn.

That put SA in the top slot with a figure of more than two-and-a-half times that of its nearest rival, Nigeria (£391m).

ROBERT GENTLE

UK imports from SA were also higher, up 22.7% to £808m.

That produced a visible trade balance of £267m, again ahead of Nigeria (£262m).

The report said UK trade with sub-Saharan Africa was "indifferent" and suggested were it not for the SA contribution, the figures may have been much worse.

It said: "Overall, this is not a picture

from which much satisfaction can be gained."

Among the problems encountered was a reduction of trade with those economies on the African continent which were "on the mend". Prime among these was Ghana, where UK exports fell 8.7% to £126m in spite of that country's steadily growing economy.

Even Nigeria, regarded as one of Africa's largest markets, saw imports and exports fall. Kenya registered only small increases in two-way trade.

Shell uses media to counter lab blockade

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AMSTERDAM — Shell-Netherlands has launched an effective counter-attack in the local media in advance of the Dutch anti-apartheid movement's planned mass-blockade of Shell's research laboratories in Amsterdam.

Extensive interviews with the company's usually more media-shy officers have been published for several weeks now, and there have been long talks with church groups.

Shell-Netherlands has been on the receiving end of often violent and destructive activists' attacks on their petrol stations and other properties for several years now. Anti-apartheid activists have long demanded that the company pull out of South Africa.

This week's call that activists join the three-day planned blockade — expected to draw massive foreign-media attention — is viewed as "incitement to violence" by Dr J L de Vries, director of Shell-Netherlands.

He has issued a public call to church groups to "show their often-expressed

abhorrence to violence by actively opposing the blockade".

And Amsterdam's "anti-apartheid" mayor Mr Ed van Thijn has also warned that the calls for a blockade might be viewed as incitement.

Some local newspapers, such as the religious daily *Trouw*, have also refused to run advertisements by the Shell-blockade organising committee.

Dr de Vries has asked: "What form of decision-making is this, that is going on here? Is this the way to make decisions regardless of what is happening in South Africa?"

He added that there was "great appreciation for the positive work being done by Shell employees in South Africa, who are fighting for the very lives and future of their children".

Personally he did not believe that Shell would ever withdraw from South Africa. "Based on my personal knowledge of the country, I would always prefer instead to emphasise the positive things which are happening in South Africa these days." — Sapa.

M & R Foundries in major Cosworth deal

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.

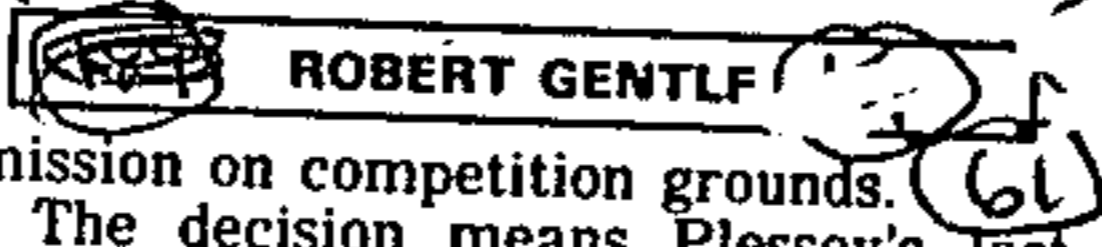
He said the agreement with Cosworth had been clinched in the face of stiff competition from other South African companies.

Restructure likely as Plessey bid gets green light

LONDON — Plessey SA moved a step closer to restructuring yesterday after the European Commission okayed a £1.7bn takeover bid for its UK parent.

The bid for Plessey UK, mounted jointly by telecommunications giants GEC of the UK and West Germany's Siemens, had been referred to the com-

1 Day 21/4/86



mission on competition grounds. The decision means Plessey's last line of defence is the Monopolies and Mergers Commission (MMC), whose report is expected this week.

All indications are that the MMC will

also given the bid the green light. Both GEC and Siemens — who also have extensive SA operations, some in co-operation with Plessey — have said there would probably not be any disinvestment but merely a restructuring and change of ownership on a local level.

The hearing continues

'Burn Shell to hell' cry demonstrators

The Star's Foreign News Service

AMSTERDAM — Several hundred anti-apartheid protesters cycled through central Amsterdam yesterday at the start of a three-day campaign to press Royal Dutch-Shell to withdraw its investments from South Africa.

Chanting "Burn Shell to hell", they pedalled past Queen Beatrix's residence in the hope of persuading the Dutch royal family to sell off shares in the oil company.

Campaign organisers said smaller protests took place in a dozen other Dutch cities against Shell which they say is the largest foreign investor in South Africa.

"We want to hurt Shell's image. If people associate Shell with apartheid, they won't buy Shell products," said a campaign organiser.

Protesters say Shell is helping to preserve apartheid, but Shell officials insist they can best help end apartheid by offering job opportunities to blacks.

Hunger strike, Napoli

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20/1/89

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An anti-apartheid demonstrator in clown's dress wields a styrofoam hammer during a confrontation with Dutch riot police near Royal Dutch/Shell research premises in Amsterdam yesterday.

Picture: REUTER

Four hurt in Dutch Shell protest rally

B (Dag 2-11-80)
AMSTERDAM — Four people were injured yesterday when mounted riot police dispersed anti-apartheid demonstrators trying to blockade the offices of Royal Dutch/Shell in protest against its links with SA.

Police and protest organisers said three demonstrators were taken to hospital with broken limbs after being trampled by police horses, and one policeman suffered an arm injury.

Two demonstrators were arrested out of about 3 000 people taking part in the protest outside Shell's research complex.

The activists marched through central Amsterdam as part of a three-day campaign to exert pressure on the Royal Dutch/Shell oil company to disinvest from SA. — Sapa.

attle with anti-apartheid demon

5/22/14/87
b1
Police break
Shell protest
activists' limbs

AMSTERDAM — Sixteen people were injured yesterday when mounted riot police dispersed anti-apartheid demonstrators trying to blockade the offices of Royal Dutch/Shell in protest against its investments in South Africa.

Another violent confrontation is expected today, as the mass blockade of Shell's main research laboratories in Amsterdam continues.

Three protesters were taken to hospital with broken limbs after being trampled by police on horseback and one policeman suffered an arm injury.

Twelve more demonstrators received first aid treatment for minor injuries and the after-effects of tear gas. Police said they arrested two demonstrators among about 3 500 people taking part in the protest.

The city's mayor, Mr Ed van Thijn, and Mr Klaas de Jonge, organiser of the Shell out of SA Committee, have accused each other of provoking yesterday's violence. — Sapa.

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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 domi-

nate 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.

Minorco bid outcome in the balance

CHE Times 26/4/89

(61)

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 Minorco 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 was 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 undertaking, 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 Am-

shoe, 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.

Way open to sell SA interests of R3,5bn

B/Day 27/4/89
REINIE BOOYSEN

MINORCO'S successful bid for ConsGold opens the way for the sale of ConsGold's SA holdings worth more than R3,5bn. 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 share price would decline on conclusion of the takeover battle, as Minorco could 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.

To Page 2

Way is now open to sell SA interests

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 GFSA. 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.

From Page 1

SA Firm's COULD Dramatic win for Minorco takeover bid

Capl Tips
27/4/89

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 Edwards, 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 "Totiens".

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 Edwards 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".

ConsGold's SA holdings up for sale?

CAME TIMES 22/4/89

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 GFSA. 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.

RC 27/4/87

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.

Minorco faces last hurdles before victory

Care Trans
28/4/87

NEWMONT, the US's largest gold producer, a US court injunction and the UK Takeover Panel stand in the way of Minorco taking control of Consolidated Gold Fields (ConsGold), in spite of Minorco obtaining acceptances for its offer from more than 50% of ConsGold shareholders.

While the US court injunction, which prevents Minorco from increasing its 30% stake in ConsGold, is in force, the SA-owned Minorco cannot take transfer of the shares handed in by those shareholders accepting its offer.

ConsGold said in a statement that litigation over the injunction would run its course and proceed to a full trial,

which is not expected to take place before September.

By this time the May 17 deadline for additional acceptances of the offer will be closed and in terms of the offer, the injunction has to be lifted before the bid can be accepted.

There are few options open to Minorco for it to be successful with the largest takeover bid in the history of the UK.

Clearly Minorco will have to obtain an extension from the Takeover Panel in the UK regardless of which route it

takes to gain control of ConsGold.

ConsGold have been encouraged by the fact that shareholders representing some 64% of the outstanding ConsGold shares had rejected the offer.

Although the majority of shareholders have technically sacked the ConsGold board of directors, chairman Rudolf Agnew said that the board remained adamant that it would fight on for the independence of the company.

Newmont has indicated that it will continue

its opposition to the hostile bid and is a key element in the Minorco-ConsGold battle.

Minorco will not be able to pressurize the Newmont board into lifting the injunction because Minorco cannot sit on Newmont's board even if the extraordinary general meeting of ConsGold shareholders proves to be successful for Minorco.

In the meantime Gold Fields of SA (GFSA) has issued a statement saying that it would not sell its shareholding in ConsGold until the verdict of

the US court is finalized in spite of an appeal made by Edwardes for GFSA and Driefontein Cons (Dries) to do so.

By accepting the offer GFSA and Dries would benefit to the amount of R1.3bn in cash and 57m Minorco shares worth R1.8m.

The Rembrandt group has first right to refusal for the 38% holding in GFSA owned by ConsGold, but a spokesman for the group said that it was not prepared to comment on whether or not it would take up the right to purchase the shares before any finality was reached in terms of the takeover.

— Financial Staff, London Correspondent and Sapa-Reuter

CP-7MB 29/484

Naude to call on Shell to leave SA

THE HAGUE. — Anti-apartheid leader Dr Christiaan Beyers Naude will address Shell's annual shareholders' meeting here on May 11 to press the oil company to pull out of South Africa, anti-apartheid groups said yesterday.

The South African churchman will lead a group of Dutch activists who accuse Royal Dutch Shell, the world's largest oil group, of being the biggest foreign investor in South Africa.

At past shareholders meetings, Shell officials have allowed anti-apartheid activists to speak briefly but the company insists it can do more to help fight apartheid by offering job opportunities to blacks in South Africa than by disinvesting. — Sapa-Reuter

Minorco's war far from over

w/c-ARLW 29/4/87 (61)

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's 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 is 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 transferred 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 its 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.

Political, economic prospects improving

By Neil Behrmann
LONDON — The political and economic prospects for South Africa have not been better for a long time, contends the Director General of British Industry Committee on South Africa, Nick Mitchell.

But, Mr Mitchell and about 110 delegates at a South African Outlook Conference organised by the SA Foundation last week, agreed that the Nationalist Government had to make a giant leap in outlook and policy to reverse the depressing trend of international disinvestment and sanctions.

But the disinvestment and sanctions movement is still likely to keep on the pressure, he cautioned.

The withdrawal of Mobil Oil illustrates that foreign companies are still under considerable pressure to pull out of South Africa.

Following sanctions legislation in 1987, Mobil and the remaining other US corporations no longer receive credit for taxation paid in South Africa. As a result they pay as much as 72 per cent on SA earnings. Net profits from a slack economy are just not worthwhile for companies that are constantly under pressure from anti-apartheid pressure groups.

Following the failure of the Dellums Bill last year to enforce even more wide-ranging disinvestment and sanctions legislation, there has been "a lull and loss of momentum of the sanctions movement," said Merle Lipton, a South African academic now based in Washington. But lobbying of the US Senate is critical and Mobil played a major role in financing that lobby, she said.

Nevertheless as Mr Mitchell pointed out, foreign business and banking attitudes towards South Africa have improved in recent months.

Reasons cited are the Angolan peace initiative, the moves towards independence in Namibia and expectations that FW de Klerk will be a far more pragmatic leader.

GFSA rights issue on cards?

New twist in Minorco, ConsGold saga

*CMB Tmk's
2/5/89*

LONDON. — The momentous Minorco-Consolidated Gold Fields (ConsGold) battle is set to take a dramatic twist this week with mounting speculation of a full-scale bid for Newmont Mining and the revelation that ConsGold's 38% associate Gold Fields of SA (GFSA) has been planning a R500m rights issue, in spite of denials by ConsGold in London.

Documents in the possession of The Sunday Telegraph show that the board of GFSA (which includes Rudolph Agnew and two members of the ConsGold board) was circulated with details of the rights issue plan in a memo dated April 13.

But in a statement on April 26, a ConsGold spokesman said: "There is no GFSA rights issue."

Rights plan

Minorco has protested to Britain's Takeover Panel that the rights plan is a "material fact" which should have been disclosed by ConsGold and mentioned in documents covered by responsibility statements. It is furious not just about the omission, but at the denial when it raised the issue with ConsGold on Wednesday.

ConsGold chairman Agnew said on Saturday: "We have no knowledge of a rights issue. It has not been raised with us (ConsGold) formally."

"GFSA has been looking at ways of financing its developments. These included selling off investments."

"I have not seen the memorandum. As far as I know, the rights issue has not been formally recommended."

The memorandum, from GFSA director B R van Rooyen, says that the cash was needed to fund new projects such as the Northam platinum mine.

It goes on: "The executive believes it would be prudent to raise between R500m and R600m by way of a rights issue to shareholders."

"Market conditions are more favourable than they have been for some time."

"Indeed, if our principal shareholder had not been preoccupied with other matters, the executive would have recommended a rights issue be mounted in the first quarter of 1989."

"The executive is of the opinion that further delay would not be wise ... This memorandum therefore is designed to provide the directors with an early warning of the company's funding requirements and to enable them to consider the principles involved in advance of the event."

The Sunday Telegraph says it has also seen excerpts of detailed notes of a GFSA board meeting on April 18.

Largest shareholder

These reveal that GFSA chairman Robin Plumbridge said that the largest shareholder (ConsGold) "is aware of the fact that GFSA is thinking of a rights issue".

Plumbridge himself sits on the ConsGold board.

GFSA holds a 7.8% stake in ConsGold and Agnew's reference to the option of "selling off investments" hits the rawest of nerves.

This is because GFSA has stayed fiercely loyal to ConsGold and has refused to accept the Minorco offer, even though acceptance would have brought in R650m in cash to the heavily geared company and obviated the need for any cash call. — The Sunday Telegraph.

FINANCE

No Wellcome change expected down the road

Own Correspondent

LONDON — As the pharmaceuticals industry prepares for a wave of mergers and acquisitions following the Smith Kline Beecham link-up, one British company stands firmly apart from the rush to find potential partners.

That company is Wellcome, and the reason it can remain aloof is that 74.9% of its shares are owned by the Wellcome Trust, a charitable organisation sponsoring medical research.

The company is therefore impregnable to a hostile bid. And chairman Sir Alfred Shepperd made it plain last week Wellcome had no immediate acquisition plans of its own.

He remains unconvinced by current theories that, in the pharmaceuticals industry, big is not only beautiful but will soon become a necessity.

A lively and combative 63-year-old, Shepperd will have been in charge for 12 years when he retires in 1990. During that time he has steered Wellcome from being a small, largely research-based group to a true multinational with turnover exceeding £1bn.

Profit-orientated

But has Wellcome's philosophy changed in the process? Shepperd says: "Our philosophy is axiomatic: to use our research and development to come up with better drugs."

On the other hand, he disputes suggestions that, because of its unusual history (Wellcome has been controlled by charitable trusts since 1936), the company is not run on strictly commercial lines.

"People used to think that perhaps Wellcome was less focused on profits than other companies. In fact, we have always been profit-orientated."

That was underlined by last Thursday's interim figures: pre-tax profits rose by a consistent 35% to £128.2m on turnover of £672m — a more modest 14% increase.

But the shares slid 16p to 479p on the figures, as profits have grown only marginally since the second half of last year and, as analyst Ian White of Kleinwort Grieveson pointed out, there are no currency or seasonal factors to explain why growth is slowing down.

Unilever may
buy Yardley,
B/Dan 3/5/87
Lentheric (6)

ROBERT GENTLE

LONDON — The Cape Town-based Yardley cosmetic business, up for sale as part of the £9bn transatlantic merger between Beecham and SmithKline Beckman, could end up in the Unilever stable.

The Anglo-Dutch multinational is being tipped as the most likely buyer for Beecham's worldwide Yardley and Lentheric cosmetic businesses after it withdrew from its proposed £890m takeover of Faberge and Elizabeth Arden.

The announcement was made at the weekend after Unilever decided the asking price was simply too high.

Spokesman from both Unilever and Beecham said they were aware of market speculation on the issue, but declined to comment.

Definitely no change of control at Landlock

Landlock's controlling shareholder, British-based BBA, is emphatic that it is staying in the country.

In the short-term it may not be such good news for minority shareholders who were hoping to make a quick buck from a change in control.

The two major influences on the price of any share are the prospects for earnings and; the possibility of a change in control. In Landlock's case, the outlook for the former (in the short to medium-term) is far from exciting. And now, after months of speculation, it seems that there is no prospect of a change in control. BBA MD, Dr John White is emphatic: "BBA is not selling-period."

Frequent approaches

Both Dr White and Landlock MD, Richard Newby acknowledge that they receive frequent approaches from SA parties interested in acquiring the British stake.

Dr White says that it is difficult to value BBA's investment in Landlock but estimates that the initial stake was below £5 million which is minimal in the context of the group's worldwide interests.

"But more important than the financial investment was the managerial investment, which has been significant. In addition Landlock has access to important UK technology."

Diagonal
Street

ANN CROTTY



The local operation pays royalties to the parent but pays no management fee.

Critical to Landlock's ability to report a decent earnings figure in financial 1989 is management's ability to turn around Mintex Don which was injected into Landlock by the new parent back in 1986.

Problems at Mintex Don have dogged the group since its manufacturing facilities were re-located in Benoni in 1987. Last year's earnings of 5,8c a share was more than wiped out by an extraordinary loss of R2,4 million, most of which related to a provision for the restructuring of an operation.

Second quarter

According to management, Mintex Don did not break even in the first quarter of 1989, but is expected to break even in the second quarter. "We believe we have broken the back of the Mintex Don problems and it should show a profit in the second half."

In a move designed to focus the group's activities in areas where it has technological advantages a number of the group's operations were sold at the beginning of the current financial year.

This not only helps to focus management's attentions but also helps to lighten a massive debt burden — reflected in the group's year-end gearing of 94 percent. In financial 1988 the interest bill knocked R4,1 million from operating profit.

Although the sale of assets will help to reduce gearing, there may not be much immediate relief from the interest burden.

If Mintex Don does come right this year and if the interest bill is kept under control, then Landlock should produce a positive earnings figure for financial 1989.

Management would not be drawn on an estimate noting that: "It would be imprudent to stand on a specific forecast at this juncture. Mintex Don is our achilles heel and we would first like to see a pattern of consistency on this front."

But shareholders will have to wait until the R1 million arrear dividends on preferred shares is paid out before they are able to enjoy any of the benefits of recovery.

City backs Minorco as Consgold still resists

APL Times 4/5/89 (61) (20)

From ROBERT GENTLE
LONDON. — As the acrimonious battle between Consolidated Gold Fields and Minorco nears its climax tomorrow with the meeting of the Takeover Panel, City support is grudgingly swinging back to Minorco.

While the Luxembourg-based investment company is by no means the blue-eyed darling of the local investment community, there is nevertheless the feeling that if only on a technical level, it is being unfairly treated.

This is because despite having received acceptances from Consgold shareholders giving it 55% of the issued share capital — theoretical control by normal takeover rules — the Consgold-backed US court injunction prevents Minorco from actu-

ally acquiring those and other shares.

There is also the growing sentiment that somehow it is not right that the outcome of what is effectively a UK takeover should lie in the hands of a judge on the other side of the Atlantic.

An analyst said it was not so much that the City had gone pro-Minorco — “many still can’t stand Sir Michael Edwardes” — but that in the spirit of fair competition the rules of the takeover game should apply.

Finish the job

“They’ve got the requisite 50% and should be allowed to finish the job. Whatever one might think about them privately is now really a side issue,” said another.

This sentiment has

also been reflected in the quality press, where the once open pro-Rudolph Agnew line has been noticeably softened.

The Sunday Times’ Ivan Fallon wrote: “I supported him in his fight for independence with as much vehemence as I could muster, but now that Minorco owns 55%, should it be deprived of its victory?”

He added that merchant bankers may “rue the day” they allow American courts to decide the outcome of British takeover battles.

●First quarter profits at Newmont Mining, Consgold’s 49%-owned US gold mining company, were \$9.4m, or 14c a share.

This was considerably less than for the same period last year, when profits were \$114m, or 70c a share. However, these included substantial one-off gains from sale of stock and asset disposals.

It is Newmont Mining which is behind the controversial US court injunction preventing Minorco from acquiring more Consgold shares. However, Minorco contends that the whole action is being orchestrated by Consgold here in London, despite the latter’s claims that it has no control over its US operation.

APPOINTMENTS



Mike Prematlators, managing director, Resorts Ownership.



Des van Ginkel, director, Corporate Control, Juiting Group.



Llewellyn Lewis, chairman, National Association of Homebuilders.

Plessey to celebrate 25th year in S Africa

file 46645 6/5/89 (661)

Business Staff

PLESSEY South Africa's 25th anniversary will be celebrated with a black-tie dinner in Cape Town next week regardless of the outcome of the hostile takeover bid by GEC-Siemens for Plessey plc in Britain.

And guest of honour, Minister Chris Heunis (Constitutional Development and Planning) will be able to hear the details of this struggle at first hand from Plessey plc chairman and chief executive Sir John Clark, who is attending.

The takeover bid was frozen earlier this year when Lord Young, Secretary of State for Trade and Industry referred the matter to the UK Monopolies and Mergers Commission for investigation.

He was concerned over its possible effects on competition especially in the area of defence electronics.

The commission's report was handed to Lord Young on April 10 but its findings have not yet been made public.

Dr John Temple, managing director of Plumstead-based Plessey SA, said the current odds seemed in favour of the status quo. It would be business

as usual in South Africa if the takeover bid fell away.

Industry watchers in Britain were apparently also of the view that the bid would not succeed since the value of Plessey plc shares on the London Stock Exchange have declined. The reverse would have happened if the bid was likely to go ahead, he said.

"However, if the Monopolies Commission pulls a surprise and allows a takeover bid to go ahead, there are a number of options open to the South African company.

"The most advantageous position would be a significant, but not controlling interest by the new overseas shareholders and effective control in South Africa. This would give us an enhanced position in the local market while at the same time retaining the strongest technological links with the overseas principals," he said.

Another significant factor was that Sankorp was a large minority shareholder of Plessey SA, holding the 26 percent of the equity which is not owned presently by the British parent. It could play a decisive role in any change of ownership of the South African company.

Sankorp has a pre-emptive right to acquire the balance of the shares, a situation already confirmed by Sankorp managing director Marinus Daling.

Plessey's three major business areas in South Africa are:

- Telecommunications and office systems;
- Electronic components and sub assemblies; and
- Electronic equipment and systems.

Locally manufactured products with a high South African content provide the bulk of sales.

These products are made in its factories in Cape Town where its head office is located and distributed through a countrywide sales and services branch network.

Sophisticated systems and components are also exported worldwide.

Products average a high technical design content as a result of ongoing research and development work. This is complemented by co-operation in research with local universities.

Plessey also has a 50/50 venture with Reunert-GEC. This is Telephone Manufacturers of SA which makes all the telephones for the Post Office.

DATES TO DIARISE

Business Staff

Forthcoming events of interest to the Cape business community:

May 8-9: IR principles, structures and procedures: Institute for Industrial Education, Newlands Sun. ☎75-3677.

May 8-10: Annual convention, Institute of Life and Pension Advisers, ILPA, Cape Sun. ☎(011)447-1690.

May 10: Effective grievance and disciplinary procedures: Cape Town Chamber of Commerce, Chamber offices, 13h30-17h00.

May 11: The art of brochure design: Cape Town Chamber of Commerce, Chamber offices, 13h30-17h00. ☎23-2323.

May 11: Computer aided systems engineering (CASE): Systems Development Special Interest Group, Newlands Sun, 16h00. ☎25-4460.

May 14-18: Management development in a changing society: UCT Graduate School of Business. ☎235950.

Shell faces crunch meeting

9/15/87
The Star Bureau

LONDON — Shell, under fire from the anti-apartheid lobby for its South African links, will face a major protest at its annual general meeting on Thursday.

The demonstration is part of a campaign to force Shell to end its lucrative business dealings in South Africa. A number of shareholders are expected to table questions about Shell's operations here.

Last week, Mobil announced it was pulling out of South Africa, a move which is expected to leave Shell even more vulnerable to international pressure.

Shell's South African operations include the importing, refining and marketing of oil.

Shell has also come under fire for doing business with the South African military and for marketing a large share of South Africa's coal exports.

Among the questions to be tabled is why Chemico, a South African company in which Shell has a substantial shareholding, "advertises its products for the South African Police".

● Sapa reports from Cape Town that Shell South Africa's chief executive and chairman, Mr John Kilroe, said yesterday Shell regretted the decision of Mobil to sell its shareholding in the SA subsidiary.

● This report has had to be restricted in terms of the Petroleum Products Act.

61 (284) 232
CML-Tink 9/15/89

Focus on Takeover Panel decision in Minorco bid

From ROBERT GENTLE

LONDON. — The Takeover Panel is expected to put an end to investor uncertainty today with the announcement of its ruling into Minorco's long and bitter battle for control of Consolidated Gold Fields (ConsGold).

The panel, chaired by Lord Alexander, met on Friday with the combatants and their respective financial advisors during an all-day marathon session.

Neither side has issued any statement since, except to say that they are now anxiously awaiting the panel's verdict.

At issue is whether Minorco, which already has acceptances from ConsGold shareholders giving it an effective 55% of the share capital, will be able to followthrough and finish the job.

At present it is stymied by a ConsGold-backed US court injunction which effectively blocks the actual purchase of more shares.

It is understood from reliable sources that Minorco pressed long and hard at Friday's meeting for view that ConsGold shareholders — not the ConsGold board — should have the last word on the court injunction.

ConsGold is expected to have insisted on the technical argument that as Minorco's second bid was launched in the full knowledge that the injunction was still standing, it has only itself to blame for its present predicament.

However, an analyst said yesterday that what was uppermost in the panel's mind were the wider legal issues.

This centres around the fact that a UK bid is being decided not in Britain, but by a judge on the other side of the Atlantic.

He said that if the pan-

el ruled in ConsGold's favour, it would be setting a dangerous precedent.

British companies fearing a takeover would go out and buy themselves vulnerable American subsidiaries solely for "insurance" purposes.

The controversial legal angle was also discussed by the Wall Street Journal last week. In its lead editorial, it threw its support squarely behind Minorco and deplored the role of the US legal system in British takeover battles.

M665 9/5/89

61

Takeover Panel backs Minorco

Business Staff

BRITAIN's Takeover Panel today issued a ruling backing the Minorco claim that its R15-billion takeover bid for Consolidated Gold Fields was being frustrated by the directors of Cons Gold.

The panel, led by Lord Alexander, ordered Cons Gold to call a shareholders' meeting to approve its court action in the United States which is blocking the takeover bid.

As the South African-controlled Minorco (Minerals and Resources Corporation) controls almost 55 per cent of Cons Gold, the result is a pretty certain.

LITIGATION

The panel said Cons Gold must "discontinue its litigation forthwith unless it is approved by shareholders."

In a statement today the panel said that it would extend the bid timetable until June 7, at which time Minorco must declare its offer unconditional or it would lapse, reports Reuter.

It said Cons Gold must call an extraordinary general meeting by May 30 to obtain shareholder approval for the court injunction, which prevents Minorco from completing its takeover of Cons Gold.

FRUSTRATE BID

The panel said its General Principle 7, which says a target company must not unfairly frustrate a bid, did not extend to Cons Gold associate Newmont Mining Corporation, which last September obtained the injunction against Minorco.

"General Principle 7 does not extend to Newmont's proceedings, and we make no clear order against Cons Gold in respect of those proceedings," the panel said.

Newmont, which is 49 percent owned by Cons Gold has said it will not withdraw its injunction.

Minorco has obtained acceptances for its offer from shareholders representing 54.9 percent of Cons Gold's shares.

PREVENTED

Minorco is prevented by the injunction from taking control of Cons

Gold.

The injunction was granted on the grounds that a merger could, under US anti-trust legislation, create a monopoly situation in the world gold market.

Cons Gold's shares were quoted 27p higher at 1340p at 0700 GMT, suggesting the market believed the panel's ruling increased the likelihood of an eventual Minorco victory.

Minorco put its case to the panel last Friday, arguing that Cons Gold, in pursuing the injunction, was effectively frustrating the bid.

CONDITIONAL

Cons Gold said Minorco had made its bid conditional on the outcome of the US court action, which was recently upheld by the Judge hearing the case.

The panel recognised that Newmont was a key element in the outcome of the bid.

"If Newmont's proceedings are not terminated within the extended timetable, the bid will lapse," it said.

It said it was justified in preventing Cons Gold from continuing its proceedings in the US without shareholders' approval but had no grounds to prevent Newmont from "legitimately seeking to protect those interests in so far as it can in the US courts".

LEGAL SENSE

The panel said Cons Gold did not in a legal sense control Newmont but had considerable influence in regard to the general direction of Newmont's affairs.

Cons Gold controls 40 percent of Newmont's voting rights.

"We do not consider that Cons Gold has controlled, procured or been a dominant influence in the commencement or continuance of the legal proceedings by Newmont," it said.

It said that given this conclusion it had to consider whether it was proper to make any order against Cons Gold, since the order would have no practical effect if Newmont failed to discontinue its court proceedings.

Takeover body rules for Minorco

11601 9/18/83
By TOM HOOP
Business Editor

THE seven-month South African siege of the British mining giant Consolidated Gold Fields drew nearer victory today with a supporting ruling from Britain's Takeover Panel.

The R15-billion takeover bid by Minorco, the overseas investment arm of De Beers and Anglo American Corporation, has been blocked by court action in the United States instigated by ConsGold's directors.

The panel, led by Lord Alexander, ordered ConsGold to call a shareholders' meeting to approve this court action.

BIGGEST BATTLE

However, as Minorco (Minerals and Resources Corporation) controls almost 55 percent of ConsGold, a vote is pretty certain to put a stop to the court case.

The panel said ConsGold must "discontinue its litigation forthwith unless it is approved by shareholders".

The takeover battle has been Britain's biggest and most expensive.

● See page 16.

Tootal 'owes results to profits on disposal'

LONDON — The UK textile group Tootal owed its respectable year-end results primarily to profits taken on the R175m disposal in January of its stake in JSE-listed textile firm, Da Gama.

This is the view taken by some observers who feel that, as the proceeds from the disposal constituted a non-recurring item, they should have been taken below the line as an extraordinary item.

In the event, they were taken above the line, which meant Tootal's year-end results, issued last week, showed profits up a creditable £2m to £42m.

ROBERT GENTLE

However, more than £4m came from the disposal of assets, most of it relating to the sale of the Da Gama stake.

This accounting policy means that, had the disinvestment not taken place, Tootal may have showed a trading loss, and raises questions about the motives of the pullout.

Tootal yesterday acknowledged the favourable effects the asset disposals had had on its profit figures, but firmly

dismissed any sinister implications. A spokesman said: "It has been group accounting policy for the past three years to take proceeds from such asset disposals above the line."

Tootal is still facing a takeover threat from Australian entrepreneur Abe Goldberg, who has built up a 24% stake in the company. It is rumoured Tootal may be massaging its figures to permit a more flexible response to an eventual threat by Goldberg.

Meanwhile, Tootal announced it had acquired the US needlecraft company, Dimension for £10m.

ROBERT GENTLE

LONDON — Oil multinational Shell faced a twin barrage of criticism from Geneva and London yesterday over its links with SA.

In the Swiss capital, the World Council of Churches (WCC) issued a 40-page report entitled Shell Shock, in which the oil giant is accused of supporting apartheid.

A WCC spokesman said the report called for a total boycott of Shell products until the company pulled out of SA.

Meanwhile, in London, Shell is bracing itself for a rowdy disruption of its AGM, scheduled for Thursday.

A spokesman from the Anti-Apartheid Movement (AAM) said shareholder protes-

Shell faces Swiss, UK criticism of SA links

ters will question the company on issues ranging from alleged contravention of the oil embargo against SA to advertising products for the SA Police.

A Shell spokesman said he could not comment on either issue as neither the WCC in Geneva nor the AAM in London had had "the courtesy to provide me with a copy of their statements".

□ Sapa reports from Cape Town that Shell regretted the decision of Mobil to sell its shareholding in its SA subsidiary, chief executive and chairman of Shell SA John Kilroe said yesterday.

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Shell will remain in SA, says chairman ^{AKG/SK 9/5/89}

Staff Reporter (61) (8)

MOBIL'S decision to disinvest from South Africa has not affected Shell's determination "to continue in its fight to maintain its South African operations", according to Shell South Africa chairman Mr John Kilroe.

Commenting "with regret" on the decision by Mobil to disinvest from South Africa, Mr Kilroe said the Shell group remained convinced that the presence of "responsible, enlightened companies" helped bring about positive change in South Africa.

Foreign companies had a sound track record of setting high standards in industry and of meaningful involvement in broader society, he said.

Although 550 foreign companies had left since 1987 "the

economy has not crumbled and the government has not toppled".

The Mobil case was another illustration of this where, according to Press reports, it would be "business as usual", confirming that South African business was quite capable of running a refinery and managing an oil business, Mr Kilroe said.

But money which could have been spent on "vital job creation by local companies" was being used to purchase disinvesting companies and employee conditions and social responsibility spending were frequently adversely affected.

According to the American Chamber of Commerce, between 8 000 and 10 000 workers had lost their jobs through disinvestment by US companies.

9/15/87
Shell 'regrets'
Mobil's choice
to disinvest

SHELL regretted the decision of Mobil to sell their shareholding in their South African subsidiary, the chief executive and chairman of Shell South Africa, Mr John Kilroe, said yesterday.

Mr Kilroe said the majority of black South Africans did not want disinvestment. It was not a local issue, but one that was being pursued by anti-apartheid activists.

Surveys had shown that black South Africans wanted foreign companies to remain.

Meanwhile in Geneva, UPI reports that the World Council of Churches (WCC) urged its members yesterday to organise boycotts of the Royal Dutch Shell Oil Company because of its business deals with South Africa. — Sapa and UPI

Minorco boardroom battle— spearheaded by locals

10/5/89
Argus
By TOM HOOD,
Business Editor

FORMER Rondebosch schoolboy Gordon Parker could repay a debt and stymie the R15-billion takeover bid by Minorco spearheaded by another South African, Sir Michael Edwardes.

TAKEOVER

Mr Parker, a former managing director of O'Okiep Copper, now holds one of the top mining jobs in the United States as chairman of Newmont Mining Corporation.

Newmont stands in the way of success for the South-African backed Minerals and Resources Corporation (Minorco) which has battled since last September to take over the London-based gold mining and industrial conglomerate, Consolidated Gold Fields (Con Gold).

Newmont is a 49 percent-owned American associate of Con Gold and "owes one" to Con Gold, whom it could surprise rescue from the South African raiders.

□ □ □

In 1987, Con Gold protected Newmont from an American takeover specialist T Boone Pickens, who was trying to bid for the company. In terms of a standstill agreement, it guaranteed Newmont's independence from a predator.

Minorco is the overseas investment arm of the diamond and gold giants De Beers and Anglo American Corporation, which would become virtually immune from the pressure of overseas sanctions if their foreign empire expands as a result of the takeover.

Sir Michael, who was born in Port Elizabeth and made his name as a leading British industrialist, was appointed chief executive of Minorco the day the South African raiders decided to try and buy out Con Gold's shareholders in the face of bitter opposition from the board of directors.

The bid is the biggest in British business history and

the battle has become the one of the most expensive and viciously fought.

Minorco won an important battle yesterday when the British government's business watchdog, the Takeover Panel, gave the go-ahead and ruled in favour of Minorco in an unprecedented decision.

The takeover bid will lapse on May 17 if legal hurdles in the United States are not settled and Minorco will have to wait until next February before making another offer.

The panel instructed Con Gold to withdraw obstructive legal action which is thwarting the wishes of the majority of shareholders.

Almost 55 percent of these shareholders have accepted Minorco's offer.

□ □ □

But Minorco's bid could still be stymied by the legal action of Newmont. The panel ruled that it had no jurisdiction over Newmont, which has said it does not intend to withdraw legal action and an injunction against Minorco.

A Minorco spokesman said in Johannesburg that Minorco would appeal in the American courts against Newmont's action.

Newmont is pursuing anti-trust action on the ground that a merger of Minorco and Con Gold will create a monopoly in the world gold and platinum markets.

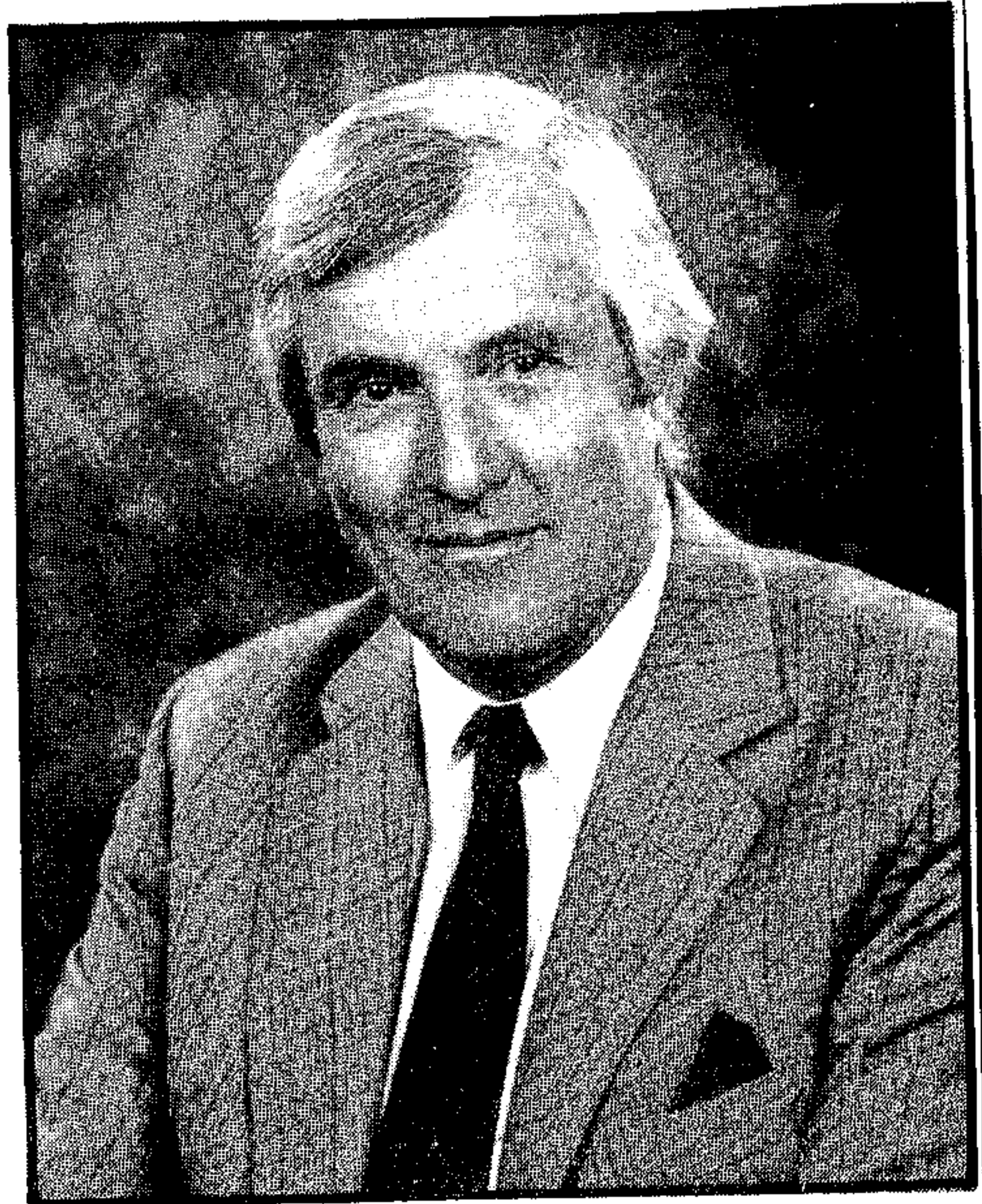
But Minorco claims a monopoly is impossible because Newmont is independent of Con Gold. Also Minorco is committed to selling Newmont.

The panel ordered Con Gold to call off the American court action unless its shareholders vote to continue it at a meeting to be called by May 30.

The panel said that to continue the American legal action without shareholder approval would unfairly frustrate Minorco's bid.

Sir Michael Edwardes last night said the takeover panel ruling endorsed the principle of shareholders' rights and he had no doubt it would be welcomed by all Con Gold shareholders.

"Minorco will now focus on the resolution of our outstanding matters in the United States," he added.



GORDON PARKER, above, aged 53, was born in Cape Town and educated at Rondebosch Boys High School and the University of Cape Town, where he also obtained an MBA. He also has a mining degree from the Montana College of Mineral Science.

Before joining Newmont, a leading world-wide mining company, as vice-president operations in 1981, he was managing director for six years of the O'Okiep Copper Company and the Tsumeb Corporation in South West Africa, both affiliates of Newmont.

He was appointed chairman of Newmont, one of the top jobs in the American mining industry, in 1985.

But many analysts believe the takeover battle still has a long way run and only a miracle or a complete takeover of Newmont can win the day for Minorco.

If the share market is any guide to the betting, Con Gold shares surged in London after the takeover panel statement but later edged back below Monday's closing price — indicating that the market is far from decided over the outcome of the battle.

The Anglo-De Beers camp has stalked Con Gold since the early 1980s, when the South Africans build up a strategic 29 percent stake in a famous share-buying "dawn

raid" on the London stock exchange.

Sir Michael has said this 29 percent stake represented too large a proportion of Minorco's assets to be a passive investment.

When he announced the takeover bid he claimed: "Minorco is ready for a quantum leap forward. We propose to unlock the true value of Minorco and, given our bid is successful the potential value of Con Gold as well."

Minorco has undertaken to sell off Con Gold's South African assets, including a 38 percent stake in Gold Fields of South Africa, which Rembrandt Group is expected to buy.



TAKEOVERS

MAGUS 10/5/89

61 ~~60~~ ~~59~~ ~~58~~

Minorco needs a miracle

By TOM HOOD,
Business Editor

BRITISH mining group Consolidated Gold Fields acted swiftly last night to deprive South African-backed Minorco of a three-week breathing space to complete its R15-billion takeover bid.

But analysts say Minorco will have to pull off a miracle to counter this new stumbling block by Con Gold, which has been under siege by Minorco for almost eight months.

Con Gold's move, the latest shot in Britain's biggest corporate takeover battle, leaves Minorco with only eight days to push through its bid.

In a statement, Con Gold said in London it was withdrawing from an American

court action against the Minorco bid, but its associate Newmont Mining Corporation would maintain an injunction barring Minorco from buying any more Con Gold shares.

Newmont has said that it would "vigorously pursue to trial its antitrust action against Minorco and a trial date could not be expected until late in the year."

The move means the deadline for Minorco to clear the legal obstacles against its bid is brought forward by three weeks to May 17.

Con Gold's announcement effectively negated a decision by Britain's takeover watchdog earlier yesterday making it call off the legal action unless shareholders voted to continue it at an extraordinary general

meeting to be held by May 30.

The Takeover Panel would have given Minorco until June 7 — a week after the meeting — to try to clinch the takeover.

The Con Gold move restores the original timetable by which the bid must succeed or fail. Unless Minorco can get the US injunction removed, its bid will lapse on May 17.

Minorco, the Luxembourg-based investment arm of De Beers and Anglo Investment Corporation, owns or has acceptances for 54.9 percent of Con Gold, but the injunction held by Newmont stops it from actually buying shares from holders who have accepted its bid.

Newmont is 49 percent owned by Con Gold.

Mr Antony Hichens, a Con

Gold managing director, told Reuter: "Short of a complete about-face by Newmont, I think the most likely outcome is that the bid will lapse."

Minorco spokesman Mr Keith Irons said: "We are left with one remaining obstacle, the Newmont injunction."

Minorco said yesterday it was in talks on finding a possible third party buyer for the whole of Newmont as a way of removing the injunction.

But share analysts believe the Con Gold move left it with little time to finance such a bid.

If Minorco loses, it will be the first time a takeover bid in Britain has been killed by a foreign court.

● See Page 17.

Argus 10/5/89 61

Pressure on Shell mounts

THE World Council of Churches has set out guidelines in a 42-page report to its members for a "respectful" boycott of the Royal Dutch Shell Oil Company.

It notes that Exxon withdrew from South Africa in 1986 and that Mobil is pulling out, but says Shell remains "a major supplier of crude oil to the South African Government" and is also violating a coal embar-

PROTEST

Argus Foreign Service reports from Geneva

go against South Africa."

In the report, "Shell Shock," the WCC recommends that its members should organise "Shell boycott groups," refuse to buy Shell oil for cars or for heating oil for church or community buildings, and boycott any other Shell products sold locally.

Other suggestions are that members should demand that

local authorities stop using Shell products, organise Shell "phone-ins," and ask musicians to volunteer for special concerts.

But the WCC concludes by saying that Royal Dutch Shell and its employees "are not the enemy: apartheid is the enemy."

It adds: "The boycott is not aimed at destroying Shell but at destroying apartheid. We do not condone any action which will result in damage to Shell property."

Shell stands firm but Caltex wilts

By Michael Menon

The recent announcement that Mobil has quit SA due to one-sided tax legislation introduced in the US, should not lead South Africans to the conclusion that other foreign petroleum companies are about to do the same. As a US controlled company, it was difficult for Mobil to operate in a country where there is no double tax relief.

The Royal Dutch/Shell group of companies is different. Formed more than 80 years ago when Royal Dutch Petroleum Company and The "Shell" Transports and Trading Company PLC merged their interests on a 60-40 basis without losing their separate identities they have a different philosophy. For one thing they are not US companies. In their latest annual report for the year ended

December 1988 they have the courage to say exactly what they feel about their investment in SA.

Their President, Mr L C Van Wachem says: "The situation in South Africa is of great concern to everyone, and it presents unique problems for companies operating there, and for their overseas shareholders and affiliates."

Shell SA has made clear its opposition to apartheid and its commitment to work towards a society which offers a just and democratic future for all citizens of that country. Its policies and practices and its corporate social responsibility programmes reflect that commitment. In this it has our support."

Hats off to Shell which has dug its heels in when pres-

surised to leave SA in the past and which is prepared to say so forcefully and in public.

While Mobil is leaving SA employees can count themselves lucky for not losing their jobs. Caltex, which relocated its headquarters from New York to Dallas in 1982, intends drastically reducing its corporate staff from 600 to only 195 by mid June 1989.

Hundreds of relocated Caltex employees, who settled in Dallas seven years ago, finding with their high New York salaries a quick and pleasant adjustment, now suddenly have to find new jobs.

With Mobil pulling out, Caltex remains the only US-based oil company with major operations in SA. It is estimated they have 20 percent of the SA market with more than 2 000 employees

Star 10/15/89

If pressures that have forced other US companies to leave SA continue, the elimination of so large a size operation would make a significant dent in the company's income statement.

In 1988 Caltex had sales of \$10.3 billion with a bottom line of \$471 million profit. This was about the same as sales and income for 1986 and 1987 but way below 1984s high.

Their chief competition internationally is from Mobil, Shell and BP. Unlike its competitors, Caltex is a very secretive company and considers itself a private company not bound to disclose its income statement.

Caltex management blames the oil industry's continuing problems in recent years and greater worldwide competition for its massive headquarters staff cuts plan.

Shell to 'fight on'

(61) (2) Sowetan 10/5/87
MOBIL'S decision to disinvest from South Africa has in no way affected Shell's determination "to continue in its fight to maintain its South African operations," according to Shell South Africa chairman Mr John Kilroe.

Commenting "with regret" on the decision of Mobil to disinvest from South Africa, Mr Kilroe said the Shell Group remained convinced that the presence of "responsible, enlightened companies" helped to bring about positive change in South Africa.

Foreign companies had a sound track record of setting high standards in industry and of meaningful involvement in the broader society, he said.

Although 550 foreign companies had left since 1987 "the economy has not crumbled and the government has not toppled".

The Mobil case was another illustration of this where, according to Press reports, it would be "business as usual" confirming that South African business was quite capable of running a refinery and managing an oil business, Mr Kilroe said. — Sapa

Activists put water in Shell pumps

THE HAGUE — Anti-apartheid activists have sabotaged pumps at five Royal Dutch/Shell petrol stations in the Netherlands as part of fresh pressure on the company to withdraw its investments from South Africa.

Police said activists poured water into the pump systems of the stations on Monday night and one station owner said about a dozen car owners had filled their tanks with the water mixture before it was discovered.

Activists have long accused Shell, as the largest foreign investor in SA, of helping to support apartheid. The oil giant says it helps fight apartheid by offering job opportunities to blacks.

Activists have ruined pumps at over 100 Shell stations in recent years and last month besieged the firm's research headquarters in Amsterdam.

The latest vandalism came two days before the company holds its annual meeting in The Hague. — Sapa-Reuter.

Star 10/5/76

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● BOKSRIIC

Union prepares to strike against Mobil

Argus 11/5/89
The Argus Correspondent
JOHANNESBURG. — The Chemical Workers' Industrial Union is to hold a ballot to prepare for a national strike to force Mobil to negotiate its preconditions for disinvestment before the sale of South African assets to Gencor.

This follows a postponement of an urgent Industrial Court application on Tuesday.

The union has asked the court to halt the sale until Mobil negotiates the union's terms for disinvestment.

The hearing has been postponed, for the second time in two weeks, to May 24.

At Tuesday's hearing Mobil's attorneys undertook to see that Mobil provided the union with full information about the sale.

The company maintained that its local management did not know about the proposed sale until it was announced publicly.

In a strongly worded statement the union said Mobil refused to negotiate and had reneged on previous commitments.

The company's agreement to meet the union on Monday had been "an attempt to stall and undermine the court proceedings already under way".

R170-m fraud alleged: SA man sought

The Argus Correspondent
JOHANNESBURG. — An arrest warrant has been issued for a former chemical and explosives magnate allegedly involved in a R170-million foreign exchange fraud.

He is Mr Oliver Hill, 50, who left South Africa for Britain two years ago after his chemical industries empire collapsed. He is believed to have applied for American citizenship.

Mr Hill is wanted for allegedly transferring funds outside South Africa by using front companies. The charges on which he is wanted include forex violations involving explosives factories and Eskom shares.

Minorco, Newmont set for 'head-on clash'

CAF Trials 11/5/89

From ROBERT GENTLE

LONDON. — The US gold company Newmont was last night set for a head-on clash with Minorco in a New York court after allegations of contempt and breaches of its injunction.

The injunction is standing in the way of Minorco's \$3,5bn bid for Consolidated Gold Fields (ConsGold), which until Tuesday was a joint party to it before being forced to withdraw by the Takeover Panel.

Newmont, 49%-owned by ConsGold, alleged that Minorco's recent application to the Takeover Panel and its subsequent actions to procure an offer for all of Newmont's share capital constituted breaches of the injunction. Minorco dismissed the

allegations, which according to its lawyers are groundless.

CE Michael Edwardes called it yet another spoiling tactic designed to frustrate the bid and entrench management.

"It patently has nothing to do with the alleged anti-trust issues that underlie the existing injunction," he said.

"It is absurd for Newmont to seek that Minorco be further penalized for obtaining a ruling from the Takeover Panel in relation to a British takeover."

Minorco was "fully justified" in procuring an offer for all the share capital of Newmont, he added.

Newmont's senior spokesman on the affair in Denver, Colorado, was

unavailable for comment at the time of going to press.

It is understood that Minorco will also press for an urgent hearing at which it will advance further arguments supporting its claim that Newmont no longer has any legal right to pursue its injunction.

The key to this plea is the ruling made by the Takeover Panel which formerly accepted that ConsGold — and by extension any company which may take ConsGold over — has no control over Newmont.

Meanwhile, analysts remain sceptical on Minorco's chances of setting the court injunction before the bid lapses next Wednesday, May 17.

The argument is that Newmont patently has no intention of dropping the court action, in spite of the Takeover Panel's ruling.

Moreover, finding a buyer for the company may not be enough as Newmont appears to prefer the current standard agreement it has still with ConsGold.

This 10-year agreement, which prevents ConsGold from acquiring more Newmont shares, allows the Newmont management to get on with the job without the constant fear of a takeover.

However, one analyst cautioned against handing ConsGold victory before the bid is truly over.

"Minorco have been written off before and they surprised everyone and came back," he said.

CAPE TOWN 11/5/89
61

Newmont head faces dilemma

By BRUCE WILLAN

MINORCO's long battle for control of Consolidated Goldfields (Consgold) is ending with a confrontation between two ex-South Africans.

Minorco CE Michael Edwardes — born in Port Elizabeth — is now up against a former Capetonian, Gordon Parker, who went to school in Rondebosch.

As chairman of Newmont Mining, Parker is the man who may be able to frustrate Minorco's attempted takeover of Consgold if he does not abandon a court action in the US.

Last night Parker was not available for comment but indications are that Newmont has no intention of withdrawing its injunction against Minorco.

By holding out against Minorco, Parker must be facing a personal dilemma. If his action is lost and he becomes an employee of a Minorco subsidiary he may have placed his career at risk.

Parker holds an honorary degree of Engineer of Mines from the Montana College of Mineral Science and Technology as well as a BS and MS degree from the same college.

He also has an MBA from the University of Cape Town.

Prior to joining Newmont in 1981, he was MD of O'okiep Copper mines and Tsumeb Corporation for six years. Both were affiliates of Newmont at the time.

In 1981 he joined Newmont as vice-president (operations) and was appointed a director in 1983.

The following year he became president and in October 1985 was elected as CEO.

He was proposed by the then CEO Plato Malozemoff, who had held this position for 31 years.

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16/04/1979

Shell chairman reaffirms his company's commitment to SA

LONDON — Shell chairman Sir Peter Holmes yesterday braved the taunts, jeers and heckling of scores of anti-apartheid protesters and reaffirmed his company's commitment to staying in SA.

The Anglo-Dutch oil multinational chairman told 600 shareholders at the extremely noisy annual meeting it was clear protesters who had picked Shell for vilification and attack had picked the wrong target in the eyes of SA's black community.

Holmes emphasised the role of the company's social responsibility programmes, its increasing market share in SA and its growing black customer base.

He said: "Those who stridently call for disinvestment should realise they are no longer in step — if they ever were — with the majority view of the black community."

Calling the disinvestment campaign misconceived and misguided, he added it was now rejected by the people the protesters purported to help.

"The management and staff of Shell SA have my full support and, I believe, the support of shareholders. They deserve it."

The question-and-answer session which

ROBERT GENTLE

followed the chairman's statement was noisily derailed as the SA issue came up time and time again.

Holmes's appeals for "courtesy and decorum" were largely ineffectual, as were his attempts at avoiding the protesting shareholders bent on airing the SA issue.

He dealt head-on with some questions and deflected others. He admitted Shell SA topped up conscripts salaries, but said this was done in many other countries and rejected accusations of supporting the police in the townships.

He also denied Shell was profiting from the disinvestment campaign and described as unsubstantiated claims that Trek, in which Shell had a stake, was directly involved with the Mobil pullout.

Protesters then proceeded to shout down any business that was being conducted before singing protest songs.

□ The UK industrial group BTR, which also has extensive interests in SA, faces similar disruption today when anti-apartheid activists will protest at its handling of a labour dispute with Numsa.

Can-Times 12/5/87

US judge shakes finger at Minorco

NEW YORK. — A US judge issued a warning to SA-controlled Minorco yesterday over its attempts to break down the last takeover defences of Britain's Consolidated Gold Fields plc (Consgold), which is fighting hard to stay independent.

Judge Michael Mukasey said he would consider holding Minorco in contempt of court if it tried to freeze Consgold's 49.3% stake in Newmont Mining Corp. The Newmont stake is the only thread keeping Consgold out of hostile hands.

Newmont asked Mukasey on Wednesday to find Minorco in contempt for allegedly violating a court order blocking its bid for Consgold. If Minorco were found in contempt, the judge could levy substantial fines and order Minorco to stop efforts to circumvent the injunction.

Minorco's takeover offer expires next Wednesday. If Minorco does not succeed with its bid by then, it will have to wait a year before launching another under British law. — Reuter

MAGS 12/5/89 (61)

Row as protesters demand Shell pull out of South Africa

The Argus Foreign Service

LONDON. — Shell's annual meeting ended in uproar yesterday when about 30 anti-apartheid protesters among the shareholders chanted, sang and whistled in support of their demand for a Shell pull-out of South Africa.

The majority of the 500 shareholders present, including a strong contingent of bewhiskered country gents and cultured ladies from the shires, looked on in surprise as the demonstrators did their best to disrupt the proceedings.

The disinvestment lobby has been spurred on recently by Mobil's decision to pull out of South Africa, largely due to international pressure. Shell is now their major target.

Question time was dominated by angry questions on Shell's South African interests with chairman Sir Peter Holmes fielding queries about the company's profits, its stand on apartheid and the working conditions of its employees.

Protesters hissed and booed when he said Shell had a strong sense of social responsibility and that those who were attacking it had "picked the wrong target".

TRIED TO FIGHT BACK

And there was derisive laughter when he read a special statement saying recent polls had shown the majority of black South Africans were opposed to sanctions.

A couple of the other shareholders tried to fight back, insisting that a disproportionate amount of time was being allotted to one of Shell's smaller subsidiaries. But they were shouted down.

When Sir Peter finally called time after 30 minutes of questions, protesters insisted there should be a poll to decide if those present wanted the debate to continue.

Shell staff said Sir Peter had not heard the poll call and had decided to move on to the next agenda item. He tried to ignore the commotion, but was hard pressed to make himself heard.

The Anti-Apartheid Movement is taking legal advice on whether it can annul the business passed at the meeting.

● Dr Beyers Naude was among activists at the meeting. He was allowed to attend the meeting because a special one-day share in the company had been bought for him.

Manhunt as 17 prisoners escape

The Argus Correspondent

JOHANNESBURG. — Seventeen prisoners awaiting trial escaped from the Edenvale police cells last night. Police said the men sawed their way through a vent. A major manhunt is under way.

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Protesters disrupt Shell annual meeting

By Sue Leeman, The Star Bureau

LONDON — Shell's annual general meeting ended in uproar yesterday when about 30 anti-apartheid protesters chanted, sang and whistled in support of a Shell pull-out of South Africa.

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Question-time was dominated by angry questions on Shell's South African interests with chairman Sir Peter Holmes fielding queries about the company's profits, its stand on apartheid and the working conditions of its employees.

Protesters hissed and booed when he said Shell had a strong sense of social responsibility and that those who were attacking it had "picked the wrong target".

And there was derisive laughter when he read a special statement saying recent polls had shown the majority of black South Africans were opposed to sanctions.

6 Clicks directors get pay-out


CAPE TOWN — The six executive directors of Clicks Stores have been given restraint-of-trade payouts averaging R433 000 to stay with the company. The total cost is more than R2,5 million.

A spokesman said one-off payments were made to ensure continuation of the present management, after the takeover by Score.

In his review, chairman Mr Jack Goldin said four executive directors had joined in the past year — Mr Peter Green as financial director; Mr Ben le Roux as operations director; Mr Robin Spengler as human resources director; and Mr David Danziger as managing director of Diskom. They joined managing director Mr Trevor Honneysett and Mr Raymond Godfrey, merchandise director.

"The performance of the executive team, who have been with Clicks for many years, is reflected in the impressive results achieved ..." said Mr Goldin.

Shell chief under protest barrage

CAF-TM 15 12/5/89 (61) 
Own Correspondent

LONDON. — Shell chairman Sir Peter Holmes yesterday defied scores of anti-apartheid protesters to reaffirm his company's commitment to stay in SA.

Speaking at the Anglo-Dutch oil multinational's AGM, Sir Peter emphasised the role of the company's social responsibility programmes, its increasing market share in SA and its growing black customer base.

"Those who stridently call for disinvestment should realise they are no longer in step — if they ever were — with the majority view of the black community," he said.

During a question-and-answer session after his statement, Sir Peter admitted that Shell SA topped up conscripts' salaries but denied that this supported troops in the townships.

The meeting ended in disarray as the protesters sang and waved placards saing "Shell fuels apartheid" and "Mobil down — Shell to go".

● Sapa-Reuter reports from The Hague that Dr Beyers Naude told a shareholders' meeting that Shell should withdraw in consultation with trade unions.

"Take the courageous step. Leave apartheid South Africa so that after apartheid you will be welcome back in a free land," he said.

● In Johannesburg, the chairman of Caltex Oil South Africa, Mr Jock Mckenzie, said yesterday that Caltex had no intention of disinvesting from SA.

says the outlook is "very good".

ticularly in the banking sector.

kill.

Shell digs in as protest mounts

9/7 was 14/15/84

(11) ~~7/7/84~~ ~~6/80~~

ROYAL Dutch-Shell is under immense pressure from anti-apartheid and other international groups to quit South Africa, but it is sticking to its guns.

Royal-Dutch Shell has lost about R180-million in the past five years from acts of vandalism or arson waged by anti-apartheid activists.

Disrupted

The World Council of Churches (WCC) issued a document this week called Shell Shock, accusing the multinational of supporting apartheid and calling for a boycott of its products.

But Shell refuses to leave SA. Business is business, and

creasingly competitive environment, economic circumstances and the need for higher productivity. NUM general secretary Cyril Ramaphosa was unavailable for comment, but the union is expected to adopt a tough stance when negotiations start in the next week or two. East year's negotiations were more amicable than in 1987 when there was a strike. The union's membership was depleted. NUM started a re-

By Robyn Chalmers

the unfavourable publicity has not adversely affected the profitability of either the parent company or Shell SA.

Shell shareholders voted overwhelmingly in favour of staying in SA this week after the annual meeting was disrupted by more than 150 demonstrators.

A Shell spokesman says pressure from anti-apartheid groups has not hurt its profits in Europe. On the contrary, it has possibly helped them.

"The ordinary man is not really affected by anti-apartheid groups, and he seldom notices them. If the activities of these groups were to have an effect on the parent company's profit margins, it would obviously review the

situation. "Being based in Europe, Royal Dutch-Shell is not faced with the same sort of legislation which forced Mobil's hand. Shell SA is doing well, and there is no reason to withdraw."

Bullied

There are other, more complex, reasons for Shell's refusal to disinvest. It operates in 142 countries and refuses to be bullied. If it submits in one country, it could happen in others. It also believes it has a role to play in SA.

Mobil's sale of its SA assets to Gencor is seen as a major victory by anti-apartheid movements, but Shell SA believes it is a blow.

Chief executive John Kilroe says: "The Shell group internationally remains convinced that the presence of responsible, enlightened companies helps to bring about positive change in SA, and is to the long-term benefit of a free, truly democratic and equal country.

"Foreign companies have a sound record of high standards in industry, and of meaningful involvement in the broader society."

Mr Kilroe says Shell will disinvest when most blacks want it to — which they do

not. Employee conditions and social responsibility spending are frequently adversely affected when foreign-owned companies quit.

Shell's social responsibility programme is well known. A spokesman says Shell spent R30-million last year on both employee-related and community benefits.

"We spend about R12-million on the community, of which about 60% goes to education. A further 20% goes to job creation and the rest is spent in the way of donations, the environment and other causes.

Change

"Shell employs about 6 000 people, and we ensure that they are well looked after. We could not be that sure if we left SA and another corporation took over."

Mr Kilroe believes Shell can only work for change from within SA. It wants to be part of the movement for freedom — to be involved and not a disinterested spectator.

Mobil felt the same way. But factors influencing its decision to disinvest do not affect Royal Dutch-Shell. The pressure may eventually be too much, and if profits are affected, Shell could change its tune. Until that time, however, its here to stay.

From Page 1

Jobs at risk

recruitment drive at the beginning of this year, and membership numbers are creeping up to pre-strike figures of about 300 000.

After NUM's sixth national congress last month, Mr Ramaphosa said: "It is imperative that the NUM makes progress towards getting a living wage for all by 1991. The mines have the wealth and the opportunity to pay all workers a living wage — but they don't."

Numsa calls on BTR to stay in SA

LONDON — The SA metalworkers union, Numsa, has appealed to UK shareholders not to disinvest from the UK multinational BTR, but to use the leverage they have to force change at its SA subsidiary BTR-Dunlop.

This dramatic call, which runs contrary to the Anti-Apartheid Movement's policy demanding the disinvestment by UK pension funds from all SA-linked companies, came on the occasion of BTR's AGM.

It was made by Numsa members Bongani Mkbhangu and Duminase Mbanjwa, who were in London to try and solve the long-running labour dispute at BTR-Dunlop's Sarmcol plant at Mpophomeni, near Howick in Natal. In May 1985, just under 1 000 workers were dismissed at the plant following differences with the union.

Numsa says management refused to recognise the union. BTR says the sackings followed coercive strike action and intimidation. The battle for reinstatement of the workers is still going on in the courts.

The two Numsa officials, along with a support committee composed of sympathetic British unions and protest shareholders, said they had attempted to raise the issue at the AGM but had been given the brush-off by chairman Sir Owen Green. They further alleged that Green had

ROBERT GENTLE

broken the spirit, if not the letter, of the UK Companies Act by evading most questions on SA. He had also allegedly bussed in non-voting "heavies" to occupy the front rows and keep the protesters at bay.

A BTR spokesman dismissed the latter claim as "utterly contemptuous".

One observer said it was clear BTR had not wanted a re-run of the previous day's chaos at the Shell AGM, where anti-apartheid protesters noisily interrupted the proceedings, shouting down shareholders.

The BTR spokesman said there had been some disturbance. He added Green had reaffirmed his company's commitment to maintaining its presence in SA, where it holds a 53% stake in BTR-Dunlop.

The Numsa officials said they would not stop fighting to have the sacked workers reinstated, in spite of the decision by certain UK pension funds to consider selling their BTR shares to show disapproval.

The two Numsa officials said they did not see any contradiction between their calls for UK shareholders to stick with BTR and the wider argument for disinvestment from SA. They said disinvestment should be "targeted" and "selective" and not used as a blunt instrument.

Activists step up efforts against Shell

ARGUS
15/10/89
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The Argus Foreign Service
AMSTERDAM. — Dutch anti-apartheid activists are stepping up their campaign to force Shell out of South Africa by adulterating its petrol with water, slashing filling-station hoses and causing havoc on the company's switchboards and at public meetings.

"We have given up asking the company nicely to get out of the apartheid State," said one of the 200 demonstrators who

bought R32 worth of Shell shares in order to attend the Anglo-Dutch company's annual meeting in The Hague last week.

As part of the "No Fuel for Apartheid" campaign, started last week, underground petrol tanks were adulterated with water at five Shell filling stations around the Netherlands and fuel tanks of 10 cars parked in Shell garages were emptied and filled with water.

"This is just the beginning," an anti-apartheid organiser said. "Blowing up pumps could be next."

Government forensic laboratories are analysing samples from the tanks for clues to the saboteurs. They could belong to any of a dozen anti-apartheid groups, whose supporters now number more than 3 000.

Police have assigned a special task force to monitor and infiltrate activist groups. Shell has recommended that its franchised dealers employ private security guards.

Activists are advising motorists that the only way they can avoid trouble is to steer clear of Shell.

Shell's switchboards in the Netherlands last week were inundated with calls from anti-apartheid supporters demanding to speak to the company's director.

We'll blow up Shell pumps, say anti-apartheid activists

The Star's Foreign News Service

AMSTERDAM — Dutch anti-apartheid activists are stepping up their campaign to force Shell out of South Africa by taking aggressive action.

"We have given up asking the company nicely to get out of the apartheid State," said one of the 200 demonstrators who bought £8 (R32) worth of Shell shares in order to attend the Anglo-Dutch company's annual meeting in The Hague last week.

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Wife-killer in three-hour flying rampage

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LONDON — What many have always considered to be the selective logic of the disinvestment argument was forcefully — some would say farcically — illustrated here last week.

Disinvestment argued with 'selective' logic

ROBERT GENTLE

Shell, a model employer by SA standards, was denounced by the official Anti-Apartheid Movement (AAM) for its SA links during a rowdy AGM. Vehement demands were made for a public boycott of Shell.

The next day saw shareholders in British multinational BTR — which has the dubious reputation of being a union basher — effectively being asked to stay.

They were implored by two Numsa officials not to disinvest their shares but to maintain whatever influence they had with BTR's UK management to solve the long-running labour dispute at BTR-Dunlop, the company's 53%-owned SA subsidiary.

The immediate conclusion was that while it was wrong for Shell to provide fuel for police vehicles patrolling townships, it was somehow acceptable for BTR-Dunlop to provide tyres for the same vehicles.

An Anti-Apartheid spokesman explained the anomaly by saying the disinvestment effort could not be everywhere at once.

"We have to prioritise," he said, adding that the AAM was fully behind the on-going fight by Numsa for reinstatement of the 970 workers dismissed in 1985 at Howick, Natal, following a labour dispute there.

"However, we still stand by our policy for the cutting of links with all British

companies operating in SA, and that includes BTR," he added.

Had the anti-Shell lobby made similar demands at the BTR meeting, it would have run into direct opposition from two Numsa officials present and their sizeable brigade of protester shareholders.

These lobbyists have steadfastly refused to back off in the now bitter struggle against BTR's management, which they say is washing their hands of the SA problem by claiming it has no influence.

Arguing that BTR can influence its SA subsidiary when it wants to, they point to improvements in pay conditions after a survey found BTR was one of the only companies paying certain workers below the official poverty level.

The Numsa argument is a strong, logical one which unwittingly puts the case for foreign multinationals to stay put.

"Starvation is facing the communities in the rural area of Howick," said a protest leaflet handed out at the AGM. "They are dependent for income on the sacked BTR Sarmcol workforce."

When asked what the Numsa attitude would be if BTR decided to pull out of SA tomorrow, the two officials said: "We would let it happen, but we would want to negotiate the terms."

COMPANIES

Shell ahead of targets

By DICK USHER, Business Staff

SHELL South Africa's financial and operating results were well ahead of targets for 1988, according to the group's annual report.

Main contributors were the oil and chemical divisions where better than anticipated margins were achieved.

Turnover was about 16 percent up over 1987 at about R3,6-billion.

In the oil division, growth during 1988 was spread "across the barrel", reflecting the high level of domestic expenditure, the rising road transport needs of a rapidly urbanising population and improved conditions in sections of the wholesale market.

Shell featured well in this growth and improved on its market share and held position as overall market leader.

But financial performance continued to be dominated by the effects of inflation on the cost of goods and services.

"At the current level the erosion of income, even within the provisions of administered prices, seriously impairs the industry's ability to achieve a real term after-tax return that encourages investment for the future," said the report.

Chairman John Kilroe reiterated the company's belief that withdrawal from South Africa could serve no meaningful purpose.

"We have never pretended that our

stance was based on pure altruism or emotion.

"On the contrary, it is a sound business decision. We are here to do business in the long-term, we want to remain a part of this country and its future," he said.

81 Day 17/1/89 Tootal reaches accord on merger with Coats Viyella

LONDON — Tootal, the Manchester-based textile group which disinvested from SA earlier this year, has reached an agreed £395m merger with textile group Coats Viyella.

The merger with Coats Viyella, which has a number of important textile operations in SA, confirms months of speculation that Tootal would soon be taken over.

The most likely candidate was the enigmatic Australian entrepreneur Abe Goldberg, who started building up a threatening 24% stake about the same time as Tootal was negotiating the sale of its controlling interest in East London-based Da Gama Textiles in January this year.

Goldberg will make about £10m profit on the sale of his stake, and has sent a message of goodwill to the the management of the two

ROBERT GENTLE

companies in which he looks forward to developing a worldwide trading relationship with them.

Nevertheless, reports indicate he is privately unhappy at the fact that his own bid approach earlier this year was so vehemently rejected by the Tootal board.

Tootal made news in SA only last week after the publication of its annual results, which suggested year-end profits had been due mainly to the windfall proceeds from the Da Gama disposal.

A spokesman accepted that these had buoyed the profit figures, but said it was company accounting policy to treat disposals in that way.

British envoy pledges support for education

By Sue Valentine, 17/5/89
Education Reporter

British support for scholarship programmes, community projects and educational resource centres was pledged by British Ambassador to South Africa Sir Robin Renwick at a graduation ceremony at the University of the Witwatersrand last night.

As guest speaker at the ceremony at which more than 300 commerce students received degrees, Sir Robin stressed that the awarding of scholarships was at the centre of the British government's programme of support, which would total more than R45 million this year.

Part of the expansion of British aid included the opening of a new British Council centre in Braamfontein on July 1, which would include a reference library, a film library, films and art events, an exhibition area and a counselling service for those interested in studying in Britain.

He said a university like Wits, with "its proud record of resistance to apartheid, deserves support — not ostracism through some half-baked academic boycott", adding that isolation was a self-defeating strategy.

Sir Robin paid particular tribute to assassinated Wits social anthropologist Dr David Webster, who he said in many ways embodied the independence of Wits.

Sir Robin attacked the disinvestment campaign, which all too often was con-

ducted against the better employers in South Africa, not the worst.

"I really would be grateful if someone would explain to me how the sale of Mobil's assets here at a bargain price to a South African company ... can possibly help a single black South African. The union has expressed distress that it is unable to negotiate with the departing company. Unfortunately, you cannot negotiate with departing companies. It is only possible to negotiate with companies that stay."

He said it was up to each British company to make up its own mind, but added: "It is no use imagining that any foreign company that leaves is likely to return under some new and different regime. All the experience shows that those who have gone have gone for good."

Sir Robin said those foreign companies that stayed in SA had to give the strongest possible lead in providing equality of opportunity for all their employees and in contributing to black advancement.

They should develop the most advanced welfare, health, training and pensions programmes.

Britain could not perform miracles, but "what we can and will do is ally our efforts to yours. For it is only by working with those internal forces that we can hope to achieve change here."

He said about 700 South African students were receiving British government bursaries this year and it was hoped the number would rise to 1 000 by 1990.

Plessey beats setbacks to raise profits by 17%

B Day 25/5/84

61

PLESSEY SA — whose UK parent is the object of a hostile £1,7bn bid by GEC-Siemens — has recorded a 17% increase in after-tax profits in the year to March.

However, the increase in attributable earnings rose by only 12% to R22,9m (R20,5m) after cutbacks in Post Office orders limited associated company TMSA's income growth to less than 1%.

The Cape-based telecommunications and electronics supplier increased turnover 38% through improved trading condi-

TANIA LEVY

tions and inclusion of turnover from acquisitions made in the past two years.

Growth

Higher material and labour costs lowered margins and, with increased R & D expenses, produced a 20% increase in pre-tax profit to R32,7m (R27,1m).

Reduced export incentives increased the tax rate and further limited growth.

The SA subsidiary contributes about 5% to group turnover which this year increased 27% to £1,65bn in spite of the hostile take-over bid staged by GEC and Siemens in November.

The future of the UK company remains uncertain after the UK Monopolies and Mergers Commission gave its strings-attached approval to the proposed takeover last month.

Plessey SA MD Dr John Temple does not expect the situation to be resolved before July.

CAT - Times 25/5/89

Plessey income rises by 17%

Financial Editor

PLESSEY (SA) — now 25 years old and uncertain of its ownership in the future, as the huge conglomerate GEC is still trying to take over its UK parent company — lifted after-tax income by 17% to R16,4m in the year to March.

This was achieved on a 38,2% rise in turnover, compared with a 21,3% rise the previous year.

Plessey (SA) is an unlisted subsidiary of Plessey (PLC). But MD John Temple announced its year-end results at a press conference in a city hotel at which he disclosed that the company, formerly mainly dependent on business from the Post Office, had diversified into other markets.

In 1984, he said, 75% of its turnover came from sales to the Post Office. Now, although sales to the Post Office had increased, it accounted for only 26% of turnover.

Plessey had looked for new markets in which it was less vulnerable. Its business included traffic and air traffic control systems, electronic components, radios and a major share of the

highly competitive PABX market.

Temple emphasized that the company was "in professional electronics in a wide range. We avoid consumer electronics".

He said the UK link was valuable although the company manufactured only one product under licence and had developed all the others itself.

It was of great value to Plessey (SA) to be able to use research facilities in England and keep in touch with general trends in the electronics industry overseas.

Temple said the increase in turnover resulted from improved trading conditions, and acquisitions made in 1987 and 1988.

But higher material and labour costs had reduced margins and, with higher research and development costs, meant that pre-tax profit had increased by only 20% to R32,7m (R27,1m).

A reduction in export incentives had increased the tax rate by 1,5% to 49,7%, limiting growth in after-tax earnings to 17%.

Spaw
24/1/87

Bottom
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MICHAEL MENOF



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UK parent has sucked Asseng dry

Last year I queried why Asseng had paid out such massive dividends (R16,55 million) leaving the distributable reserves with a negative R304 000.

Major beneficiary was T&N Plc, the 76,3 percent UK controlling shareholder who received a cool R12,62 million of the dividends.

Asseng had sold subsidiary Silverton Engineering for R11,42 million (at a R2 million loss) to listed T&N South Africa. I assume these funds were needed to pay the huge dividend as Asseng's closing debt in 1987 was only R4,3 million.

Now in 1988, UK T&N Plc, which also owns 51 percent of SA-listed Turner & Newall Holdings Ltd (T&N SA), sells its 76,3 percent investment in Asseng to — you guessed it — T&N SA Ltd.

The price is not disclosed but the transaction takes place just after the close of the 1988 year end and is subject to shareholder approval. But as T&N Plc has control, the sale will go through.

This means the UK company has coolly taken out all Asseng's distributable reserves and then sold its investment to a company it still controls — a neat way of disinvesting and getting your funds out of the country but still sticking around.

The next question is what do they plan to do with T&N SA? All this has left Asseng in an unhappy position at end December 1988 as:

- Debt has risen 329 percent to R14,15 million — and remember interest rates are rising.
- Fixed assets were revalued during the year by R8,4 million, presumably to improve the net asset value. Without the revaluation, the net asset value is only 85 cents.
- The ratio of current assets to current liabilities has fallen to 1,87 to 1 (1987: 2,63 to 1) but, more important, the acid test shows a major problem developing.

Because year-end stocks have doubled to R31,97 million (1987: R16,78 million) this ratio has fallen precariously below 1 and stands at 0,56 to 1 (1987: 1,41 to 1), further underscoring the deteriorating illiquid situation.

● Just why was Silverton Engineering sold to T&N SA in 1987 at a loss of R2 million when it is performing so well now, according to that company's annual report?

Stamp Duties

I don't quite know what all the fuss is about in taking advantage of the moratorium granted by the fiscal authorities regarding the payment of transfer duties.

Asseng will apparently save on stamp duties as it has reorganised its financial and operational structure into three main entities: Asseng Automotive Ltd, Asseng Industrial Ltd and Asseng Property (Pty) Ltd.

The stamp duties saved amount to nickels and dimes compared with the huge amounts UK T&N Plc has taken out of both Asseng and the country.

Why Asseng just doesn't become a wholly owned subsidiary of its new holding company, T&N SA, time will tell because to all intents and purposes they are in the same industry. How long is it before UK T&N pulls the same stunt on T&N SA?

At first glance, earnings per share looked the same for both years — 29 cents. In actual fact they were as 1987 was for 15 months while in 1988 the company changed its basic accounting policy for deferred tax and showed R2,4 million more profit.

Sales reached R105,7 million (1987: 15 months R93,6 million). Trading profit after interest was R16,1 million (1987: R115 million). With the R3 million in tax assessed losses used up in 1988 tax rose to R4,8 million (1987: R480 000).

Below the line extraordinary losses were R784 000 — closure of sand foundry and insignificant goodwill written off — compared with the R3,8 million gain in 1987, leaving net profit for the year R10,5 million (1987: R14,8 million).

Reasonable dividends of 14 cents were paid compared with the 43 cents in 1987.

The 14 pages of group structure and three pages from the chairman featured mainly marketing chat and product pictures but no divisional sales numbers or income contributions were given, leaving shareholders again in the dark.

In the balance sheet, existing plant and machinery was revalued upwards by R6,1 million along with land and buildings by R2,4 million.

These two amounts swelled non distributable reserves by R8,5 million and helped shareholders' funds rise to R46,8 million (1987: R32,3 million) by end December 1988.

Working capital is virtually unchanged at R21,3 million (1987: R22,4 million) but the composition of current assets is both vastly different and worrying — cash of R10 million at 1987 has been reduced to only R21 000 and stock has doubled to R32 million (1987: R16,8 million).

Chairman Sir Francis Tombs from England has little to say about Asseng's prospects apart from "the demand for replacement parts is firm and the order load remains buoyant."

He doesn't have to say more as he has turned his eyes to T&N SA now that there is little left to take out of Asseng.

The next episode of the serial will focus on T&N SA to see how the UK holding company could move.

For a country starved of funds it is amazing how, with a little planning, foreign exchange regulations can easily be overcome.

Shell lifts veil on SA operation

S/Times 4/6/89

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SHELL SA's 1988 report seems designed to make predators drool as they reach for their cheque books.

It discloses a R4-billion-a-year company in outstanding shape — a delicious proposition for a hungry SA mining house.

The report does not disclose this beauty's most vital statistic — its profitability. But what it does show is enough to drive the wolves crazy.

Turnover of a well-spread group in 1988 stood at R4-billion with operating costs at R500-million.

Targets

That might suggest a pre-tax profit of R3,5-billion, but corporate finance general manager Bill Bremer is quick to cool lupine passions. He points out that raw materials are not included under operating costs.

So you can forget about calculating profitability. But the figures indicate that group financial results were well ahead of both targets set for 1988 and the performance in 1987.

Mr Bremer says Shell sailed close to the wind in providing the amount of information it did on its financial position.

"We left out raw material costs deliberately to prevent anyone arriving at our profitability. We gave as much information as we could because we wanted to inform our customers as best we

By Robyn Chalmers

could what we do with our funds."

Finance and management services director Colin Clark says better-than-expected margins in the oil and chemical divisions were the main contributors to Shell's "pleasing" results.

"Turnover in 1988 increased in all divisions and operating costs were held within the inflation rate."

Royal Dutch-Shell is regarded as one of the most broadly based multinationals. The report shows that Shell SA has many interests and enjoys high market share in several areas.

Shell has by far the most of its assets of R1,1-billion in SA employed in oil — about R600-million. The next biggest investment is chemicals (R125-million), then coal (R100-million), business ventures (R75-million), metals (R25-million) and forestry (R25-million). These are approximate figures.

Shell entered forestry in 1985, and now has about 9 000 hectares of land along the Natal North Coast between the Umfolozi and Amatikulu rivers. Hardwood, poles and sugar cane have all be harvested on this land.

A random patchwork of small companies was drawn together in the recently formed business ventures division. It comprises Cadac, Cera, Easigas, Price's Candles, Veetech and Reef Chemicals.

In August 1986, Shell SA

decided to develop a higher profile under the watchful eye of the then chief executive John Wilson.

Mr Wilson pioneered the use of statement advertisements, which express the company's condemnation of what it believes to be inhuman and unjust practices.

This week, in full-page advertisements in daily and weekly newspapers, Shell repeated its frequent appeals for the lifting of the state of emergency. It has also called for the release of all detainees and expressed its belief in a free and equal society. It gives practical assistance to taxi drivers in the form of taxi ranks.

Goodwill

The advertisements have been a marketing masterstroke, winning Shell enormous goodwill in the black community.

A survey by Analytic Marketing of 1 000 blacks and 300 coloureds placed Shell among the top companies who are seen to be giving exceptionally good support to black communities.

Its social responsibility programmes are well known. The multinational spent about R30-million last year on employee-related and community benefits.

Shell SA adheres to the business principles of the Royal Dutch-Shell group of companies, which states that the multinational will promote and contribute to the elimination of racial intolerance, unjust laws and unacceptable human practices.

T & N loses on disposal

UK-listed T & N PLC's restructuring of its SA interests has cost minority shareholders dearly.

Clearly, T & N PLC has elected to minimise its risk in SA by plundering both its listed subsidiaries, while still staying around.

Last week I dealt with UK's T & N selling off its 76 percent stake in Asseng to T & N (SA). This week I concentrate on how T & N (SA) found the funds to pay T & N (UK) for Asseng.

A questionable management decision has caused shareholders to suffer. T & N (SA)'s 25 percent stake in Everite was sold effective January 1 1989 at a R15 million loss.

The R50 million in funds received was used to pay T & N (UK) for Asseng.

If it had waited until May 1989, when Everite's market price was R3,60 a share, a total of R80 million could have been realised on its sale and a profit of R15 million made.

UK's T & N, holding 51 percent of T & N (SA), made a big mistake (or perhaps panicked) with a premature decision, which cost T & N (SA) R30 million in urgently needed cash flow.

Debt has increased by 50 percent and management must now be embarrassed because the R30 million it didn't make could have reduced debt by 50 percent.

With interest rates in the 20s, 1989's income statement will suffer by around R5 million in interest expenses that could have been saved.

The loss on selling Everite resulted in a bottom-line retained profit of only R4,77 million.

But strangely, R10,17 million in dividends paid meant a retained loss of R5,4 million for the year.

Of the R10,17 million in dividends, T & N took 51 percent.

Shareholders are being asked

Bottom Line

MICHAEL MENOF



to approve a R10 000 fee for chairman Sir Francis L Tombs — he deserves nothing for the way he has treated minority shareholders in SA.

The big question is what will T & N (UK) do next to T & N (SA) and its newly acquired subsidiary Asseng?

Sales increased to R234,7 million (1987: R145,6 million), with operating profit R26,9 million (1987: R21,7 million).

Export sales were R8 million (1987: R3,38 million). Interest expenses virtually doubled to R6,07 million (1987: R3,11 million), with technical fees to overseas parties sharply up at R4,17 million (1987: R2,53 million).

Various allowances helped reduce tax to R6,24 million (1987: R7,7 million), leaving taxed profit of R14,17 million (1987: R12,46 million).

After equity-accounting Everite Investments' R6,35 million profit (1987: R3,36 million), attributable earnings were R20,25 million (1987: R15 million).

But it didn't end there because the loss on sale of Everite — R15,48 million (1987: extraordinary gain on sale of building products division R26 million) gave a bottom line of only R4,77 million (1987: R41,75 million) — a staggering decline of almost 90 percent.

Nevertheless, dividends were raised to 44c (1987: 34,5c).

All three divisions made strides in 1988. Automotive was the star with sales of R151 million (1987: R84,5 million) and operating profit of R19,4 million (1987: R14,5 million).

Both Chemicals & Plastics and Industrials & Mining increased operating profits minimally.

Being predominantly in automotive components, like its listed subsidiary Asseng, surely it should be shown in the Motors section of the JSE rather than in Industrial Holdings.

Without disclosing any numbers, it appears that Silverton Engineering, acquired from Asseng two years ago, is thriving.

Sir Francis Tombs' report was a load of hot air. To make the figures look more attractive, no provision for deferred tax was made and land and buildings owned by Silverton Engineering Properties were revalued upwards by R4,6 million.

However, this did not improve the balance sheet — shareholders' funds have declined to R99,97 million (1987: R101,28 million), debt has risen to R46,4 million (1987: R30,3 million) and working capital has declined to R11,86 million (1987: R18,6 million).

The group intends spending R7 million on a new office block and factory/warehouse.

If only management had been a little patient, that extra R30 million from Everite could have made all the difference to the numbers.

No forecast is given for 1989, apart from the usual guff about improving employee relations.

I was intrigued by the statement of mission and values for "Our Shareholders". T & N (SA) believes they "should be assured of long-term success and growth and that they should receive a competitive and fair return on their investment".

Obviously this was drummed up by a PR company since the way T & N (UK) (holding 51 percent of the company) has acted, it is interested only in itself and not the minorities shareholders in SA — a sorry state of affairs, to say the least.

Barlow-owned UK firm into plastic

LONDON -- J Bibby & Sons, the UK industrial and agricultural group 86% owned by Barlow Rand, has announced the acquisition of plastics company Azlon for £2.5m cash.

Azlon, which manufactures a range of re-usable plastic laboratory ware, is based in South Wales and distributes its products throughout the UK and Europe.

A modest degree of market penetration has been achieved in the US market.

Azlon will form part of Bibby's Science Products division and complement existing business in re-usable glass and disposable plastic laboratory ware.

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ROBERT GENTLE

Chairman Richard Mansell-Jones said: "Azlon is a growth sector of the science products market. I am confident Bibby will be able to develop the business further in the future."

The move marks a concerted effort by Bibby management to get the company moving again in the face of difficult market conditions, particularly in the problem-plagued agricultural sector.

Bibby produced a lacklustre set of interim results last month, and forecast an "uncertain" future.

8/10/61

Staff Reporter

SHELL SA chairman Mr John Kilroe believes demands for disinvestment from leaders within the country have "all but ceased".

He said the Dutch oil giant had no mandate from its shareholders to discuss disinvestment and will maintain its strong stand against such moves in discussions with unions.

Mr Kilroe is also chief executive of Shell in SA. The latest edition of the Institute of Personnel Management (IPM) journal quotes him as saying

Disinvestment demands all but ceased — Shell

CMT 1m/85 23/6/89
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the company cannot enter into a discussion on a subject which is against its principles.

This was his first interview after he took up his post after four years with the company in the Netherlands. He told the journal he believed South Africa was moving

away from confrontation, "even war and riots, to trying to talk things through, sitting at the table".

However, Shell had not changed its position on disinvestment in particular, though there had recently been violent demonstrations against

the company in Amsterdam, he said.

In May, Mr Kilroe lashed out at disinvesting companies, saying their decision had cost 8 000 to 10 000 jobs.

Mr Kilroe said local unions had been told of the company's strong stand on disinvestment. "What we would like the unions to do is to say they don't really want us to disinvest, that would be very helpful to us. But we can hardly enter into discussions on a subject which we've said is totally against our principles."

NEI Africa enjoys impressive growth

Stew 31/7/89

After 10 years on the JSE, NEI Africa can boast an impressive trend: from sales of R65 million in 1978 to R439 million in 1988 — a compound annual growth rate of 21 percent.

Operating income grew from R5,6 million in 1978 to R51 million — a compound annual growth rate of 24,6 percent.

Net worth of R4,75 a share in 1978 now stands at R25,03. This superb trend is due to management's careful strategy aimed at achieving a growth rate in excess of domestic inflation by:

- Searching for suitable acquisitions fitting logically into its role in the energy conversion and distribution fields and certain energy-related specialisation.
- Having an on-going programme of in-house rationalisation.
- A drive to diversify and introduce new technologies into the system, including international knowhow and import substitution.
- Searching for new logical market sectors.
- Improving asset management and the better utilisation of resources, while fine-tuning financial parameters, says chairman L G Abrahamse.

The strategy has worked well since NEI is today, a force in the manufacture, supply and maintenance of energy conversion and distribution equipment.

Because of lower load growth projections than originally expected, major client Eskom is not placing additional power plant orders.

To counter this NEI has strengthened support for its international combustion division with NEI/ICL in the UK and Combustion Engineering of the US's life extension programmes.

Today 20 million South Africans still have no access to electricity, which must give NEI the potential for growth.

The real problem says Mr Abrahamse is that outdated ideology is frustrating SA's potential. Double-digit inflation, the declining rand, the denial of foreign capital and low productivity are rooted primarily in political, not economic, policies.

However, these problems have given impetus to the group's local manufacture and import substitution programmes.

Despite these inhibiting factors, NEI has a satisfactory order book in all companies and again hopes to achieve an acceptable profit improvement.

Sales improved to R438,74 million (R391,63 million), with operating income sharply up at R57,27 million (1987: R45,56 million).

Net financing costs rose to R6,78 million (1987: R4,89 mil-

Bottom Line
MICHAEL MENOF



lion), which must be due to a growth in Bills Payable as debt is less than R6 million.

These are not true financial costs and a substantial part should have been included with cost of sales as an expense. But then a proportion would have been carried with closing stocks.

This would have meant higher taxable income, and tax due sooner.

With an effective tax rate of 37,6 percent (1987: 34,2 percent), tax was R18,97 million (1987: R13,9 million). But it had little effect because taxed net income rose to R31,52 million (1987: R26,77 million).

Earnings per share were 527,6c (1987: 450,3c), with dividends upped to R2,11 (1987: R1,80).

Below-the-line extraordinary write-offs of R9,37 million (R5,11 million after tax) were due to the cost of re-organising the pump and valve division and the costs of discontinued franchises.

The mechanical division's contribution to sales declined to 34,9 percent (1987: 38,7 percent), while the diesel division increased its contribution to 39,2 percent (1987: 35,5 percent).

The electrical division's percentage remained unchanged.

Strangely, exports were only 3,1 percent (1987: 2,5 percent) of sales.

Rebuilding of International and Mack heavy trucks has, owing to the high cost of new vehicles, found ready acceptance in the transport industry.

Top marks to the directors for a most informative report.

Shareholders' funds have grown to R149,55 million (1987: R135,1 million). Working capital has improved to R90,3 million (1987: R78,17 million).

Eye-catching is the large cash resource sum of R44,3 million (1987: R45,3 million).

NEI Africa is owned 55,3 percent by NEI Africa Holdings, which, in turn, is owned 53,3 percent by NEI in the UK.

Unlike two annual reports I analysed recently, the controlling UK shareholder is giving its SA investment all the help it needs.

If all companies had such a well-defined strategy instead of just a mission, shareholders would have no problem.

But then again, not all companies are well run.

Pressure on finrand expected . . .

Biggest ever disinvestment from SA looms

CHE-TIMERS 6/7/89

From IAN HOBBS

LONDON. — Hanson is expected to sign and seal his £3.5bn bid for Consolidated Gold Fields (ConsGold) unopposed within two weeks — and the biggest asset auction in British corporate history will follow.

The sale of the century will start with the biggest ever disinvestment from SA — the shedding of 38% of Gold Fields of SA (GFS) plus holdings in Driefontein, Kloof and other mines for some £450m, which will put intense pressure on the financial rand market.

Hanson confirmed that a condition of its bid is that the Rembrandt group will retain first option to purchase the GFS stake.

It is confidently antici-

pated that GFS will cash in its 7.5% interest in ConsGold for a whopping R1.5bn windfall, which will end the need for a rights issue and will finance essential and major new development programmes in SA — with cash left in hand.

One stockbroker involved in the huge Hanson bid yesterday said: "With a thumping great windfall of R1.5bn you can forget about GFS using its stake in ConsGold to try and hard bargain with Hanson for an improved position. They must be delighted."

A spokesman for Hanson said his board would be having talks with all companies involved as soon as possible. They would be given "guidance and re-assurance".

Cashing in their 30% stake in ConsGold with Hanson has given Minorco the biggest consolation prize in British business history — a cheque for £1bn.

A senior Minorco spokesman said they were delighted with the outcome following the bitter end to their own seven-month takeover bid.

"This is an almost sat-

isfactory situation for Minorco and all shareholders," the spokesman said.

"We are now waiting for our £1m cheque, which represents profits of £400m — that is some £220m more than if we had sold our ConsGold shares last September."

He said Minorco's huge profit from the bid left them with a mammoth cash "nest egg" of £1.5bn.

With a further £1.5bn available in untouched loan facilities of the next three years, Minorco had £3bn "to play with".

"We can now concentrate fully on looking for opportunities and transforming Minorco from an investment company to a major operating business."

He gave no indication of targets Minorco had in its lucrative sights, but confirmed that for commercial reasons SA was not involved in their plans.

Market experts say Minorco will not be interested in acquiring interests in Hanson's although there has been strong speculation that they would want, at least, to buy Newmont Mining in the USA.

f Vessel

BEPERK hereby give not suitable, I have of Ships Regulations tioned vessel and to Port of Cape Town.

TESTEY LAURENT

'No time for Shell to quit South Africa now'

ROTTERDAM — In a Dutch TV news programme, Shell South Africa director Mr John Kilroe said Dutch activists who burn down Shell properties "are very un-Dutch".

Mr Kilroe, who has lived in The Netherlands, said it was his opinion that "the average Dutch citizen is probably appalled that taxpayers' money is sometimes used to subsidise groups who end up burning down service stations and create a system where violence and terrorism ... is something which becomes acceptable".

Mr Kilroe, chairman Dr Allan Boesak and the politician Mr Neville Alexander were interviewed on the programme by the veteran South African journalist-author, Mr Hennie Serfontein.

The programme highlighted Shell's activities in South Africa as "actively anti-apartheid" while screening the recent peaceful and legal protests against the Shell laboratories in Amsterdam as if they were identical to

the illegal arson attacks against Shell properties in The Netherlands.

Mr Kilroe said it was "strange" the anti-apartheid movement was trying to get them out of South Africa, "since it was Shell's mission ... to get rid of apartheid".

"We believe that we can make a really positive contribution to breaking down some of the onerous laws and getting rid of apartheid, that is ... our goal and, strangely enough, that is also the same goal the anti-apartheid movement has.

"The only problem is that we are trying to do something positive about it, while they seem to be spending a lot of effort overseas in trying to prevent us from staying in the country to carry out this mission of ours to get rid of apartheid."

The programme showed many happy, well-dressed and well-fed black Shell employees — at a candle factory, petrol stations, forestry holdings, and at social welfare workshops. Dr Boesak commented, however,

that he did not view Shell as "the champions against apartheid".

"One does not become a champion of freedom by giving some money for social welfare programmes in black neighbourhoods and by placing advertisements in newspapers twice a week," he said in perfect Dutch.

He said if Shell was really sincere, the multi-national company should talk to the international banks — after close consultation with the churches — about the demands for freedom and justice in South Africa.

He continued: "It would make a difference if Shell, with its millions, would say to those banks, together with us (the churches) that 'those are the prerequisites for peace in South Africa, we want that peace together with all those people in South Africa who strive for justice'.

"If they were to do that ... then it would be made very clear to everybody what Shell was doing in South Africa."

Mr Kilroe said the overwhelming

black majority wanted Shell to stay, and Dr Boesak therefore did not have the authority to make statements to the contrary.

It would be "very nice if Dr Boesak would reply to requests we have made to discuss these subjects face to face", he added.

Mr Alexander, who was called a "leading member of the opposition" in the programme, said he would be in favour of letting Shell remain in South Africa "if it was willing to assist, without interfering, in the process of emancipation of the people of this country ..."

Mr Kilroe had the closing word: "There is nothing at the moment which makes me feel that we should be packing up and going. On the contrary, this is exactly the time when companies like Shell who are prepared to stand up and be counted and to put pressure on the government ... to bring about peaceful and meaningful change should be staying."
— Sapa.

TUC censures UK companies 61

LONDON — Twenty-one British companies are paying black workers in South Africa less than the minimum required under the European Community's code of conduct, says a study carried out by Britain's Trades Union Congress (TUC).

The TUC said at the weekend the British government had refused to name the companies publicly and this made nonsense of the code.

In its July newsletter, the TUC has

published a list of the offending companies. *Star 10/7/87*

The companies are (with numbers of underpaid employees in brackets): Addison-Wesley-Longman (16), Babcock International (35), BETEC (11), BOC (91), BPB Industries (27), BTR (17), William Collins (14), Hall Engineering (181), Hickson International (107), Hunting Associated Industries (4), Lonrho (230), Low & Bonar (76), Metal Closures (24), NEI (124), Rentokil (2), Roussel Laboratories (6), Siebe (383 — not all black), 600 Group (12), TI Group (3), Trafalgar House (310) and Union International (16).
— Sapa.

£13bn hostile offer for UK giant

Massive bid sparks fears for SA firms

BRITAIN's biggest takeover bid — for tobacco and financial services giant British & American Tobacco Industries (BAT) — has sparked fears of a R228,9m sale of interests in SA.

Three of the world's richest businessmen launched the bid yesterday, offering around £13bn through a takeover vehicle, Anglo Group.

It is controlled by Anglo-French financier Sir James Goldsmith, his long-time banker friend Jacob Rothschild of Britain and Kerry Packer of Australia, reports Sapa-Reuter. It said a combination of loan stock and secured notes valued BAT shares at £8,50 each.

BAT, a huge business enterprise operating in 90 countries, rejected the offer, which it said was of "dubious value" and showed a "significant misjudgment" of BAT Industries' current performance and long-term potential, reports AP-DJ.

The group is expected to finance the bid by selling off substantial parts of the conglomerate not related to tobacco.

BAT said it considered the suggested break-up as "most disadvantageous to the company, its shareholders, customers, policyholders and employees".

"It is no more than an ill-conceived attempt at destructive financial engineering," BAT chairman Patrick Sheehy said.

KAY TURVEY writes that in SA the break-up proposal cast a shadow over the future of short-term insurer SA Eagle, tobacco manufacturing and marketing company Utico and snack food company Willards Foods.

SA Eagle is 59% held by BAT through its subsidiary Eagle Star Insurance, whose interests in the company are currently valued on the JSE at about R166,3m. The other majority shareholder in the local

Business Day Reporters

subsidiary is Anglo American.

Last night SA Eagle assistant MD Brian Wilkinson said the company was awaiting more details from London and he could not comment.

BAT also holds 63,6% of Utico — a stake currently valued at R62,5m. Utico directors and chairman Fred Haslett, who is also chairman of SA Eagle, were unavailable for comment.

The third SA subsidiary, Willards Food, controls more than 36% of the local snack food market.

The BAT offer is about four times larger than the previous record, held by Hanson for its recent £3,5bn agreed offer for Consolidated Gold Fields (ConsGold).

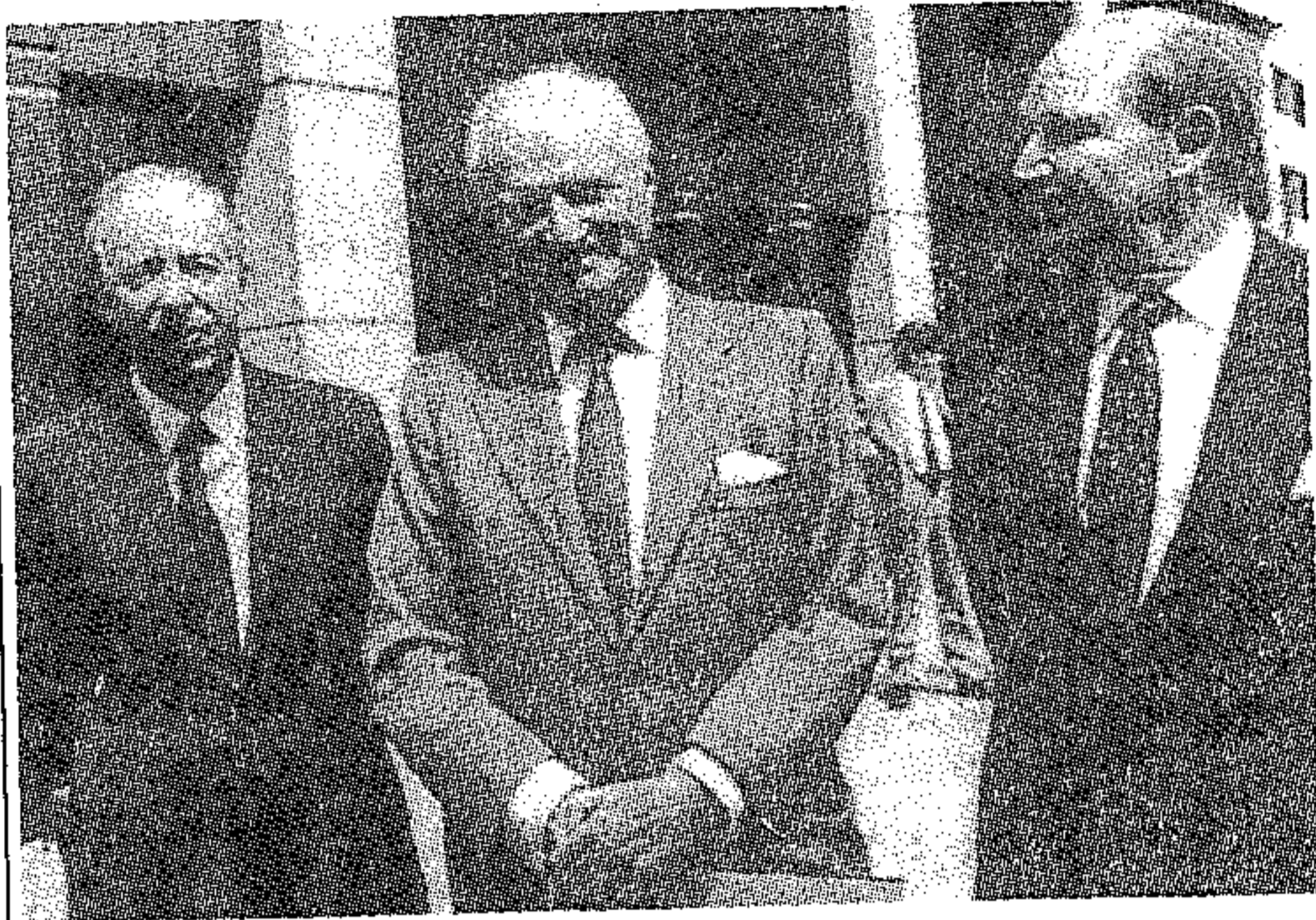
Goldsmith, Packer and Rothschild said there was no logic in retaining unrelated businesses under the same group ownership, as the financial consequences of this "strategic error" was "pedestrian earnings growth and a traditionally low tobacco multiple". Restructuring was the only logical course, they said.

□ BAT, Britain's third largest industrial company, has worldwide interests in tobacco, paper, department stores and insurance that make it a rich prize for stock market predators, reports Sapa-Reuter.

The hostile offer of £13bn (\$21bn) is the world's second largest takeover bid following last year's \$25bn offer for RJR Nabisco in the US.

BAT's group pre-tax profits in 1988 rose 17% to £1,64bn on turnover 3% higher at £17,7bn.

Market analysts have described BAT's shares as cheap in recent months and forecast a steady increase in profits to £2bn or more in 1990.



THE BIG THREE: Behind the smiles are three of the world's richest financiers who are attempting the biggest takeover bid. They are, from left: Mr Jacob Rothschild, Sir James Goldsmith and Mr Kerry Packer.

Huge takeover bid sends shockwaves to SA

AKG as 12/7/89

By TOM HOOD,
Business Editor

A RECORD British takeover bid worth about R55-billion for the conglomerate BAT Industries has set up shockwaves felt in South Africa.

Companies with interests as diverse as insurance and food could be put on the market if the takeover bid succeeds. British financier Sir James Goldsmith, who is leading the BAT takeover bid, said he would sell off BAT's "unrelated businesses."

South African subsidiaries of BAT include SA Eagle (through Eagle Star Insurance), tobacco group Utico and Willards Foods.

BAT owns paper manufacturer Wiggins Teape, but the South African subsidiary was bought by Malbak at the beginning of the year.

In South Africa, BAT companies produce well-known brand names like John Player, Winston and Benson and Hedges cigarettes, Stimorol, Fresh-up Pure Fruit Juices and Willards Chips.

In tobacco, Utico (United Tobacco) competes with the giant Rembrandt group.

Utico itself might well be retained by the new owners if the bid is successful, but SA Eagle and the food companies might be put on the market.

Share prices of local companies that could benefit were pushed higher on the JSE yesterday, when the offer for the former British American Tobacco Group sent prices in

London soaring to their highest since the 1987 crash.

Tobacco shares were given a boost, with Rothmans International surging 9 percent to 637p.

Richemont, the overseas arm of Dr Anton Rupert's Rembrandt Group, owns 30 percent of Rothmans and its price rose 40c to R15,60 in Johannesburg, while the Rembrandt controlling company rose 20c to R8,40.

Cadbury Schweppes share price jumped by R3 to R17 in Johannesburg following a report of an American takeover bid in London for the parent company.

BAT operates in 90 countries and has interests in tobacco, paper production, retailing and financial services.

In London the Independent today reported analysts were sceptical about Sir James's chance of success with BAT. However many believed the bid would flush out another predator.

The terms were regarded as "a sighting shot" and some expected it to pave the way for the arrival of US leveraged buy-out specialists. These financiers used extensive borrowings to finance an acquisition, then repaid them through breaking the company up and selling it.

The group is regarded as undervalued. Sir James claimed the failure of "the conglomerate approach" was demonstrated by the mere 4,1 percent compound growth in BAT earnings over the past four years.

From betting to bidding: Profile of R55-bn raider

WIC ARGUS 15/7/89 (61)

Weekend Argus
Foreign Service

LONDON. — Sir James Goldsmith last week regaled an audience of notables from the City of London and industry, who were dining sumptuously at Claridges, with an anecdote which he claimed was all the rage in Japan.

"A Japanese and a European, walking across the African plains, see a hungry lion coming towards them. The Japanese promptly puts on a pair of expensive running shoes. 'Surely you cannot out-run the lion?' says the European. 'No but I can out-run you!'"

As a tycoon, Sir James has been running faster than his rivals and bankers for 40 years. He quit school at 16, bereft of academic qualifications but the envy of fellow Etonians because he had the £8 000 proceeds of a £10 accumulator bet in his pocket. This week he made the biggest bet of his life, by bidding £13-billion for BAT Industries, the third biggest UK company.

His offer is more than three times greater than the most expensive takeover ever attempted in Britain, Hanson's recently announced £3.5-billion bid for Consolidated Gold Fields. In the world league table, Sir James' attack on BAT runs a close second to the buyout of R J R Nabisco, the food and tobacco group, by Kohlberg Kravis and Roberts.

When Sir James was being feted last week at Claridges, Michael Marks, chief executive of a big securities firm, Smith NewCourt, offered him heartfelt thanks on behalf of the City for ending a decade of self-imposed exile and returning to the business of buying and selling British companies.

The crumbs dropped by Sir James in his share raids are big business for Smith and its rivals. News of the BAT bid gave a boost to investors' spirits and was responsible for an

immediate 55.7 point rise in FT-SE 100 share index, adding £10.9-billion to the value of all British public companies.

Sir James is being flanked in the BAT bid by his long-standing lieutenant and distant cousin, Jacob Rothschild. Heavy artillery is provided by Kerry Packer, Australia's richest man and former television tycoon, best known in Britain for his bitter row with the cricket establishment in the late 1970s. The three superannuated musketeers attack companies for the thrill of the chase.

In this phase of Sir James' career, now he is a multi-billionaire, money is clearly being accumulated for its own sake. But his appetites — for wealth, wives and mistresses — are famous.

Making millions

He plans his corporate raids meticulously and has an intricate knowledge of takeover regulations. Sir James always holds an extra pack of cards up his sleeve when he plays.

Dismantling conglomerates has become Sir James' stock-in-trade since 1980, when he left Europe for America. A citizen of both France and Britain, he had tired of berating the governing classes of both countries for strangling entrepreneurial ambition with the tentacles of the public sector.

Sir James' public image had been tarnished by the collapse of his current affairs journal, NOW, and the incessant legal skirmishes with Private Eye over his connection with Lord Lucan.

In America he could be born again. Anyway, he had been distracted for too long from his metier of making millions. Sir James became a pioneer of the leveraged bid, using borrowings to take big share stakes in undervalued companies.

One billion dollar company after another faced his guerrilla attacks. Hostile takeover

bids were made for companies in basic industries, such as Diamond International, the cardboard box maker, and Good-year Tyre and Rubber which had grown inefficient and therefore possessed an abundance of undervalued assets.

Sometimes he bought the company and sold the parts at a huge profit, as in the case of Diamond and Crown Zellerbach. Or he would buy a big holding and sell it on for an equally huge profit.

Through many of his US ventures, he had the backing of funds from Jacob Rothschild.

Since the stock market crash of 1987, he has spawned too many imitators in the US

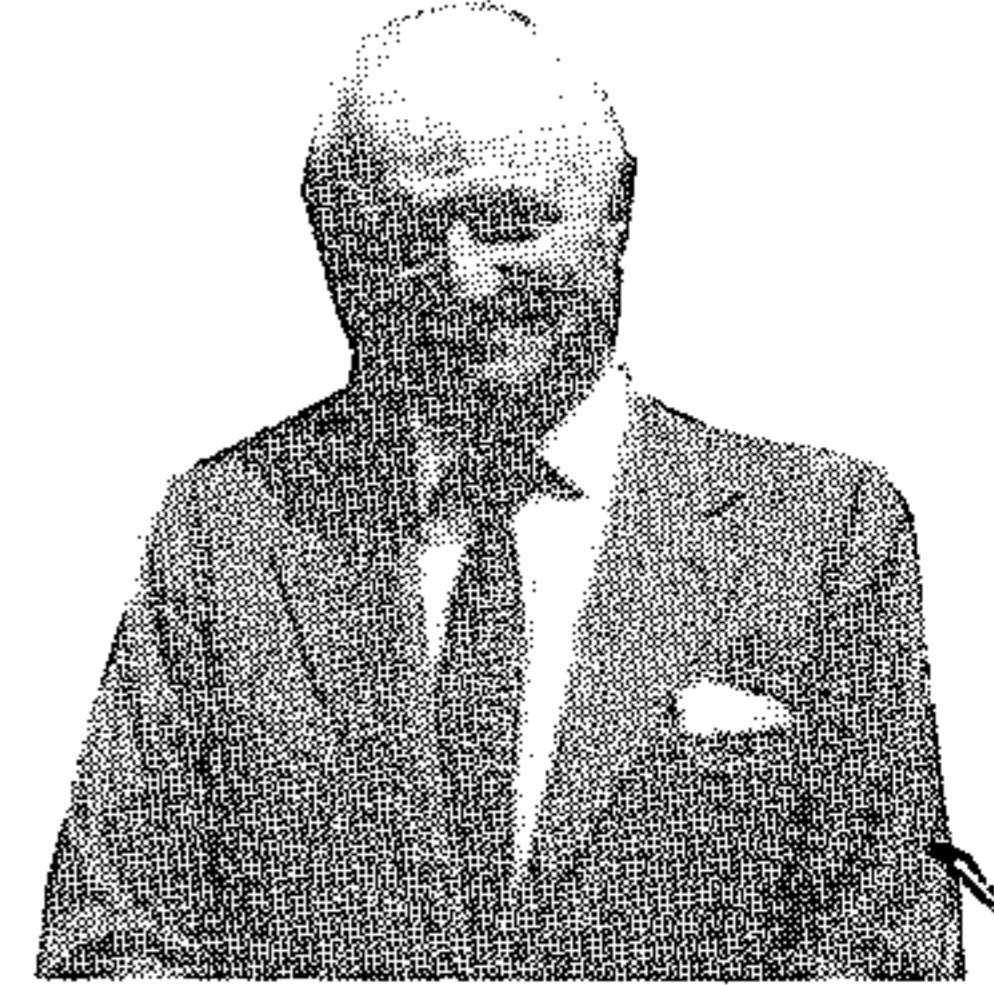
However, 10 years of Mrs Thatcher's government has made Britain a country fit for corporate raiders, in Sir James' estimation. With considerable ceremony, he announced his return in March. Within two months, he had joined forces with Packer and Rothschild to buy just under 30 percent of Ranks Hovis MacDougall. The UK authorities may wish to put obstacles in the way of the bid for BAT, but Sir James has selected his victim with care.

BAT's businesses are not strategically important to Britain. Three-quarters of its assets are outside the country. Moreover the Office of Fair Trading will find it difficult to argue that the offer will have a deleterious effect on competition.

Sir James first hit the headlines as a 20-year-old in one of Britain's most romantic stories when he eloped with the daughter of a Bolivian tin millionaire in 1954.

A London court action brought by the girl's parents prevented his marriage to the under-age Maria Patino in England.

But the couple eloped to Scotland — pursued by the world's Press — where the



NOW: Multi-billionaire, Sir James Goldsmith, who recently launched a £13-billion takeover bid for BAT Industries.



IN 1954: The 20-year-old James Goldsmith and his beautiful bride Maria, arriving in London after their runaway marriage in Scotland.

English marriage law did not apply.

Later, the parents accepted the marriage and all was forgiven. But the story ended sadly the same year when his bride died giving birth to a daughter.

Own Correspondent

LONDON. — Some leading players in international finance are on the verge of joining Sir James Goldsmith's £13bn bid for BAT Industries, the tobacco-based conglomerate.

No deals have been signed and some potential investors may withdraw, but Goldsmith's call to provide his vehicle, Hoylake, with £970m of capital, will be heavily oversubscribed.

The original plan was for the three key bidders — Goldsmith, Jacob Rothschild and Kerry Packer — to invest £250m each.

But the trio has said other investors might be brought in to top up the equity to £870m. If the bid succeeds, Goldsmith and allies, advised by Michael Sorokin of Hambros, would own 31% of BAT. According to the authoritative

More investors join bid for BAT

Sunday Telegraph yesterday, the list of possible investors include:

● GEC, Lord Weinstock's electronics giant which is poised to relaunch its bid for Plessey.

GEC vice-chairman Ronald Gierson is an Anglo director with tobacco experience, having been a director of R J R Nabisco, while GEC director Lord Rees-Mogg is a J Rothschild Holdings director.

● The Agnelli family, Italy's foremost industrial clan who, led by Gianni Agnelli, control Fiat. The Agnellis have yet to flex their financial muscle in Britain.

● Paribas, the French investment bank run by Michel Francois-Poncet, which par-

ticipated alongside the trio in Goldsmith's purchase of the 29.9% stake in Ranks Hovis McDougall.

● Pargesa, the Swiss and industrial group founded by former Paribas vice chairman Gerard Eskenazi. Pargesa has recently increased its own equity base to \$1.14bn.

This international line-up has been attracted by the logic of Goldsmith's bid.

BAT's strategy under chairman Pat Sheehy has been to use the cash flow from tobacco to diversify into highly-rated activities like financial services and retailing.

But Goldsmith's backers argue that if these businesses are assembled within a more lowly-rated tobacco-based

company, their capital value depreciates because their stock market rating is reduced.

One potential investor says: "The act of conglomerate reduces shareholder value. I have no doubts about that. Common ownership has added nothing to the companies inside BAT."

Goldsmith has not criticised the management of BAT's subsidiaries, but has instead attacked the conglomerate's strategy and the "architecture" of the group.

A seasoned City player says: "The most creative defence for Sheehy would be to demerge tobacco and give shareholders shares in it. This would release the break-up. Sheehy

would then challenge Goldsmith to bid for both companies."

But the initial BAT defence will be regulatory. Sheehy wants the junk-bond financed bid to be referred to the Monopolies Commission, while the Department of Trade and Industry might look into the ownership of BAT's financial services companies, Allied Dunbar and Eagle Star.

In America, insurance regulators need to be persuaded that future owners of the £3bn Farmers group are "proper and fitting".

BAT acquired Farmers last year after an arduous campaign through the courts.

The most popular candidate is Hanson.

Anglo Dutch gets R15m plant boost

S Times 23/7/89
HIGH-powered backing
has paid off for office-
furniture manufacturer
Anglo Dutch.

The company, which has been turned around since it came under the wing of Kallenbach Hendler — the year-old joint venture of SA Breweries and high-flying Mathieson & Ashley — will benefit from a R15-million investment in manufacturing equipment, computer-aided design (CAD) facilities and large new premises.

The benefits of the new equipment are already flowing through, says M&A chairman Winky Ringo.

Doubled

The construction of a 13 500 square metre factory at Aeroton will bring two plants at Tulisa Park in Alberton under one roof.

Production of 1 000 desk units a month should be doubled, says Anglo Dutch managing director Alan Green.

1988
By Ian Smith

The board is also considering buying another site next to the new factory for a head office and showroom complex, says Mr Ringo. A decision should be made in the next six weeks.

The plant is eight kilometres from Johannesburg.

Integrated

Mr Green says the R4,5-million spent on equipment and CAD is part of a strategy to harness advanced technology to increase productivity. It will enable the company to increase its penetration of the SA market and play its part in export plans.

High-speed automated post-forming equipment is the first of its type to be installed outside West Germany.

Anglo Dutch has commissioned a factory manufacturing resource planning (MRP)

and a CAD system at each of its five branches.

"We will have integrated these systems by the time we move into the new factory next year," says Mr Green. "It will make push-button ordering possible from any of our offices."

"Once a layout has been completed and accepted by the customer, CAD will automatically interface with the production planning system to determine raw-material availability and capacity loading.

"It will then produce a firm delivery date, a quotation and it will reproduce the layout. The benefits in cost savings, improved accuracy and reduced turnaround are enormous."

Anglo Dutch has benefited from management brought in after the partnership with SAB's Afcot office-furniture interests. Production backlogs have been eliminated, delivery times shaved and orders have increased.

61
Plessey
workers
in wage
face-off

Labour Reporter

ELECTRONICS manufacturer Plessey SA will today legally lock out more than half of its Retreat workforce of 700 unless workers accept the company's final offer on wages, managing director Dr John Temple said yesterday.

About 400 workers, all members of the Electrical and Allied Workers' Trade Union of SA (Eawtusa), will be affected if they do not accept the average 17% increase offered by the company for 1989-1990, he said.

A union spokesman yesterday said the company had acted unfairly by trying to impose a settlement which was unacceptable to the majority of workers.

Management is offering a 71-cent raise on the minimum hourly wage of R4,02, while workers are demanding 26% or R1,05 on the minimum.

Apart from the graded increases, the company had offered a one-hour reduction in the working week to 44 hours with a commitment to 43 hours on July 1, 1990, improved service and leave bonuses, a new housing scheme and a legal counselling service.

The lockout follows a dispute declared by Plessey in late June and the union soon after declaring a separate dispute.

NR 64 25/7/89

Pay dispute sparks factory lock-out

By DICK USHER, Labour Reporter

SEVERAL hundred employees of Plessey at Re-treat were locked out today in the wake of a wage dispute with their union.

Management claimed about 400 workers were affected while the Electrical and Allied Workers' Trade Union said about 500 were involved.

Plessey managing director Dr John Temple said the dispute was over a company wage offer of 17 percent on the minimum against which the union had demanded about 25 percent.

A union spokesman said it had not tabled a demand but had been made an offer of increases at the industrial council rate.

Dr Temple denied this and said union demands were documented.

He said in addition to being already the highest payer in the industry, Plessey had offered a one-hour reduction in the work week to 44 hours with a commitment to another one-hour reduction in 1990.

He said the one-hour reduction alone represented a further 2.25 percent wage increase.

The union spokesman accused Plessey of using the wage issue to break the union at the plant, which Dr Temple denied.

Dr F Bowie, a medical superintendent at Schuur Hospital, said he could not comment because he did not have all the facts at his disposal.

PAINFUL EXPERIENCE operation. The X-Ray plate alongside shows w

Namibia focus at OAU summit

CAPC Times 26/7/89

ADDIS ABABA. — For the second day running, the topic of Namibia dominated the Organisation of African Unity summit here yesterday. The OAU is calling for an increase in the number of United Nations troops deployed in Namibia to 7,500.

At the opening of the summit in the Ethiopian capital on Monday, UN Secretary-General Mr Perez de Cuellar and Swapo head Mr Sam Nujoma displayed a divergence of opinion over the situation in Namibia.

Mr Nujoma appealed to the UN to increase its troop presence on the basis that this was the only way to stop South Africa from installing a puppet government there.

But while condemning police units for intimidation, Mr Perez de Cuellar avoided the issue of increasing the number of UN troops. Yesterday a Western diplomat here described Mr Perez de Cuellar's criticism of the South African authorities as "muted".

The chairman of the frontline states, Zambia's President Kenneth Kaunda, described Namibia as a test case for South Africa itself. "Dismantling apartheid is the OAU's only immediate task after Namibia," he said. "It

will be the most complex battle, not only of the bullet, but of wit. It will be the OAU's final battle for liberation."

Dr Kaunda warned that if the OAU — which has arguably played little or no role in settling the Namibia question — got left behind in the "fast-moving political developments" in Southern Africa, it would be "completely ineffective to influence the direction of the final events in South Africa".

He too urged the OAU to give Swapo another lump sum "for the material help it so badly needs in the run-up to the November elections". The OAU pledged Swapo \$5 million (about R13.5m) last February.

On Monday, President Mengistu Mariam of Ethiopia surprised everyone by mentioning his own war against the Eritreans, and the Sudanese leader, Lieutenant-General al Bashir, has also referred to Sudan's civil war.

Dr Kaunda — in an aside from his prepared speech — followed suit, asking the new OAU chairman, President Hosni Mubarak of Egypt, to dissuade Middle East countries from backing the rebels in Eritrea. Saudi Arabia, Iraq and Syria have all been suspected of funding various rebel factions. — Daily Telegraph

Plessey 'out to smash us' union

CAPC Times 26/7/89

THE Electrical and Allied Workers' Trade Union has accused Plessey SA of trying to "smash" the union after more than 400 workers were yesterday lawfully locked out of the Retreat electronics plant.

And at Renak, a subsidiary of the British-owned Plessey, about 100 EAWTUSA members yesterday downed tools for an hour in support of Plessey workers.

Union members at Plessey SA have rejected the company's average increase of 17% and other benefits relating to conditions of work, instead demanding a 26% wage increase.

Plessey SA managing director Dr John Temple yesterday warned that the company would "soon" employ temporary labour.

EAWTUSA Western Cape branch secretary Mr Brian Williams yesterday said: "The lock-out has little to do with the negotiations and more with smashing the union."

Plessey SA
workers ^{CMR TMB}
^{28/7/89}
'trickle back'
61 Labour Reporter

LOCKED-OUT workers at Plessey SA were "slowly trickling back" to work to accept the electronic manufacturer's average increase of 17% on the minimum wage, company managing director Dr John Temple said yesterday.

About 330 workers, all members of the Electrical and Allied Workers' Trade Union of SA, still stood by their demand for a R1,05 (26%) increase on the minimum hourly wage of R4,02.

Union charges that Plessey SA was trying to "smash" the union were "absolute nonsense", Dr Temple said.

Production had been affected, but the company had embarked on an "internal" recruitment drive to appoint temporary labour.

Parts of factory may close

C/S. T. 10715 29/7/87 (61) 
Labour Reporter

ELECTRONICS manufacturer Plessey SA may be forced to close certain sections of its Retreat factory if between 300 and 400 locked-out workers do not accept the British-owned company's final wage offer.

Company M D Dr John Temple yesterday said Plessey SA had gone as far in the negotiations as it was prepared to in an adverse environment, where products such as components were becoming uneconomic even at current wage levels.

But Electrical and Allied Workers' Trade Union of SA (Eawtusa) branch secretary Mr Brian Williams earlier this week said the company had registered its highest profits in many years.

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Cap Times 29/7/89
Labour Reporter

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But Electrical and Allied Workers' Trade Union of SA (Eawtusa) branch secretary Mr Brian Williams earlier this week said the company had registered its highest profits in many years.

Mr Du Plessis faces an alternative charge of theft.
His bail of R1 000 was extended and the hearing was postponed till August 14 for trial.

Cape Times 1/8/59

Workers in consulate protest

THE labour dispute between employees and management of Plessey South Africa took a new turn yesterday when members of the Electrical and Allied Workers' Union protested at the British Consulate in attempt to gain support from the British government.

Three-hundred-and-thirty of the company's 700 employees have been locked out of the Plessey factory since wage negotiations broke down last week. If the employees do not return to work by August 8 they will be dismissed.

Fifteen union members delivered a letter of protest to Mr D A McKellar, acting consul of the British Consulate in Cape Town. Mr McKellar agreed to pass on the letter to the Foreign Office in London. Plessey South Africa is a subsidiary of Plessey UK.

From page 1

(61)

Cyf 7/15 3/1/80 (6/1/80)

Locked-out workers set to strike

Labour Reporter

LOCKED-OUT Plessey SA workers are set to strike on Tuesday in a bid to pre-empt the mass dismissal of more than 400 members of the Electrical and Allied Workers' Trade Union of SA (Eawtusa).

Eawtusa assistant general

secretary Mr Brian Williams said yesterday that workers were determined to remain united in their demand for a 26% wage increase "no matter what the cost".

The company last Tuesday legally locked out more than half of its 700-strong Retreat workforce after Eawtusa members rejected a wage increase averaging 17%.

Plessey MD Dr John Temple earlier warned that workers who did not accept the company's wage offer by Tuesday would be sacked.

Mr Williams said the strike would be held in terms of a dispute the union declared with Plessey SA in June.



ELECTRONICS

UK takeover could boost Plessey SA

From DEREK TOMMEY

JOHANNESBURG. — The news that Britain has given the go-ahead for a hostile take-over bid of Plessey UK has not caused any concern at its South African operation.

Dr John Temple, Plessey South Africa's managing director, in fact, believes it might be the start of a major reorganisation and expansion of the electronics industry.

"It could be the catalyst which South Africa has been needing," he said in an interview.

The British Department of Trade and Industry has decided that the proposed bid by General Electric Company of Britain and Siemens of West Germany would not violate the public interest.

There are links between the South African operations of all three companies. Plessey SA and Siemens South Africa both have Sanlam as an ultimate shareholder. Plessey SA and the General Electric Company each have a half interest in Temsa, the South African telephone manufacturing company.

DIFFERENT SCENARIOS

In view of these existing links, the rationalisation of the three companies' local operations into one much stronger operation would seem eminently possible.

Dr Temple said that the take-over by Siemens and GEC of Plessey in Britain did not mean that Plessey would disinvest from South Africa.

However, were Plessey to pull out of South Africa, it is likely that Sanlam, which already has a 26 percent stake in Plessey SA would exercise its pre-emptive right to acquire all of Plessey SA.

Dr Temple said he had envisaged eight different scenarios as a result of the takeover of Plessey UK, and it was anyone's guess which of them would be chosen.

Plessey SA is already a major power in the electronic industry and reported pre-taxed profits of R32,7-million in the year ended March.

It has recently announced that it is investing R15-million this year in manufacturing and research and development. This is an increase of 25 percent on last year's R12-million.

Workers back demands with hunger strike

Labour Reporter

WORKERS at a City electronics manufacturing firm have gone on a hunger strike to back wage demands.

The 430 locked-out Plessey SA workers started a hunger strike to back their reduced wage demands yesterday, according to Mr Brian Williams, assistant general secretary of the Electrical and Allied Workers' Trade Union of SA (Eawtusa).

Fasting would be done on a relay basis with participants taking no food or drink for 24-hour stretches while stationed in a van outside the Retreat factory's gates, Mr Williams said.

The protest would be lifted only when Plessey SA acceded to union proposals which would be revised today and submitted to management in writing.

The latest move by Eawtusa members affected by the two-week lockout follows the company's withdrawal of its threat to sack workers who did not accept its offer by yesterday.

Mr Williams said: "Workers on hunger strike demand justice at the work place, reject Plessey's use of the hated Labour Relations Amendment Act and want to protest against the existence of that Act."

Plessey SA managing director Dr John Temple said the company was offering an average 17% increase on basic minimum wages, moving up to 19,4% for the "bulk" of the workforce.

He denied that the company had "bowed" to any community or international pressure and also denied that Plessey SA had resorted to the Labour Relations Amendment Act in the dispute.

Invest in SA, says billionaire

LONDON — One of the wealthiest private landowners in Britain, Lord Howard de Walden (76), has urged youngsters to invest in South Africa.

The baron, whose personal fortune has been put at about R1,2 billion, said: "It's cheap, South Africa. And I've always felt that the trouble will eventually blow over." — The Star Bureau. Star 14/8/89

GFSAs takeover paves way for acquisitions

By TOM HOOD,
Business Editor

THE new shareholding structure of Gold Fields of South Africa would allow the mining group to adopt a more aggressive approach to new investment opportunities, said chairman Mr Robin Plumbridge.

"We can now move ahead and develop the group far more rapidly," he said after announcing the deal by which GFSAs and Rembrandt Group acquired Consolidated Gold Fields' stake in GFSAs for £368-million (R1 619-million).

The financial constraints imposed by having a large block of foreign shareholding had prevented it from making major investments in the past, he added.

However, Johannesburg analysts believe Dr Anton Rupert's Rembrandt Group is paying a hefty premium for its acquisition of a further 10 percent of GFSAs.

They said Rembrandt, which is putting up £120-million (R528-million) for a 10 percent stake in GFSAs, is paying too much for the shares.

At current financial rand rates, its payment values GFSAs shares at R96, a 17 percent premium on GFSAs's current price of R82.

SENTIMENT

The JSE reflected this sentiment yesterday. Rembrandt Group ended 15c easier at R12,10 after soaring to R13,50 in early trading, while Rembrandt Controlling closed 20c lower at 880c after jumping to 950c.

The sale comes after last week's completion by Hanson Plc of its R15-billion acquisition of Con Gold. The complex deal, announced by Mr Plumbridge yesterday, was arranged hastily after Hanson's bid for Con Gold went unconditional.

It could precede the sale of three other valuable mining assets controlled by Con Gold: US-based Newmont Gold and Gold Fields Mining Corporation, as well as Renison Gold Fields of Australia.

EQUAL CONTROL

In terms of the deal, GFSAs and Rembrandt will have equal control of GFSAs Holdings, which in turn owns 40 percent of GFSAs.

Both groups will therefore have an indirect 20 percent stake in GFSAs.

Rembrandt's 50 percent stake in GFSAs Holdings comprises the 10 percent it acquired in July 1987 and the 10 percent interest it took up in terms of an agreement giving it a pre-emptive right over 30 percent of GFSAs shares.

NO DIFFICULTIES

In spite of paying a substantial premium for its stake, analysts suggested Rembrandt would have no difficulties raising the R800-million it would have to pay Con Gold through the financial rand.

They said Rembrandt could finance the deal through a combination of internal funds and loan financing, although the group recently followed its rights in HLH, Gencor/Fedmyn and Sage to the tune of R330-million.

CASH RESOURCES

Its cash resources at end-June totalled R350-million.

GFSAs's acquisition of 50 percent in GFSAs Holdings has been financed via a share swap.

Through Asteroid, a local company owned jointly by GFSAs and Driefontein, GFSAs's major gold mine, GFSAs controls an effective 7,5 percent of Con Gold.

The purchase sum includes the final dividend to be declared by GFSAs for the year to June.

The 7,5 percent stake is valued at £240-million in terms of Han-

son's offer of just over £15 a share.

But Mr Plumbridge said a share swap was the preferred option used because a gains tax would have had to be paid if the shares were sold.

Con Gold will retain an 8 percent stake in GFSAs and will, for the time being, hold onto its other interests in South Africa: 5 percent of Driefontein, 13 percent of Kloof, 15 percent of Deelkraal and 13 percent of the Northam platinum mine.

Sapa-Reuter reports from London that Con Gold chairman, Mr Rudolf Agnew, welcomed the sale of GFSAs, and said: "I am very pleased we have achieved full and fair value, which represents a premium of 23 percent over the current market price."

Dealers in Johannesburg said the Rembrandt Con Gold transaction was unlikely to have much effect on the finrand market.

PURCHASED

They felt Rembrandt had probably completed its purchases of finrands last week.

The finrand rate rose 5c last Friday morning and has remained firm since then.

The cost of Rembrandt's purchase in commercial rands is about R516-million.

But, if Rembrandt has to buy its foreign currency at the finrand rate, as most analysts assume, the cost could be R800-million.

WORRIED

The Argus Bureau in London reported yesterday the City was worried that the purchase of GFSAs shares by Rembrandt and anybody else would put unprecedented pressure on the finrand.

However, the subsequent disclosure that GFSAs and Driefontein were swapping Con Gold shares for GFSAs shares should eliminate any need for finrands.

Business

8

THURSDAY, AUGUST 17

Granada drops

From SYLVIA DU PLESSIS

JOHANNESBURG. — The weak rand has prompted UK television rental giant Granada to disinvest its 42% stake in Teljoy SA, worth R70m.

The pullout — for financial reasons — is expected to be confirmed next week. Aside from the weak rand, Granada is apparently also motivated by a desire to focus its operations in Europe and raise more capital.

Industrial holdings group Federale Volksbeleggings (Fedvolks), which already holds 27% of Teljoy, will bid for Granada's shareholding, a source close to the deal said yesterday.

Speculation of the takeover has intensified since Teljoy's warning to shareholders on Friday to exercise caution when dealing with the group's shares.

However, shareholders appear to have adopted a wait-and-see attitude. Teljoy shares closed unchanged yesterday at 290c, 10c off the 300c recorded when the cautionary was issued.

Neither Teljoy nor Fedvolks would confirm the deal.

GM 7:45 17/8/89

Weak rand prompts R70m disinvestment

Fedvolks MD Johan Moolman said yesterday he did not want to comment on whether the speculation and the cautionary were linked.

However, he conceded that it would be "logical" for the group to want to increase its shareholding in Teljoy. He was happy that Fedvolks had a stake in Teljoy, since it was performing well and broadened Fedvolks' base.

Teljoy chairman Theo Rutstein, a major minority shareholder, also declined to comment on the rumours, but said he was not planning to sell his own shares in the group. He added that an announcement regarding the cautionary would be made late next week.

Granada is the second largest TV rental

Plessey denies plans to pull out



South
17-23/8/89

A CAPE TOWN electronics company hit by industrial unrest over the past month has denied rumours that it is about to be sold by its British parent company.

The managing director of Plessey SA, Dr John Temple, said he knew nothing about the rumours of disinvestment.

"These are just rumours. Plessey has been under bid rules in Britain since last year," Temple said.

But both a source within Sanlam and a spokesperson for the Electrical and Allied Workers' Trade Union (Eawtu) said that Sanlam was considering taking over the company.

The Sanlam source said the purchase was still at the "delicate talks stage", while Eawtu spokesperson Brian Williams claimed the union had received information about the impending disinvestment from an "impeccable source".

He claimed that Plessey was going to be sold later this year to the giant Sanlam group.

Williams said his information came from a tip-off to an Eawtu representative who visited Britain last month to get support for the locked-out workers.

Sanlam has a 26 percent shareholding in Plessey SA, which has doubled its profits over the past four years.

Sancor spokesperson Mr R Hunt Davis described the disinvestment rumours as "definitely not true".

According to Temple, 319 workers are still holding out against the company's wage offer.

Plessey SA last month resorted to a lockout after Eawtu rejected its wage offer.

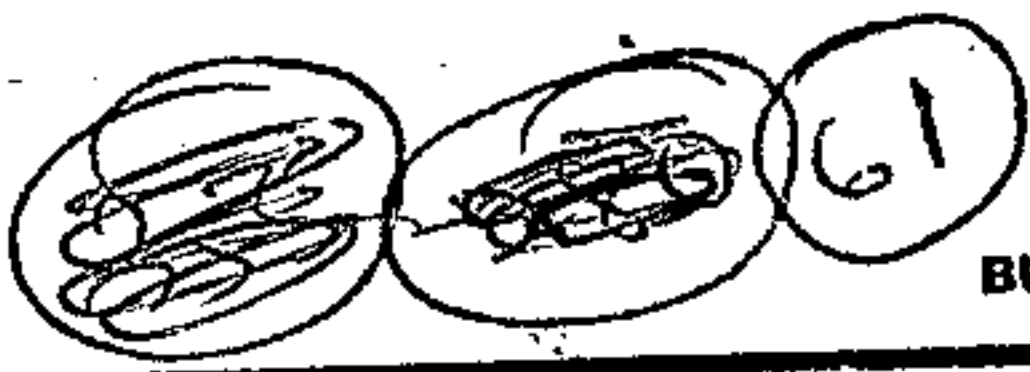
Unless otherwise stated, political comment in this edition by M Williams; sub-editing, headlines and posters by R Fisher; and cartoons by D Carelse, all of 95 Sir Lowry Rd, Woodstock.

Plessey workers carry on strike

Staff Reporter

MEMBERS of the Electrical and Allied Workers' Trade Union of SA (Eawtusa) at Plessey SA will remain on a hunger strike till their demand for a 26% wage increase has been met, union members said yesterday.

About 300 locked-out workers started the hunger strike at midnight on August 9 outside the factory gates in Retreat. The strike is being carried out on a relay basis with participating groups taking no food or drink for 24 hours.



CWIU ballot on BP pay settlement strike action has begun

MEMBERS of the Chemical Workers' Industrial Union (CWIU) began voting yesterday on whether to take strike action against BP over a 1989 wage settlement.

CWIU petroleum co-ordinator Martin Jansen said the parties had agreed on a 15% or R160 monthly increase — whichever is higher.

But a union demand for the equalisation of wages within particular job

ALAN FINE

categories remained unresolved, as did proposals on social responsibility expenditure and job security.

Jansen said the union represented about 380 employees — more than half the blue-collar workforce — involved in technical, driving, clerical and warehousing work.

He said management had agreed in principle to eliminate differentials

within grades. However, the company wished to do it gradually and was willing to spend only the equivalent of 1,7% of the payroll for this purpose this year. The union proposal meant an additional 3% expenditure.

He expected the ballot, being conducted at depots around the country, to be completed by Monday.

BP management could not be reached for comment.

Multisoft UK has great hopes for S Africa

Star 21 9/87

Tony Nicholls, chairman of Multisoft Business Systems, UK, made some controversial prediction of a shake-out in the multi-user Unix-based business market during a recent visit.

"At present, Multisoft, Tetro and Syspro are the leaders in South Africa. In the UK and Australia there are only two major players, one of them being Multi-

soft, and I believe that within two years there will also only be two in South Africa.

"By that time, Multisoft, with its Premier solutions product, will dominate the market."

He said Multisoft was committing R20 million to research and development over the next two years and would soon be releasing in South Africa a range of soft-

ware for point-of-sale and manufacturing systems.

By 1991, more than 50 percent of the business systems would be Unix-based. While the UK was the most advanced country in the world in the Unix field, South Africa was only 12 months behind and was ahead of most European countries.

"Our research into the South

African accounting software market shows it will double each year over the next three years."

"By that time, we expect sales by Dealersoft, our SA representative, which has more than 800 sites, to have risen tenfold.

Multisoft UK has signed preferential marketing agreements with Nixdorf and Hewlett-Packard.

BP chief warns of oil price rise

LONDON — The next chairman of British Petroleum says it is a racing certainty that world demand for oil will outstrip supply in the mid-1990s, with the possibility of a sharp price rise.

In an interview yesterday, Robert Horton said he hoped Opec had learnt the lesson of history that pushing the price up too steeply would not benefit producers in the long run.

"I fully expect there to be a squeeze in the mid-1990s and I expect the real price of oil to increase as a result. But I would hope the real price would increase maybe to \$20-\$25 a barrel, rather than to \$30-\$35 or even \$40," he said.

Mr Horton's warning of a squeeze contrasts with the views of many oil industry executives, including those in Shell, that supplies will be plentiful enough to keep prices fairly weak until the end of the next decade.

Last month, the US imported more than half its oil.

"That is a straw in the wind," Mr Horton said. *Star 12/9/89*

"By the mid-1990s, I expect Opec production, at 25 million barrels a day, will more than satisfy its financial aspirations. At same time, the supply and demand for oil will have regained a tightness beyond a natural equilibrium."

Mr Horton, 50, will take over from Sir Peter Walters, BP's present chairman in March.

David Simon, considered a close rival for the job, who recently rejected an offer of the chairmanship of British Rail, will become deputy chairman.

Sir Peter, who has been chairman since 1981, turned down the chairmanship of National Westminster Bank earlier this year. — Financial Times.

Daimler looks at sales to SA

LONDON — Daimler Benz, which has reached an agreement to take over the West German aerospace firm MBB, said yesterday sales to SA of that company's military-related equipment were being examined. (61) (10)

MBB (Messerschmitt-Bolkow-Blom), which has supplied SA with multi-sensor platforms, as well as police helicopters, is expected to pass into the hands of the West German car and industrial giant within a few months.

This follows a decision last Friday by the West German government to allow Daimler Benz to purchase a 51% stake in MBB, whose military interests include tanks, aerospace, electronics and naval vessels. B (cum) 13/9/89

ROBERT GENTLE

A Daimler Benz spokesman said that sales of sensitive equipment by the newly enlarged group to SA and other non-NATO countries were likely to become "more restrictive". The new policy would be known within six to eight weeks.

Heinz Schulte, the West German correspondent of the authoritative arms publication Jane's Defence Weekly, said he was in no doubt that MBB sales to SA would be stopped altogether.

Schulte attributed this to anti-apartheid pressure that would now also face Deutschebank, the main shareholder in Daimler Benz. (102)

(61) (43) (33) (23)
City strikers return to work

Capl. 14th 15/9/87
ABOUT 400 workers of city electronics manufacturing firm Plessey, who have been on strike for nine weeks, returned to work yesterday.

The workers, all members of the Electrical and Allied Workers' Trade Union of SA, accepted the management wage offer and extracted major concessions.

As part of the agreement Plessey must donate R50 000 to the Cape Flats Distress Association, which helped workers during the strike. — Sapa

Plessey SA awarded R30m SABC contract

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19/9/89
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JOHANNESBURG. — The SA Broadcasting Corporation (SABC) has awarded a contract worth R30m to Broadcast Technology, a wholly-owned subsidiary of Plessey SA, for the local manufacture of VHF FM transmission equipment.

The SABC was always dependent exclusively on foreign suppliers for its equipment, but now we are glad that the local industry has developed to such an extent that we can award a contract of this nature to a local organisation.

Recognised technology is being transferred to SA and will be refined and developed further by Plessey for local conditions in terms of a joint venture agreement.

The collaborative venture will establish a local design and manufacturing facility for radio frequency products, which will cater for the SABC's requirements, and we hope that this contract will contribute to the development of an industry with export potential.

All the equipment will be manufactured in Cape Town, and the contract will lead to Plessey expanding its already considerable R & D facilities.

The SABC says it has taken this step forward because it recognises the potential in establishing hi-tech broadcast technology in SA.

Not only will this make SA immune to possible sanctions and fluctuations in the exchange rate but will also provide a higher quality service to radio listeners.

The SABC has full confidence in the SA electronics industry and that it will be able to deal with the project competently.

The 300 transmitters and 600 relay receivers provided for in the contract will be manufactured over a five-year period. These will replace 60% of the equipment within the present FM network which is now over 25 years old. — Sapa

UK on disinvestment march

SI Times 15/10/89
WHILE most of the focus on the anti-South African disinvestment movement has been generated in the United States, it appears that British corporations are at least matching American firms in the rate at which they are pulling out of the RSA.

According to data just compiled by the Investor Responsibility Research Centre, a Washington-based think tank on corporate invest-

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61
Jim Srodes: Washington

ment patterns, the number of British companies has declined by 6% this year from 1988 levels, matching the rate of disinvestment by US companies over the same period.

"Since 1988, the number of US companies with investments or employees in South Africa has declined from 140

to 131; their British counterparts have declined in number from 184 to 172," the IRRC reports in a survey on disinvestment to be published next week.

The 172 British firms still active in SA give it the largest presence of the total foreign multinational community. The report identifies 440 non-US multinationals that have direct investment or employees in South Africa.

Of that total the 172 British and 137 West German firms that are active compare with 131 US companies that still have direct investment or workers in South Africa.

Of the 26 multinationals that have pulled out of SA so far in 1989 there have been 12 British firms and two West German sell-outs of the 17 non-American leavers. During the same period nine US companies have disinvested.

The IRRC report notes that the largest US employer in South Africa is the International Paper Co, with 2 184 employees. By comparison the top non-US foreign employers (with 50% or more equity investment) were listed by the report as follows:

Lonrho Plc (10 030 employees), Royal Dutch Petroleum (9 485), Volkswagen (8 370), General Electric Co (8 330), Unilever (7 463), Nestle (6 290), The BOC Group (6 180), Daimler-Benz (5 726), Siemens (5 224), BAT Industries (4 780), T and N (4 733), Northern Engineering Industries (4 567), British Petroleum (4 150), Philips International (4 000), Philipp Holzmann (3 830), The Plessey Co (3 749), Great Universal Stores (3 323), Cadbury Schweppes (2 851), Babcock International Group (2 655) and BMW (2 500).

Bids tendered for BP stake

61

CAH Times 15/11/89

Own Correspondent

JOHANNESBURG. — Four bids were tendered for BP's 89% stake in open-cast coal mine, Middelburg Mines, including a joint bid from Graham Beck's Kangra Holdings and Italian state-owned energy corporation, Agip, when bidding closed on Friday, an industry source said.

BP said earlier it was selling its coal interests in SA, the US, Australia, and Europe for strategic reasons.

The other bidders for Middelburg were Amcoal, Sasol and Gold Fields Coal.

Rand Mines (RM), which owns 11% of Middelburg, has the right to match the bid accepted by BP, and deputy chairman Allen Sealey has said the company is keen to buy the mine.

Kangra Holdings is owned by Graham Beck and earlier this year acquired Northern Natal Navigation Collieries from Gencor-owned Trans-Natal Coal (TNC) in exchange for R3,8m and mineral rights to extend the life of TNC's Savmore Colliery.

Although Trans Natal Coal said ear-

lier it would be interested in purchasing the SA assets of BP, chairman Brian Gilbertson has since told analysts Middelburg will not fit TNC's synergy.

BP spokesman Graham Barr declined to comment yesterday on the sale of coal assets.

It was not known whether BP's remaining interest, mineral rights to about 440-million tons of mainly steam coal in the northern Transvaal Waterberg Basin, was included in the bidding.

Analysts Max Pollak & Freemantle in a November 1988 coal review points out lack of infrastructure as a production difficulty in the basin although coal quality compares favourably with deposits currently being mined.

Frankel Kruger analyst Kevin Kartun estimated the mine to be worth R300m.

The price might be influenced by Middelburg's low production cost at about R20/t and its export allocation through Richards Bay. It will cost about R500m to open a new mine, he said.

Well rehearsed script for

Richemont's Rothmans bid

B/DW/5/11/89

61

LONDON — The script for Richemont's bid for Rothmans International employs every buzzword and many of the plot devices seen in the biggest takeover battles of the past year.

Brands, demergers, enhancing values for shareholders, continental European companies run by South Africans, how best to re-invest the cash harvest from tobacco companies. These familiar lines, widely rehearsed in bids for Consolidated Gold Fields and BAT Industries, are back.

This time, however, the shadows from backstage are the only show. Richemont affects to be a most reluctant bidder. MD Johann Rupert said last week: "I would suggest that it's not in anyone's interest to accept." On the terms he is offering, he is unlikely to be disappointed.

Richemont, moreover, said it planned no immediate management changes at Rothmans, although with many executives in their late 50s and early 60s, Rupert added: "It's clear that some succession planning is in the offing."

Rupert would hardly be in a position to complain about Rothmans' performance anyway. His family has held effective control over the British group since 1972, a position barely affected by Philip Morris's eight years as a shareholder.

Indeed, analysts appeared more surprised at the price at which the Philip Morris stake was being handed over than at the deal itself. That, suggested one pundit, had looked increasingly likely ever since the Rupert family set up Richemont, a listed Swiss-based company, last year to hold Rembrandt's non-SA interests

— thereby giving them added incentive to regain control of Rothmans cash flow.

Four years earlier, any plans, Philip Morris may have had for using its 25% stake in Rothmans as a platform for more significant things were undermined by an EC ruling. This restricted the voting holding to 25% and denied Philip Morris any managerial role at Rothmans.



● RUPERT

But if the natural buyer and natural seller were obvious, the London market seriously overestimated the price and terms on which the deal might be done. Rothmans shares had risen from around 425p a year ago to more than 600p by mid-July and were 669p ahead of the

bid. By contrast, the value of the Richemont offer is estimated by the Swiss group's advisers at only 589p a share — and even then the payment is not in cash, but in unlisted loan notes.

For Richemont, Rupert just smiled sweetly and said the price that emerged was just "a matter of negotiation".

But if Philip Morris had exited for the best, if less than glorious, terms it could extract, a questionmark remains over where the Rothmans price goes next.

Not unnaturally, Richemont appears to be doing its best to prevent a wave of selling. The deal was announced a tantalising two weeks ahead of Rothmans' interim results, and the bidder said it would discuss "ways of enhancing the value of shareholders' interests in Rothmans group companies."

Over what that might mean, Rupert was studiously vague. But it seemed to cut little ice with a number of analysts, nor with Rothmans chairman David Montagu. "I haven't the remotest idea what we're going to do," he commented.

The group's ownership structure gives Rupert an advantage denied Patrick Sheehy at BAT. "Few companies are offered the luxury today of long-term planning," Rupert says. "You do not build value overnight. You build value over five to ten-years." — Financial Times.

Cautious second look firms pre-bid shares

ROBERT GENTLE

LONDON — Tobacco and luxury goods group Rothmans International firmed 19p to £6.27 on Monday in what appeared to be a cautious re-appraisal of the implications of last week's dramatic change of control.

That move, which saw the Rupert family's 50%-owned Swiss-based investment company Richemont move into the driving seat, had sent the shares plunging to £6.

William de Winton of stockbroking house Hoare Govett said the market would soon get over its initial lukewarm response and realise Rothmans shares had good long-term prospects.

Valuation

De Winton, co-author of a report that earlier this year predicted the Richemont move, said Rothmans shares were worth much more than their present market price.

The report, working on the basis of Rothmans' break-up value, said total asset valuation was about £2.9bn — or £9.32 a share.

De Winton said he had no doubt Richemont was working on a restructuring that would increase shareholder value. This was likely to include flotation — which could be worth £770m — of luxury goods group Cartier.

Paris-based Cartier, which manufactures and markets luxury watches, lighters, writing utensils and leather goods, is 47% owned by Rothmans. Richemont has a controlling stake.

Meanwhile, the British luxury consumer goods group Dunhill, in which Rothmans has a 55% stake, is expected to announce record interim profits today.

US firm stops trading in SA securities

CMT Timp 17/11/89

From SIMON BARBER

WASHINGTON. — Merrill Lynch, the largest US securities firm, has told its employees it is ceasing all SA-related transactions in response to pressure from local governments which have banned dealings with firms that have ties with SA.

Other brokerage houses are expected to follow Merrill's lead.

Under the new policy, Merrill will immediately cease researching SA companies and making recommendations on their stocks, although it will continue to follow the mining industry overall.

As of December 1, it will stop buying and selling SA securities including American Depository Receipts (ADRs) for shares traded on the Johannesburg Stock Exchange, and will refuse to execute clients' orders to buy or sell SA securities except to liquidate current holdings.

From the end of January next year, all accounts of customers in SA will be closed, as will all accounts of SA-based banks.

The moves were announced in an internal memorandum whose existence was disclosed by the Wall Street Journal yesterday.

Merrill officials confirmed that the memo was genuine but declined to comment further.

The document notes that the policy meets the requirements of selective purchasing laws adopted or pending in various city governments around the country.

Such laws could, for example, prevent Merrill from being selected as the lead underwriter in major — and highly lucrative — municipal bond issues.

The company's sweeping decision goes beyond any similar moves by its competitors. American Express-controlled Shearson Lehman Hutton Inc, for example, trades in SA securities for US customers, but will not do business directly with SA companies or individuals.

● Our London correspondent, ROBERT GENTLE, reports that SA gold shares, which of late have enjoyed a resurgence of interest on the London Stock Exchange, fell sharply yesterday in response to a surprise decision by Merrill to stop trading them.

There was no comment from Merrill in London at the time of going to press.

Among the major falls were Driefontein (down 25p to £8.65), Harties (down 20p to £5.22), Kloof (down 21p to £7.22) and Harmony (down 14p to £3.75).

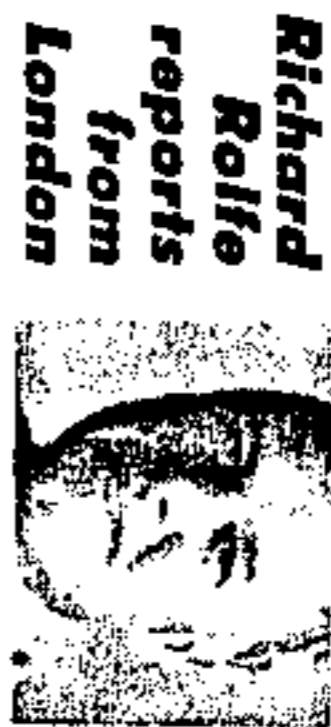
An analyst said the falls were probably more a result of panic-induced markdowns than actual selling.

CMT Timp 17/11/89

Vansa Vehicle for futures

The Top 100 Companies 1989

Investors keep eye on SA's dynamic dozen



Richard Rolfe reports from London

SA ENTREPRENEURS have once again figured strongly in the UK stock market over the past year. They have, in fact, become such a prominent part of the local scene that at least one broker runs a fund which invests in expatriate South Africans. The 12 individual SA entrepreneurs who have set up or acquired UK businesses in the past three years now control companies capitalised at £400-million on the London stock exchange.

That figure excludes operations like those controlled by major SA concerns such as the Liberty group's Transatlantic Barlows, J Bibby and Altech's Telemetrix. Biggest to date of the UK groups assembled by SA entrepreneurs is Acasis, the vehicle of Darryl Phillips. Assisted now by Owen Dindsale, late of ICS, and Ralf Degm from GreyGroup, Mr Phillips' SA company, Acasis is capitalised at £75-million. Mr Phillips' family trust owns 8% of the Acasis equity, worth about 26-million.

Acasis is highly rated by the UK investment community and Mr Phillips has been able to place shares in order to fund a number of deals, most recently the £22-million acquisition of five design and consultancy-related concerns.

Despite a background in advertising in SA, Mr Phillips has concentrated on a different strategy in the UK. He is building up a major marketing services group, with divisions engaged in media sales, design and recruitment. Next biggest of the companies built up by individual entrepreneurs is Peek, which has been created by Ken Maud. Unlike Mr Phillips, Mr Maud, a former director of Altech, stuck to the field he knew best — electronics. A shell when Mr Maud took it over in September 1986, Peek is now valued at £66-million in London.

Its key strategic move was the acquisition of Durbler International, which doubled Peek's size 18 months ago. This year, Peek bid £18-million for Polytechnic, a world leader in elec-

tronic marine and air navigation equipment. It also paid £9-million for Saratec, a Florida-based manufacturer of traffic control systems. Peek is expected to make about £12-million in pre-tax profits in the current year, but its shares have been a weak spot as growth prospects seem to have slowed down. Goode Durrant, controlled by Michael Waring, has been in the news more for Mr Waring's fight with the Nash family trusts than for any recent deal-making. Winneford, the largest shareholder of Goode Durrant, is headed by Tim Nash and controls 15% of the company. However, Mr Waring has resisted Winneford's attempts to gain board representation.

Capitalised at £58-million, Goode Durrant has diversified into car dealerships, house building and financial services and is cash rich — too much so, say some City of London analysts, who criticise Mr Waring for being insufficiently bold in expanding. Ivor Schlosberg's Pickwick Group has become established as the market leader in the production and distribu-

tion of home entertainment items such as videos, compact discs and audio cassettes. Its range of products is usually described as "spanning the range from Thomas the Tank Engine to Herbert von Karajan". Pickwick has attracted the attention of Pearson Group, which holds 21% of the shares. Pearson is publisher of the Financial Times newspaper and also owns Penguin Books. Mr Schlosberg has focused Pickwick increasingly on videos, which account for 60% of turnover and has just done a major deal with Walt Disney Co to distribute its products in the UK. Capitalised at £50-million, Pickwick is seen as a largely recession proof stock capable of extending its penetration of the UK and international market. Like Mr Maud, Mr Schlosberg, who formerly ran RPM Records in SA, has stuck to doing what he knows best. Bruce McInnes took control of Charles Baynes in a deal just before the October 1987 crash. Baynes' shares were ramped up to 260p, but

have since slumped as low as 24p. Baynes has been able to make some acquisitions in the past year, but Dr McInnes has concentrated on organic growth. The share price has crept back up to 38p, capitalising the group at £39-million.

Associated-Henriques, the vehicle of Milton Levine, has also grown steadily and unspectacularly in its chosen field of trade finance. Profits doubled this year and the group is flourishing despite the high interest rate environment.

Associated-Henriques is capitalised at £32-million. Placed at 71.5p in January 1988, the shares now stand at 100p.

A strong debut earlier this year was made by Le Creuset, controlled by SA-born Paul van Zuydam, former chief of the Prestige group, the housewares concern in which he became involved by selling his family concern.

Le Creuset makes enamelled cast iron cooking pots in France and is expected to grow rapidly in other markets. Mr van Zuydam owns 73% of the Le Creuset shares and the company is

capitalised at £30-million. Former SA student leader and political detainee Philippe Le Roux took a major step forward earlier this year when his Norton Group pulled off the reverse takeover of the much larger Minty, the furniture manufacturer. Norton has revived the UK motor cycle market and also developed a range of rotary engines for manned and unmanned flight.

Mr Le Roux is developing the group into a conglomerate with the absorption of Minty, which also obtained for Norton a primary listing in London. Market capitalisation is now £17-million.

Still in the minor league are Fairway (£8-million), S W Wood (£8-million), Brewmaker (£6-million) and Mining and Allied (£3-million).

Fairway, a distributor of business stationery, is under the control of former JCI chief Gordon Waddell and John Munro, late of Reunert and Lenz. They took control in May at 40p per share and the price moved smartly up to 100p on the news. It has since fallen to 58p.

S W Wood is the vehicle of Bob Matthews, whose brother Nigel continues to run Klipfont group in Johannesburg. Wood's shares ran swiftly up to 238p earlier this year after the Matthews brothers' April takeover. But it has been a casualty of the October mini-crash, slipping back to 97p.

Brewmaker, the vehicle of Tony Acton, originally produced home brewing kits. Mr Acton plans to move it into retirement homes. Mining and Allied, controlled by Dan Slabbert, is developing as a force in mechanical handling equipment in the UK and Canada.

Still to make a major move are several SA businessmen now in the UK, including Tony Bloom. He recently took a stake in Gemini Capital, run by Cedric Howson and Christopher Hull with backing from UAL.

First National's Chris Ball has taken control of a new private bank, called The Private Bank and Trust Co, owned by the wealthy Latzis family. Charles Fiddian-Green and Duncan Sangster continue to keep a low profile at Rosebank Investments, their venture capital group. Likewise entrepreneur David Abrahamson, who recently went onto the board of Bulners, a quoted UK group.

St. James 17/12/87

Charter sits on a cash hoard

By Richard Rolfe

LONDON — Charter Consolidated, in which Minorco holds a 36% stake, announced the £53-million acquisition of some quarry businesses for cash this week. It retains more than £100-million in cash for other acquisitions.

Interim pre-tax profits for the six months to September were up by a fifth at £38.5-million. Charter shares fell 13p to 466p.

Under chairman Sir Michael Edwardes and chief executive Jeffrey Herbert, Charter has concentrated on building materials and specialised engineering.

Among those on the building side is Cape Industries, a former manufacturer of asbestos products. Cape has been restructured and has closed its last asbestos-based plant.

The engineering side includes Anderson Strathclyde, the mining machinery manufacturer, and Pandrol, which produces railway track equipment.

As part of the refocusing exercise, Charter is likely to sell peripheral interests like MKR Holdings, which makes pub furniture and optics.

But it still has to grapple with the final structure of its shareholding in Johnson Matthey, the world's biggest platinum marketing and fabricating group.

The Johnson Matthey shareholding is Charter's biggest asset by far, representing about half of its market capitalisation, but is not consolidated in its accounts.

The relationship between Charter and Johnson Matthey has been subject to strategic review for several months.

Last week, JM chairman Neil Clarke and chief executive Eugene Anderson resigned.

Mr Clarke's place was taken by David Davies, former head of merchant bank Hill Samuel. Richard Wakeling, acting chief executive of Charter, moved to JM as deputy chief executive.

● See back page.

FOREIGN FIRMS IN SA - BRITISH

1990

In terms of an agreement in principle, clinched in transatlantic telephone calls running through to 2 am on Friday, PG Wood Industries (PGWI) and the Whitestone Investments consortium will form Luxembourg-based Wood Products International (WPI).

WPI will take over the businesses of PGWI's off-shore subsidiary Wood International (WI), one of the world's biggest timber trading companies.

The consortium will put \$55-million into WPI in return for a 50% stake in the company. WI will hold 49% and the remaining 1% will be held by an international management trust.

PGSI joint executive chairman Bertie Lubner will be executive chairman of WPI.

Confidence

He told Business Times: "This is one of the most significant breakthroughs for the wood division's international expansion programme".

If the expansion had been financed from SA it would have cost about R200-million through the firrand.

Members of the Whitestone consortium come from an international who's who in business. It was put together by US industrialist Alan Quasha, who specialises in selecting strategic industries for investment.

Consortium chairman is Aubrey Cole, who recently retired as vice-chairman of US forest products group Champion International. Other Americans include Bill Donaldson, a founder of investment banking house Donaldson, Lufkin & Jenrette Inc, and Robert Wright, a former senior partner of Arthur Andersen & Co. French banker Herve Pinet, former chief operating officer of Banque de Paribas, is also a member.

It must be a vote of confidence for PGSI that businessmen of this calibre will go into partnership with the group, and are content to leave present management in place.

Biggest

The project began with a chance meeting of Mr Lubner and Mr Quasha in Europe. Investigations into a couple of joint ventures began, followed by serious negotiations which began about four months ago.

Mr Lubner says: "The group was looked at, from top to bottom. Every aspect of our operation was examined in detail before the green light was given."

WI has established itself as one of the biggest players in the international wood industry.

Its activities cover almost all operations from rough-

By Ian Smith

sawn timber through the range of added-value timber and board products to components meeting the needs of the furniture, construction and do-it-yourself markets.

It is established in the UK, continental Europe, the US, Australasia, South-East Asia, South America and Central Africa.

International management has been investigating ways to secure growth from a sound base, says Mr Lubner. "The industry is going through a time of transformation and we wanted to be sure we were ready for the changes."

Most sectors of the foreign operations are in line with or ahead of strategic targets, but PGSI's interim report in December said the international timber trading operations were being comprehensively restructured to meet changing market de-

● To Page 3

A CONSORTIUM of US and European investors has paid \$55-million for half of Plate Glass & Shatterprufe Industries' International wood empire. The cash injection values the foreign timber operations of PGSI at \$110-million — R410-million through the financial rand.

\$55m coup as Plate Glass clinches deal

S/Times 14/1/90

61

Struik to handle UK publisher's titles

SA's largest book publisher, Struik, will be taking over the overseas Hodder & Stoughton book titles from the end of February following the decision of its SA agent, Southern Book Publishers, to close.

Southern's Macmillan titles will now be distributed in SA by Pan Books.

Continuing and significant trading losses in imported book distribution activities are cited by the UK parent companies of Hodder & Stoughton and Macmillan as reasons for Southern's closure.

Struik MD Nick Pryke said Struik had employed senior staff from Southern to

LALA CAMERER

handle the Hodder & Stoughton titles.

Negotiations are still in progress regarding Southern's local publishing business, which is to be sold as a continuing activity to new owners.

MD Basil van Rooyen said he was not in a position to comment on the possibility of an MBO.

He said he hoped the 100-odd people who would become redundant through the move would be accommodated by the buyer of the company.

13/12/90 23/1/90

Interboard

From Page 1

Fears of Coates disinvestment

THE Chemical Workers' Industrial Union (CWIU) has begun agitating for negotiations on disinvestment procedures with British-owned Coates Brothers, fearing that the company plans to pull out of SA.

However, company spokesmen denied any disinvestment plans were afoot.

A CWIU spokesman said the union was demanding negotiations, and also wished to meet the chairman of British parent company, Coates plc, who was on a visit to SA. *6/20/90*

But Coates plc chairman D J Youngman was refusing to meet either union officials or employees.

The spokesman said workers at the Cape Town plant of the printing ink producer had staged a protest work stoppage this week during Youngman's visit.

He had since travelled to the company's Durban plant.

CWIU claims to represent 80% of the 250-strong workforce of the firm, which is 68% owned by Coates plc.

The union has a standing policy of attempting to negotiate disinvestment of

ALAN FINE

subsidiaries with foreign-owned companies.

The spokesman said concern had arisen when the union learned of a restructuring of ownership of the British parent, with ownership transferring to French company Orkem.

Local and British Coates spokesmen denied any knowledge of plans to disinvest, and Youngman could not be contacted yesterday.

However, Coates SA-Durban GM Dennis Jordan said the union had been demanding discussions on a disinvestment procedure.

The company's response had been that there was no need for these talks as there were no disinvestment plans.

The CWIU spokesman said that the Sterling Drug experience (where the disinvestment happened soon after the parent company was taken over by Kodak) meant the union would not accept assurances that the restructuring would not effect the SA operations.

Tycoon Thatcher chases SA deal

S/Times 4/2/90

(61)

MARK THATCHER, the British Prime Minister's son, may be on the point of making a multi-million rand business deal in South Africa, say reports in London.

Sources interviewed in the British Press said Mr Thatcher had capital of between R24-million and R64-million after the sale of an electronics company in America.

His trip to South Africa with his wife, Diane, two weeks ago was a "shopping trip for investment opportunities" with his new-found fortune, they said.

The couple, who have one child, live in a select area of Dallas, where Mrs Diane Thatcher's father is a millionaire car dealer.

Another report in the British satirical magazine, Private Eye, said Mr Thatcher was escorted to SA by French businessman Mr Jean Yves

By JEREMY BROOKS
London

Ollivier, representing the huge Matra group, which has interests in defence and telecommunications.

The report said Mr Ollivier and Mr Thatcher had organised meetings with Umtata leader Jonas Savimbi through General Magnus Malan, who entertained the three men at his Pretoria home.

A Paris spokesman for Matra said the group had stopped dealing with SA in 1975. Before then, the company engineered SA's purchase of Mirage jets.

The spokesman said: "I have not heard of Mr Ollivier, but I can't say he is not a member of our 30,000 workforce. He is certainly not one of our official representatives."

No plan to quit SA — Coates

COATES PLC chairman John Youngman has accused the Chemical Workers' Industrial Union (CWIU) of attempting to stir up trouble by spreading unfounded rumours that the company intends to disinvest from SA.

61 Against

Youngman is on a visit to Coates SA — a subsidiary of the British-based printing ink supplier. He said as far as his company was concerned there were absolutely no plans to pull out of SA.

The recent takeout of Coates PLC by a French multinational would have absolutely no effect on his board's policy, which was firmly against disinvestment.

Coates SA owns two plants — in Durban and Cape Town — and the CWIU says it represents 80% of the

ALAN FINE

250-strong workforce.

The union said last week that Youngman had ignored its requests to meet officials and shop stewards, and this had added to their fears that a withdrawal was in the offing.

The CWIU has been demanding of local management for more than two years that it, along with other multinationals, negotiate a disinvestment procedure with the union.

Youngman said he had met shop stewards in Durban on Friday. The only reason he had not responded to requests sooner was his tight schedule. *6/12/90*

He said the company's position on negotiating a disinvestment procedure was unchanged — there was no point, because disinvestment was not an issue.

Defiant Thatcher 'lifts SA sanctions'

Cape Times 5/2/90
Own Correspondent

LONDON. — British Prime Minister Mrs Margaret Thatcher — who could be in South Africa by April — is preparing to defy the world and her own Foreign Office by permitting new British investment in South Africa, it was claimed here yesterday.

The Observer said Mrs Thatcher would relax "those sanctions which Britain can alter unilaterally, repealing the ban on the promotion of tourism and lifting restriction of government loans and the ban on the funding of trade missions".

The Independent on Sunday said she had already put an end to the "voluntary" investment ban on South Africa — against the advice of the Foreign Ministry which felt it would cause conflict with Britain's EEC partners and the United Nations.

Meanwhile, there was widespread speculation yesterday that Mrs Thatcher is investigating the possibility of visiting South Africa as early as April.

Coates chairman slams union on 'disinvestment'

Own Correspondent

JOHANNESBURG. — Coates PLC chairman John Youngman has accused the Chemical Workers' Industrial Union (CWIU) of attempting to stir up trouble by spreading unfounded rumours that the company intends to disinvest from SA.

Youngman is on a visit to Coates SA — the subsidiary of the British-based printing ink supplier. He said as far as his company was concerned there were absolutely no plans to pull out of SA.

The recent takeout of Coates PLC by a French multinational would have absolutely no effect on his board's policy which was firmly against disinvestment.

Coates SA owns two plants — in Durban and Cape Town — and the

CWIU claims to represent 80% of the 250-strong workforce.

The union said last week that Youngman had ignored its requests to meet with officials and shop stewards, and this added to their fears that a withdrawal was in the offing.

The CWIU has been demanding of local management for more than two years that it, along with other multinationals, negotiate a disinvestment procedure with the union.

Youngman said he had actually met with shop stewards in Durban on Friday. The only reason he had not responded to requests sooner was because of a tight schedule.

He added the company's position on negotiating a disinvestment procedure was unchanged — there was no point because disinvestment was not an issue.

CWIU info 5/2/90 *(61)*

(61)

UK firm accused of discrimination

THE Chemical Workers' Industrial Union (CWIU) has accused UK multinational Reckitt & Colman of discriminatory practices at its Elandsfontein plant on the East Rand. *BIDW 9/2/90*

In a statement yesterday the union said the company had retrenched eight female employees from the plant's canteen.

The union demanded their transfer to the factory where, according to the CWIU, jobs were available which were currently filled by male temporary workers. "The company refused on the grounds the factory was not geared to employ women.

"As there is no objective reason why women cannot do the factory jobs, we can

ADELE BALETA

only conclude the company discriminates against female workers purely on the grounds of sex," the statement said.

A company spokesman refused to comment.

The CWIU statement said Reckitt & Colman was also attempting to jeopardise current negotiations on the Labour Relations Act by using "strong-arm tactics".

Last year the company terminated the CWIU's recognition agreement which had given workers full strike rights. "Workers can only conclude that any agreements made with employers are worthless," the union said.

BIDW 9/2/90

'CP lacks support for stayaway call'

TWO trade unionists representing close to 200 000 white metal, building and railway workers predicted yesterday the CP would be unable to mobilise substantial support for a work stayaway in protest against new NP policies.

They were responding to CP spokesman Koos van der Merwe's disclosure on Wednesday that the CP was considering calling on its estimated 900 000 supporters to stage a stayaway and cripple public services as part of a strategy to force government to call another white election.

However, credence given by the Mineworkers' Union (MWU) to the CP call suggests that serious divisions loom within the ranks of organised white labour.

Public Servants Association (PSA) president Colin Cameron issued a strong warning to members against participation in a stayaway, while the whites-only SA Confederation of Labour declined to comment at this stage.

Federation of Sats Trade Unions general secretary Abraham Koekemoer said he was reluctant to comment as federation members included all shades of political opinion.

But, he said, "I am not so sure the CP will get the support they think they will." He believed even among the CP support-

ALAN FINE

ers, most had an overriding loyalty to their employer and their jobs.

He had received calls from CP supporters who said such action would be wrong after they had criticised Cosatu and Sarhwu stayaway and strike tactics.

Therefore only a small minority of white railwaymen were likely to support a stayaway call, Koekemoer said.

Confederation of Metal and Building Workers' Unions (CMBU) director Ben Nicholson agreed that only "the lunatic fringe" would heed the CP call. He said few would allow this issue to directly affect their livelihood through lost wages.

"Responsible conservative (with a small c) members are not prone to accepting stayaway calls. They would rather express their views in less confrontational ways, like by petitioning their MPs," he said.

But MWU general secretary Peet Ungerer said it was clear his members were extremely upset, and the white backlash would be strong.

He stopped short of publically supporting the call, saying this was a matter his executive committee would almost certainly discuss later this month.

Cameron said it would be extremely improper and illegal for public servants to consider jeopardising these services.

Immigration rate is nearly 1 000 a month

PRETORIA — Immigrants arrived to settle in SA at the rate of nearly 1 000 a month in the first 11 months of last year, according to Central Statistical Service.

The net gain in January-November was 5 947 — 10 412 immigrants and 4 465 emigrants. *BIDW 9/2/90*

In the same 11 months in 1988 the gain was 2 340 — 9 588 immigrants and 7 248 emigrants.

The figures indicate a slowdown in the

GERALD REILLY

numbers leaving SA — a trend that is expected to continue.

Gained in the 11 months were 1 296 professional, semiprofessional and technical workers, among them 342 engineers and 51 medical doctors. ~~(1 296)~~

Most emigrants in January-November were headed for the UK (1 290), followed by Australia (1 157).

HAMILTON

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An exclusive way to make business

No new UK investment expected

KIN BENTLEY

LONDON — There is unlikely to be an immediate wave of new investment by British companies in SA following the government's decision on Tuesday to lift the ban on new investment.

With a total investment of some £6,4bn, the 216 British companies in SA constitute about half of all foreign investment in SA.

SA Foundation head David Willers believes the real wave of new investment depends on the nature of a political settlement reached in the next two years. *Monday 22/2/90*

He said yesterday that British companies would "find it easier in this climate, now that another obstacle to investment has been removed.

"But they will still judge SA according to conventional investment criteria. And if it's a good place to invest, with a good return, then they'll go in and do it, but if it's not, they won't."

Sapa reports stockbroking firm Frankel, Kruger, Vinderine's Mike Brown says Thatcher's moves will not have a major impact on the JSE.

Brown points out that as British companies and investors had not been barred from investing in SA, easing the



● OPPENHEIMER

voluntary ban should not make much difference to trading on the JSE.

"This is just the first step to a possible gradual lifting of general sanctions against SA."

Sapa-Reuter reports that influential businessman Harry Oppenheimer was quoted yesterday as saying he did not think economic sanctions played the



● THATCHER

crucial role in moves to end apartheid.

"In a general sense, external pressures played a role. But I doubt sincerely if the economic aspect of this pressure was the determining factor."

"The only thing that had an impact was the interruption of normal banking relations with the outside world," he said.

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Mandela flies to Lusaka Monday to brief ANC on meetings

NELSON Mandela will travel to Lusaka on Monday to meet the national executive council of the ANC, after which he will travel to Zimbabwe to see President Robert Mugabe, said ANC spokesman Tom Sebina. *15/04/22/90*

Mandela is expected to brief the ANC on his talks with the SA government and the intensive array of discussions he has

CHARLENE SMITH

had with diplomats, church, tribal and political leaders since his release.

He may meet other Frontline leaders in Harare.

Thereafter he and his wife will travel to Sweden to see ANC president Oliver Tambo.

Today Mandela meets Victor Sefora, leader of the Bophuthatswana opposition party, Seopasengwe, and he will also meet Azapo representatives.

Tomorrow he will meet a DP delegation led by co-leader Wynand Malan, which will include Denis Worrall and Dr Zach de Beer, reports Sapa.

CE says Lonrho proud to be Africa's largest food producer

LONRHO'S proudest achievement is that it is the largest food producer in Africa, CE Tiny Rowland says in the British-based international trading conglomerate's latest annual report.

Rowland says Lonrho's holdings in Africa and the US together exceed 1.6-million acres, including extensive beef cattle ranches carrying 120 000 head.

Its African food operations include sugar estates in SA, Swaziland and Malawi, farming in Mozambique and Zimbabwe, food processing and distribution in Kenya and bottlers in Zambia.

The group, whose shares are quoted on the JSE, will always value its origins as an African mining and ranching company, he says.

"Throughout years of sometimes tumultuous political change in Africa, our experience has overwhelmingly been one of co-operation.

"Mining and agriculture are long-term investments which need sustained

SYLVIA DU PLESSIS

goodwill from governments over many years if they are to succeed."

Rowland says Lonrho's sugar estates — its largest single agricultural profit-earner — benefited during the year to September from the continued improvement in the world sugar price, with record profits being achieved.

Record

"In Mozambique we are one of the largest tomato growers in the southern hemisphere and the Lomaco estates are now the major supplier of vegetables to the capital city."

During the period under review Lonrho acquired Kenyan pork products supplier Farmers Choice and is now the largest pig farmer in the country, while Nigerian-based John Holt Farms commissioned a modern poultry plant outside Benin City with a capacity of 1 000 processed chickens per hour.

He adds that in Malawi tea production of 5-million kilograms was a "record" and prices were higher.

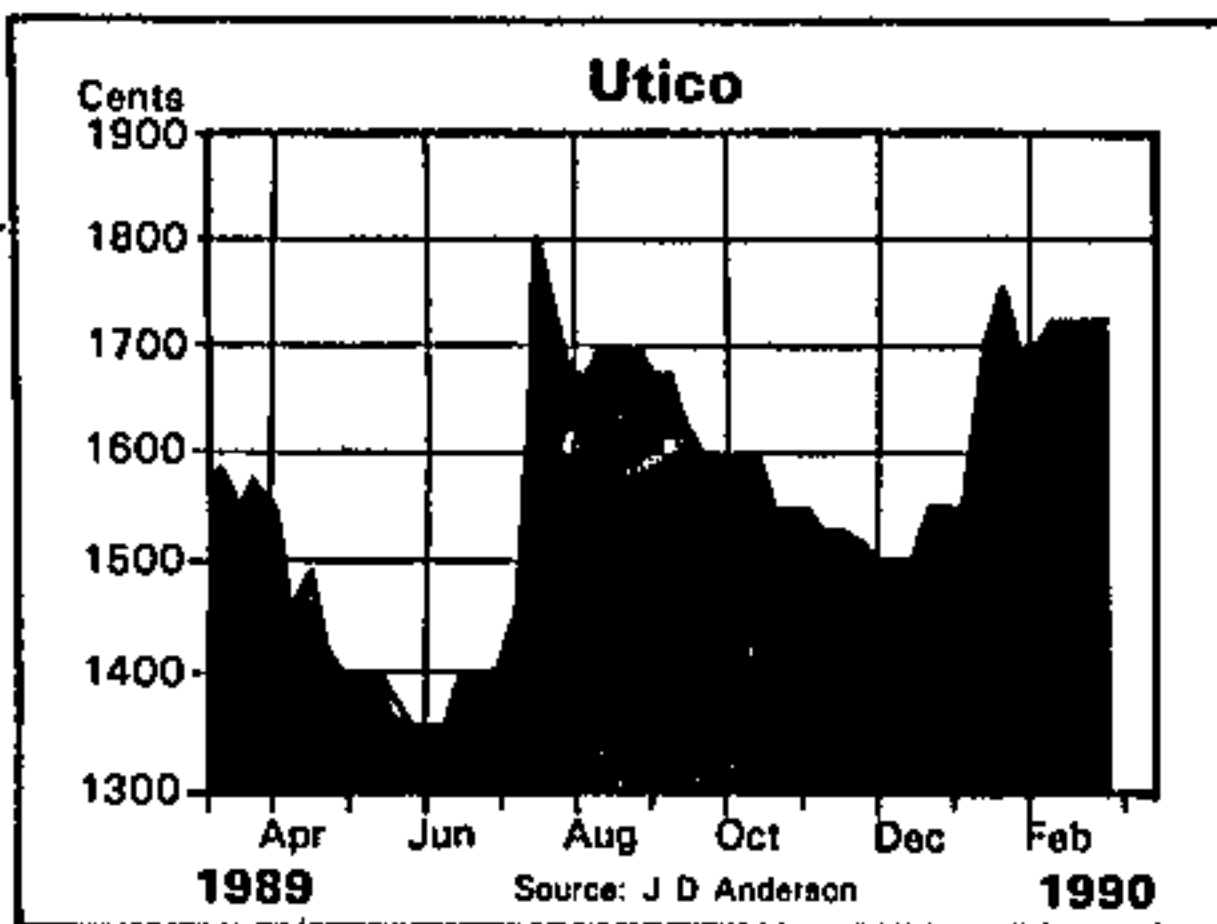
The group's other African-based operations include motor distributors, wattle estates, pharmaceutical distributors and construction companies. Mining interests are concentrated in SA.

Rowlands says gold and platinum group metal production reached nearly one-million ounces, and an improvement of more than 30% looks achievable due to the addition of a productive mine neighbouring Western Platinum.

The enlarged company is expected to market a third of the world's platinum group metals during the 1990s, he says.

Lonrho posted earnings a share of 29.8p (25.7p) in the year to September on turnover which rose to £5.1bn (£4.2bn). Dividends of 16p, 41% up on the previous 11.1p, were declared.

Rowlands says Lonrho, with 1 000 companies in 100 countries, is "well prepared" to expand into developing areas of Eastern Europe.



Activities: Manufactures and markets cigarettes, tobacco, snack food and fruit drinks.
Control: B A T Industries Plc 63,62%.
Chairman: F N Haslett; MD: D B Edmunds.
Capital structure: 6,1m ords of R1. Market capitalisation: R107,8m.

Share market: Price: 1 775c. Yields: 8,6% on dividend; 17,3% on earnings; PE ratio, 5,8; cover, 2,0. 12-month high, 1 800c; low, 1 350c. Trading volume last quarter, 17 550 shares.

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	9,9	1,3	1,3	6,5
LT debt (Rm)	8,8	1,7	0,8	4,7
Debt:equity ratio	27,9	4,0	2,5	11,9
Shareholders' interest	0,43	0,48	0,49	0,48
Int & leasing cover ..	5,5	28,6	165,4	23,2
Debt cover	0,2	0,7	11,2	2,6
Return on cap (%) ..	13,7	18,4	18,6	19,4
Turnover (Rm)	224	269	311	361
Pre-int profit (Rm) ...	19	27	32	38
Pre-int margin (%) ..	8,5	10,0	10,2	10,4
Taxed profit (Rm)	2,8	8,0	16,0	19,0
Earnings (c)	132	218	260	307
Dividends (c)	41	87	110	153
Net worth (c)	1 105	1 236	1 386	1 540

FIM 16/3/90 (61) (198) (186)

launched "highly successfully." Other brand names include Cameo, John Player and Texan cigarettes, A.I. Special and BB tobacco.

Snack sales rose in real terms but capacity constraints prevented Willards from taking full advantage of the growing market for these foods. Products adversely affected included Fresh-up 100, which was relaunched successfully.

Similar problems were experienced last year and a programme was initiated to modernise plant and increase capacity at both factories. The capex and a higher level of leaf tobacco stocks saw total interest-bearing debt rise 430%, and interest payments reached R1,62m (R0,19m).

Though the debt:equity ratio and debt cover have deteriorated sharply from last year, the group remains conservatively financed. The capex programme will be continued this year to overcome packaging capacity constraints, particularly at Rosslyn where maximum capacity is being reached.

Dividend cover has fallen progressively from 3,2 times in 1986 to 2,0 times last year. Borrowings can thus be expected to rise further, but Haslett expects debt to remain modest in relation to shareholders' funds.

Utico's performance is tied to trends in personal consumption expenditure and more specifically to the successful launch of its fashion products. Trading conditions are ex-

UTICO FIM 16/3/90 (61) (198) (186)

Capacity constraints

Utico, the UK-controlled holding company of United Tobacco and Willards Food, weathered difficult trading conditions, capacity constraints and a higher debt level to post an 18% rise in earnings in the 1989 year.

Turnover rose 16% and the pre-interest margin was slightly up at 10,4%. But volumes in the tobacco division were almost static. High interest rates and sliding consumer spending caused wholesalers and retailers to destock, particularly in the first quarter. According to chairman Fred Haslett, Benson & Hedges (B&H) Special Mild and Ultra Mild retained their positions as SA's largest selling mild and ultra mild cigarettes, while B&H Ultimate Lights were

FINANCIAL MAIL MARCH 16 1990

FIM 16/3/90 (61) (198) (186)

pected to remain highly competitive in the 1990 year, but the company should be better placed to take advantage of market demand.

Pam Baskind

61) **Book publisher in management buyout**

Bl Day 16/3/90
ANDREW GILL

THE local publishing division of Southern Book Publishers (SBP) has been sold by the company's British shareholders to a management consortium financed by Corbank Leveraged Investments (Corvest).

The consortium, headed by SBP MD Basil van Rooyen, outbid various local competitors and at least one from overseas to get SBP's list of non-fiction and academic authors.

SBP was formed in 1987 mainly as a distributor after the merger of British publishers Mac-

millan and Hodder & Stoughton. Last month SBP sold its foreign distribution list to various local distributors after the merger was dissolved.

"The remaining publishing section previously accounted for only one-third of turnover and thus had to take a back seat," Van Rooyen said.

No details were given of the cost of the buyout except that it involved a few million rands. It was aiming for a turnover of R8m this year.

SBP is confident it will be able to continue co-publishing suitable titles.

Frank Waring snubs board bid by Nash family

By Edward Russell-Walling
London

TWO South African families are involved in a battle for control of Goode Durrant, a listed UK conglomerate with a banking license.

The feud is between the Nash family, famous for world sprint record holder, Paul, and his father, John, who is chairman of JSE-listed Sable Holdings, and the family of Frank Waring, former Minister of Sport.

Michael Waring, son of Frank, is chairman of Goode Durrant. His family interests control 13.8% of the company's ordinary shares. They once had 29%.

Options

The Nash family trust has bought a 14.9% stake, with options over a further 5%, and has sought a seat on the Goode Durrant board.

Mr Waring has refused to oblige. "The Nashes have not shown that they have anything to contribute," he insists.

Mr Waring has made allegations about Mr John Nash's business of importing Lockheed Hercules aircraft to SA in the 60s.

Mr Nash says every aircraft and every part was authorised by the relevant US authorities. But he concedes that there is an unanswered charge against "a John Nash" in Miami.

Under UK banking laws, since 1987 anyone who wishes to own 15% or more of any British bank needs clearance in advance from the Bank of England. Mr Waring's statements could complicate clearance for the Nash family trust.

An anonymous memorandum delivered to the offices of Business Times has questioned how the Warings received Reserve Bank permission to buy 7-million shares at 80p — £5.6-million — to buy its original 29% stake in Goode Durrant in 1985.

The memo questioned whether £6-million in profits from the sale of 15% of Goode Durrant have been remitted back to SA.

The 39% Goode Durrant stake was once vested in a SA company, Blue Gum Investments. Now it is spread over a number of companies and trusts in the British Virgin

Islands, Liechtenstein, Panama, Switzerland, Guernsey, Luxembourg and SA.

"We motivated a case with the Reserve Bank between 1983 and 1985," Mr Waring says. "We thought it was a sound investment and they agreed. At the time, the other people considering buying Goode Durrant would have divested the SA operation, Goode Durrant Murray, now listed on the JSE and renamed GDM Finance."

Secrecy (61)

The Reserve Bank confirms that exchange control permission was granted to the Warings, but because of secrecy vows refuses to say why.

Mr Quentin Buckland, formerly a director of Unisec, now a director of Zatto Group SA of Luxembourg, a holding company above Goode Durrant, asked how the Nash family trust could have mustered the means off-shore to be able to buy 20% of Goode Durrant.

Mr John Nash said the Nash family trust always

comprised foreign money. He said his British father and his brothers, the major contributors, were wealthy. There were 70 beneficiaries of the trust, only one or two of whom happened to be members of his family in SA.

The eclectic mix of businesses has led to a conglomerate-style rating for the shares, however, and these have underperformed the market by 50% since the crash of 1987. They have not recovered their pre-crash high of around 260p, and today wallow slightly above the 100p mark.

Mr Waring incurred institutional displeasure by exercising a put option on some shares at 238p shortly after the crash. Institutions had only recently absorbed Goode Durrant paper at slightly lower levels as payment for an acquisition.

So they were livid to see the chairman get out at double post-crash levels. They were further incensed when Mr Waring spent some £5-million of his profit buying back shares after the crash.

Nashes, Waring's (61) 51 times 25/3/90 respond

WINNEDAEL, a British Virgin Islands company wholly owned by the Nash family trust, disputes Business Times' statement last week that there is a "battle for control" of Goode Durrant, the UK conglomerate with a banking license.

A spokesman says Winnedael, as a holder of 14.9% of the shares in Goode Durrant, requested two seats on the board of the company. The request was refused by Goode Durrant chairman, Michael Waring.

The spokesman says there are 50 beneficiaries of the Nash family trust, the majority resident in the UK and 90% living outside SA. He adds that the trust receives no funding from SA, nor were the founding finances of the trust derived from any SA source.

"Thirdly, in connection with Mr Waring's comments regarding the Nashes' ability to contribute to Goode Dur-

rant, it is our view that Mr Tim Nash, who is one of Winnedael's directors residing in the UK, would indeed have much to contribute to Goode Durrant.

"Fourthly, regarding the comments about Mr John Nash, Winnedael would like to make it clear that every member of the Nash family of John Nash's generation, including John Nash himself, is specifically excluded as a beneficiary of the trust. Therefore there is no connection between John Nash and the trust ..."

A spokesman for Mr Michael Waring said it was the Goode Durrant board, not Mr Waring, who rejected Tim Nash's appointment to the board. The spokesman said Mr John Nash had met with Mr Waring twice, suggesting he did have some interest in the family trust.

221A Cheers! ^{cont 26/3/70}
7-43

61 WINDHOEK — Guinness has concluded an agreement with South West Breweries to brew its product in Namibia.

Guinness is well established in Nigeria, Cameroon and Ghana and Namibia will be the 15th African state to produce the well-known bear. — Sapa

UK bars boycott of SA-linked funding

LONDON - The British Government has stepped in to stop the country's Citizen's Advice Bureau from

Sowetan 27/3/90
boycotting funding from companies with South African connections.

According to a report in Monday's *Guardian*, the National Association of Citizen's Advice Bureau - which is heavily funded by the Government and provides free legal and social advice to Britons - was contemplating a boycott after being advised by policy strategists that this would attract more black people into citizen's advice work.

But after an interview with Consumer Affairs Minister Eric Forth, the association's ruling council rejected the move.

Forth confirmed on Sunday night that he had discussed the matter with the association, adding: "I simply said that if you

are going to start parading your political conscience around, and turn down money with alleged South African connections, don't expect the taxpayer to step in and fill in the gap."

He denied, however, that he'd brought pressure

to bear on the association. "If that's leaning on them, they must be very delicate plants," he said.

The revelation of the South African issue comes after the sudden resignation of Mr Martin White, the association's chief executive.

Consideration received for
BUSINESS DAY, Friday, March 30 1990

Drop in the number of British firms leaving SA

61 JOHN CAVILL

LONDON — The decline in the number of British-controlled SA companies in 1988-89 was the lowest for four years and more than 98% of those remaining met the minimum wage level for black employees laid down in the European Code of Conduct.

In its annual report on companies reporting under the Code of Conduct for Companies with Interests in SA, the British Department of Trade and Industry yesterday showed that at the end of June 1989 there were 93 Category A companies where UK control was more than 50% (and the black payroll more than 20) — six fewer than the previous year.

That compared with a fall of 10 from 1987, 17 the year before and nine in 1985-86. But the latest figure reflects a drop of one-third from the 1983 level of 139.

In 1983, 90% of Category A operations' black employees were paid above the code's wage benchmark. In that year these companies employed 113 000 blacks compared with last year's total of 63 300.

The report also shows that:

- Companies with specific employment and promotion policies rose to 81% from 67%;
- Total desegregation was up to 69% of companies from 63% — and only 26% in 1983;
- Workplace desegregation was unchanged at 88% of companies, against 79% six years before; and
- Canteen desegregation was unchanged.

About 35% of the companies have direct collective bargaining deals.

WEATHER

UK-owned firms 'meet minimum wage levels'

From John Cavill

LONDON. — The decline in the number of British-controlled SA companies in 1988-89 was the lowest for four years and over 98% of those remaining met the minimum wage level for black employees laid down in the European Code of Conduct.

In its annual report on companies reporting under the code of conduct for companies with interests in SA, the British Department of Trade and Industry yesterday showed that at the end of June 1989 there were 93 category A companies where UK control was over 50% six fewer than the previous year.

Wage benchmark

That compared with a fall of 10 from 1987, 17 the year before and nine in 1985-86.

But the latest figure reflects a drop of one-third from the 1983 level of 139 when category A operations employed 113 000 blacks with 90% paid above the code's wage benchmark. Last year the total was 63 300 (up 700) with 62 200 earning more than the minimum.

The report also shows that companies with:

- Specific employment and promotion policies rose to 81% from 67%.
- Total desegregation was up to 69% from 63% — and only 26% in 1983.
- Workplace desegregation unchanged at 88%, against 79% six years before;
- Canteen desegregation were unchanged but the proportion of 77% compared with the 1983 figure of only 12%.

In the field of labour relations 92 of the 93 companies confirmed freedom of association with half of those having direct recognition agreements and facilitate employee-trade union communications. Some 35% have direct collective bargaining deals.

Wage agreements

Others use industrial councils, direct wage agreements with employees and have liaison or consultative committees. None of the figures have changed dramatically — in relation to the number of companies — during the past four years.

The Minister of Corporate Affairs, John Redwood, said yesterday the companies also "continued to report impressive levels of involvement in projects, benefitting not only their employees and their families but also the wider communities ... (and) to encourage the growth of black businesses".

RTZ's record profits helped by acquisition

61
BIDAY 2/4/90

Business Day Reporter

OVERSEAS group RTZ produced record profits during 1989, which were at the top end of market estimates.

RTZ is a metals producer and is also involved in energy, industrial minerals and exploration. It reported profits of slightly more than £1bn at the pre-tax level which was an advance of 26% on the previous year.

Stockbroker S G Warburg says in a report on the company that the major reason for the improvement in the results was last year's acquisition of BP Minerals, which accounted for a net gain of £142m after financing costs. The other major area of improvement was the contribution from Australian associate CRA, which rose 51% to £157m.

At the net level, which has traditionally been the main item to look for in RTZ, profits due to the numerous subsidiaries, associates, tax rates and currencies involved, rose 38% to £588m from £425m.

Although the results were higher than generally expected, the broker comments that there was little surprise after last year's acquisition of BP Minerals which contributed a net £142m to profits after the interest on the acquisition cost of £2.1m.

The tax rate for the year was 37.8%, but there were big differences between the first half and the final six month period. This is because the financing of the BP Minerals acquisition was tax deductible in

the second half.

The acquisition of BP Minerals resulted in the interest bill increasing to £273m from £77m, while the proceeds from the rights issue and sale of RTZ Chemicals helped to boost interest received to £172m from £65m.

Aside from the positive contribution by BP Minerals, RTZ's performance was assisted by higher average copper, zinc, lead and tin prices. A strong result from Australian associate CRA and start-up of the new Neves Corvo copper mine in Portugal also helped.

Strength

But profits were reduced by lower average aluminium and precious metals prices, the depressed UK and North American housing markets, and low uranium prices.

The broker notes that the first quarter of the year has already brought some sharp movements in metals prices with falls in January reversed by strength in the last few weeks. Stocks of metal are low and as world industrial production growth continues, any supply disruption is having a positive impact.

But with the outlook for commodity prices mixed this year, it is expected that RTZ's profits will be on something of a "plateau" for the time being.

LINDA ENSOR

LLOYD'S strongly objects to several recommendations by the Melamet Commission of Inquiry into the outbreak of premiums and the operations of "captive" insurance companies established by SA corporations.

One of the recommendations was that Lloyd's single premium insurance business covering different classes of risk be prohibited.

Lloyd's SA representative Ronnie Napier said such policies were perfectly legitimate and SA insurers should learn to compete with them.

Napier said that while on the whole the report was favourable towards Lloyd's and

Lloyd's objects to SA proposal to prohibit some of its policies

5/10/89 12/4/90 6/6/91

London broker — and the effect of the recommendation would be to require the maximum commission payable to be split.

He had met the chairman of the commission, Mr Justice D A Melamet, last week and it had been agreed that commission would not be prescribed for the London broker, only for the SA broker.

The commission report also recommended the withdrawal of the preferential commission accorded to Lloyd's in terms of "binders" — agreements where a local

its place in the SA insurance market, he was concerned about several recommendations and would be taking them up with the authorities.

He had already obtained clarity on the recommendation that the total commission payable by Lloyd's underwriters to brokers should be the same as the maximum allowed for SA brokers.

Napier said this recommendation failed to take into account the fact that there was an extra link in the Lloyd's chain — the

broker is authorised to write certain classes of business.

Napier said a good reason for the extra 5% commission was that the broker writing business under the binder also had to handle claims. The issue would be taken up with the authorities.

The other recommendation — that the prescribed deposit of Lloyd's intermediaries be increased from R20 000 to R200 000 — would not have too great an effect, Napier said, because the commission also recommended that a bank guarantee could serve as an alternative deposit to current prescribed securities and cash.

Lloyd's said its share of the SA market had remained at 5% for many years.

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10 years

MBO Simon Carves thrives in tough area

61 S/Tues 15/4/90

LIFE is no bed of roses in the cyclical engineering industry — as the sector's average dividend yield of 4,7% against the JSE's overall average of 3,2% testifies.

But the executives who bought one of South Africa's largest project engineering groups, Simon Africa, from its UK parent three years ago have no cause for complaint.

The buy-out was achieved by the purchase of the entire issued share capital of Simon Holdings, holding company of operating subsidiaries.

Covered

The Simon group has completed a highly successful year in which sales increased by 30% to top R110-million and the return on capital employed was a healthy 17,5% after tax. Even after several carefully selected acquisitions long-term debt is covered 10 times by equity.

The order intake last year jumped by 66% to R136-million.

By Ian Smith

Simon Holdings chairman Jim Black, who initiated and led the MBO bid, says: "We are pleased with our performance, and the current year looks good."

"None of the sectors in which we operate has been severely hit by the economic downturn, but in this business we have learned never to be too confident."

Mr Black says the group has set realistic targets, and he hopes growth in 1990 will match 1989's performance.

The secret of Simon Holdings' success as an SA-controlled group lies in its strategy to stick to sectors which it knows and where a fairly high level of technology is required.

"We don't go for everything in sight, and we have maintained a high reputation in the areas in which we operate," says Mr Black.

The biggest acquisition coup came at the end of 1987 when the group took over long-established Fraser &

Chalmers, a leader in Southern African construction and fabrication, from Mitchell Cotts.

It was merged with Simon Construction to form a powerful company specialising in sophisticated chemical, petrochemical, refinery, metallurgical, environment-control and industrial plants.

The group also acquired 100% of food equipment supplier Thomas Robinson & Sons, which was merged with its Macforman operations. Robinson-Macforman provides a complete service in food and agricultural processing.

Measurement

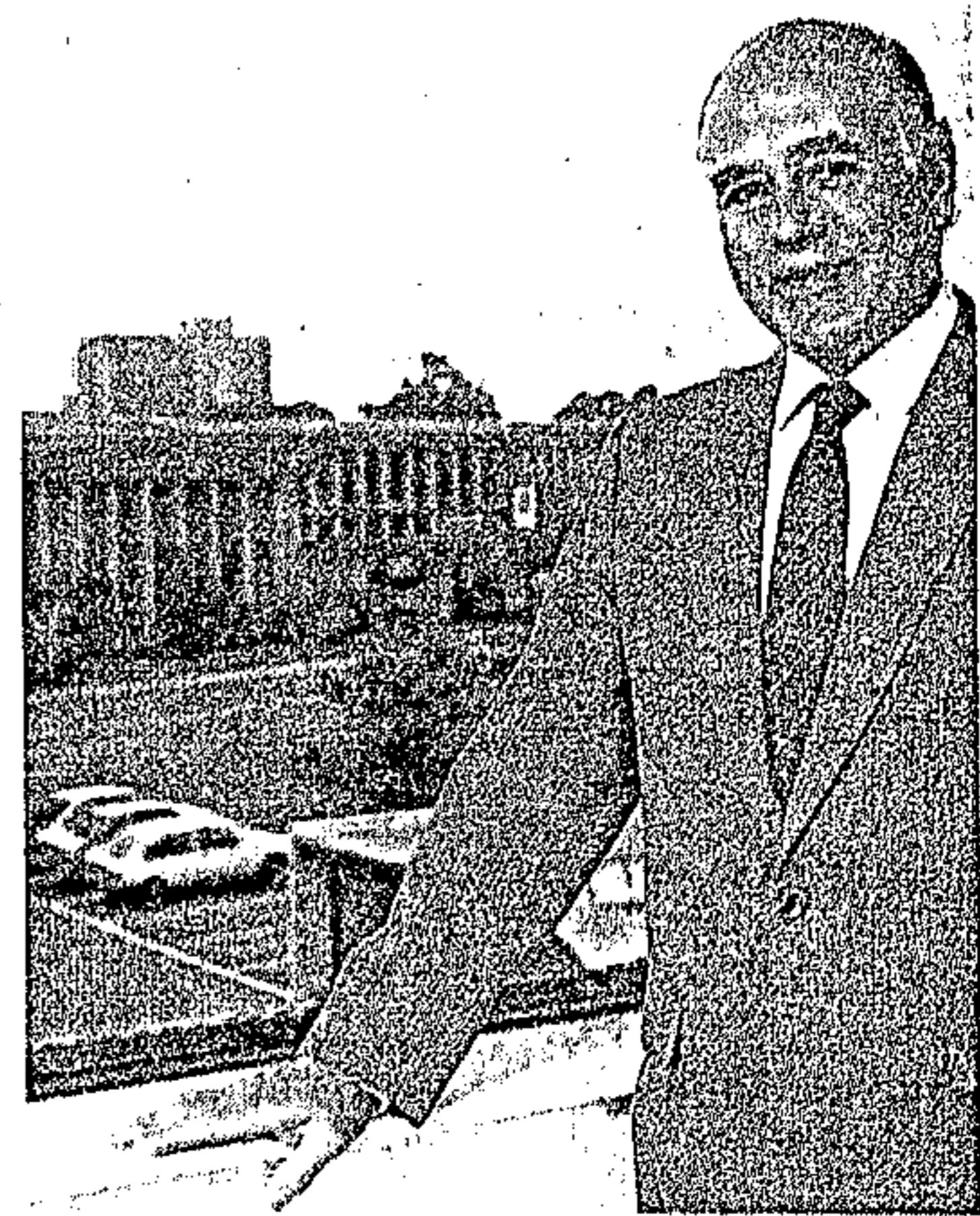
Simon Holdings has also taken a 51,5% stake in ENI, which operates in the electrical, instrumentation and plant control field.

More recently it has bought a 57% controlling interest in Datatrol Systems, a leader in the supply and engineering of flow measurement and control systems.

It has established Controlled Projects as a joint venture with Aitken & Peat Management Services to carry out feasibility studies and project control.

Simon-Macawber is a major player in the design, manufacture and supply of materials handling equipment. Simon-Carves has nearly 40 years' experience in undertaking complete turnkey projects in the process plant field, drawing on SA and foreign technology and know-how.

Simon-Carves has won a R20-million contract to convert a mechanical fly-ash



JIM BLACK . . . beware of being too confident

conveying system to a highly efficient pneumatic system at Eskom's Matla power station.

Under SA control the group has more than maintained the technology and licence agreements inherited from the UK parent.

"We are continually adding to our licences and technology sources," says Mr Black. "We are confident we can find the technology we need anywhere in the world."

The group began the man-

ufacture of food-processing equipment when the low rand made the cost of imports prohibitive.

The development has been so successful that negotiations are under way for the export of equipment made here under licence.

"Exports will play an increasing part in our operations," says Mr Black. "We are negotiating new representation and some of our equipment will be exhibited in Lisbon this month."

R20m clinic ready

AN up-market R20-million clinic at Midrand, near Johannesburg, will open at the end of the month.

The Carstenschhof Clinic — conceived and designed by Hilke Potter-Walton — was financed largely by TrustBank.

Ovcon projects manager Richard Bodenstein says: "Since February beds and other equipment have been moved in and on-site and staff training has started."

The 10-block project has a three-storey consulting block for doctors, six operating theatres and an administrative building. One block has been set aside for patients undergoing single-day treatment.

The complex has its own dining block, restaurants and kitchens.

UK reverses trend

IN a welcome reversal to the disinvestment trend, UK-based Hi-Tec Sports PLC has bought out its six-year-old South African agency. *SIT was 15/4/90*

Brad Lemkus, managing director of the new Hi-Tec Sports SA, says the buy-out proves the parent company's growing confidence in SA. *(61)*

"The move was under consideration for some time. Hi-Tec Sports went public a few years ago, and funds became available for acquisitions.

"Through my contact with chairman Frank van Wexel we agreed about a year ago that Hi-Tec would buy us out. The parent company has an 80% stake and I hold the rest."

The SA operation has bought its former independent distributor, Tiger Agencies. Tiger will be known as Hi-Tec Sports Distributors and become a subsidiary of the SA venture.

B 10/18/4/90

UK firm buys its SA agency

61 PIERRE DU PREEZ

A DECISION to consolidate subsidiary companies under one umbrella led to the recent acquisition by UK-based Hi-Tec of its six-year-old SA agency.

Hi-Tec Sports SA MD Brad Lemkus said the corporate buy-out reflected the parent company's confidence in SA's future.

Takeover bid badly handled

— Relly

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CAPT 7147
24/4/90

By BARRY STREEK
Political Staff

THE takeover bid of Consolidated Goldfields by Anglo American's European flagship, Minorco, was not handled very well, the retiring head of the corporation, Gavin Relly, has admitted.

He agreed that anti-South African sentiment played a role in the Minorco business.

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well.

Image

"It might have been a different deal if we had been looking at it now," Relly said in an interview in the latest issue of Leadership.

Asked what his role would be as Anglo's "roving ambassador", he replied: "Essentially, the Anglo American group needs to re-establish its image overseas.

"SA's years in the wil-

derness have obviously had their impact on Anglo.

"The group is nothing if not South African, and we ultimately have to be part of the expression of whatever SA is.

"Now that Mr De Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group.

"It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing.

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said.

In the same issue of Leadership, the new head of Anglo, Julian Ogilvie Thompson, said De Beers' relocation of its headquarters "obviously" did not indicate any lack of confidence of the situation in SA.

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through".

Responsibility

"This is really a reflection of reality. As a board, our duty is to our shareholders.

"In De Beers and the diamond business we believe we have a responsibility, in addition to the shareholders, to the diamond industry as a whole.

"With an increasing proportion of our profits coming from outside SA, it seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors," Ogilvie Thompson said.

Krugerrands

JSE Closing
Buyers Sellers Sales

Losses at MY Holdings hit Abercom

With UK subsidiary MY Holdings hit by operational problems and reduced market demand, Malbak subsidiary Abercom has recorded a loss of R10,5 million in the six months to February. The interim dividend was passed.

Chairman Peter Beningfield said that while these results were disappointing, the Abercom board viewed this as a temporary setback and believed that MY Holdings' future performance would improve significantly.

Malbak, however, has made an interest-free loan of R50 million to Abercom which will be passed on to Tawneydown, MY Holdings' UK parent, to ease the interest burden. Mr Beningfield said industrial demand in the UK markets served by MY Holdings had been under pressure due to the economic slowdown in the UK and rising interest rates.

MY Corrugated had produced creditable results in difficult conditions, Mr Beningfield said.

Dawes Cycles had continued to produce good results but was not compatible with a packaging group. An agreement had been reached to sell the business, excluding the factory premises, for £3,075 million.

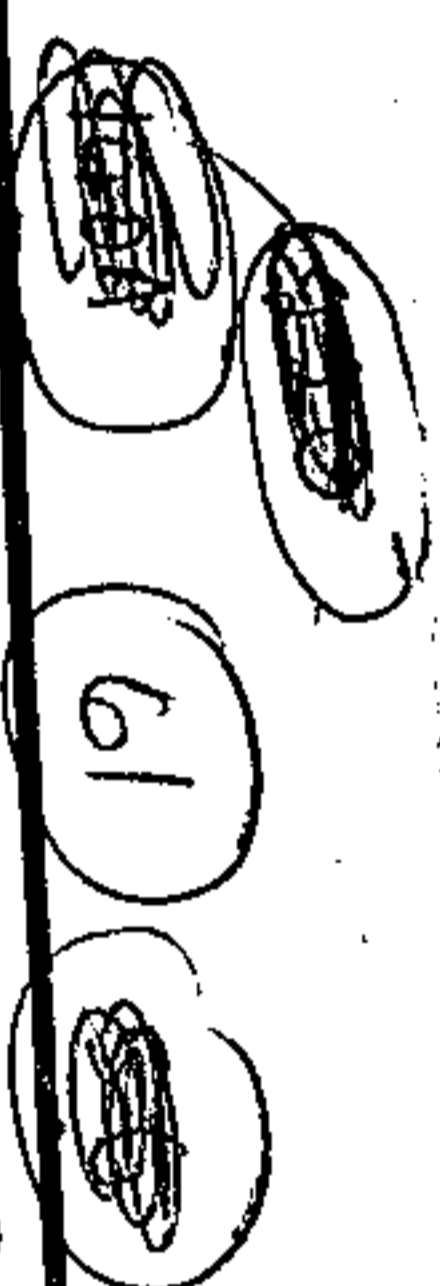
MY Sports and Games continued to be a major drain on the company, and new negotiations for its disposal were at an advanced stage. If successful, this disposal, together with the sale of Dawes Cycles, would eliminate £6,6 million of debt as well as MY Sports and Games' ongoing losses.

As a result of the problems at MY Holdings Abercom's earnings per share slumped to a loss of 36,8c, compared with a profit of 12,9c previously.

Sales wre up from R88 million to R114 million, but operating income fell to a loss of R925 000 (profit of R7,4 million) while interest payments soared from R4,1 million to R10,6 million.

● In its first six months of operation, the Malbak paper and packaging group Holdains, recorded sales of R906,7 million, attributable earnings of R34,3 million and earnings per share of 151,6c. A maiden interim dividend of 47c has been declared for the six months to end-February.

Formed in September last year, Holdains comprises Kohler, Graphtec, Wiggins Teape and the Malbak interest in Carlton. This extensive restructuring makes comparisons meaningless, but pro-forma estimates put previous earnings per share at 135,1c. — Sapa



Shell pulls out of herbicides market

SH^{ELL} halted all sales of hormone herbicides in South Africa this week amid growing public anger at claims that a consortium of chemical companies is trying to suppress evidence about the environmental dangers of their products.

The Anglo-Dutch multinational said on Tuesday that it would immediately cease distributing hormone herbicides — including all of its existing stock — in response to growing public concern that the weedkillers can damage human health and devastate plant life.

Shell's dramatic move stems from disclosures by the *Weekly Mail* last week that 17 companies, including some of the world's biggest multinationals, were pressing a small group of Natal farmers to withhold evidence about the damage caused by the herbicides.

"The reason for our decision is that we are trying to operate in a responsible way and we are sensitive to public sentiment that is against the use of hormone herbicides," said Shell representative Colleen Channon-Bracher.

Shell pulled out of the controversial hormone herbicides market this week, explaining that 'we are trying to operate in a responsible way'.
EDDIE KOCH reports

small part of Shell's operation in South Africa and their continued marketing here and were not simply worth the public wrath they had incurred, she said.

Earth Life Africa, a local ecology pressure group, announced it had asked Greenpeace International this week to help co-ordinate worldwide protests against multinationals that tried to muzzle evidence about the hazards of using hormone herbicides in South African agriculture.

Two powerful black trade unions said they would throw their muscle behind the campaign. The South African Chemical Workers' Union (Sacwu) resolved at its annual congress over the weekend to urge the South African government to extend

the embargo on hormonal herbicides to the whole country".

Sacwu is the biggest affiliate of the National Council of Trade Unions (Nactu).

Rod Crompton, general secretary of the Chemical Workers Industrial Union (CWIU), said his members were determined to fight the poor health and safety record of many multinational chemical companies in South Africa.

"These firms have been responsible for vast and largely unreported damage to the environment in the Third World." The CWIU belongs to the Congress of South African Trade Unions (Cosatu).

Some 12 000 people in the Natal Midlands have signed a petition, organised by Earth Life, that calls for the use of all hormone herbicides to be suspended. This month a joint international protest by Earth Life, Greenpeace and the CWIU succeeded in shutting down Thor Chemicals, a Natal-based toxic waste recycling plant accused of polluting local rivers with high levels of mercury.

Chemical groups try to silence allegations about crop devastation

By EDDIE KOCH
SEVENTEEN chemical companies, including some of the world's most powerful multinationals, are trying to suppress allegations that their herbicides are causing massive damage to South Africa's ecology.

Silence broken ... last week's *Weekly Mail* herbicides exposé

Outrage over the use of hormone herbicides has escalated since a group of Natal vegetable farmers failed to win a Supreme Court application for manufacture and use of herbicides in South Africa to be suspended.

The farmers prepared affidavits for the case based on evidence that the widespread use of the herbicides have caused millions of rands damage to their harvests and have devastated other vegetation in the Natal Midlands.

But this was never heard in court as the judge ruled the application should have been directed against the users rather than the manufacturers of the

herbicides. The farmers were ordered to pay the companies legal costs, estimated at more than R1-million.

The consortium says it will waive payment on condition the farmers felt their right to take legal action against any of the firms again and stop public campaigns aimed at highlighting the dangers of the products.

The farmers say they are also being "blackmailed" into paying for advertisements in 17 major newspapers and magazines that apologise for the court action.

Shell says its decision to abandon hormone herbicides means that it has effectively conceded to the farmers' demands. The company will no longer associate itself with the consortium's approach to the issue of costs.

Earth Life representative Chris Alberry welcomed Shell's decision to withdraw its supplies of the herbicides. "This is a victory for the public and we hope that other multinationals will follow suit."

Gerry Maritz, a representative of Agricultural and Veterinary Chemicals Association (Avcas), said: "If Shell in its infinite wisdom decided to withdraw, then so be it. That is their prerogative."

Maritz, who co-ordinated the consortium's legal strategy, said the companies were prepared to "enter into dialogue."

RAPID expansion of Plessey's research and development division created the need for a R4 million expansion at the company's South African headquarters.

MD Dr John Temple said this week that the requirements of the many projects in which the company was involved had created such pressure on working space that it had to build a new complex for management and administrative staff so that the research and development division could occupy the whole of the old head office.

"The fact is that management staff have been squeezed out by the technology people," he said.

The new administrative block was built at a cost of about R2,5 million while adapting the old building to the requirements of the development division cost another R1,5 million.

Dr Temple said that space requirements of the technology division had more than doubled in the past five years and the company used more than 8 percent of its budget on research and development in the last financial year.

"We've had some major successes with our projects and this expansion will give us the space to push ahead in this field," he said.

Among Plessey's successes have been the development of a new PABX for the Post Office and new broadcasting transmitters for the SABC.

Dr Temple said the new PABX was announced by Minister of Public Enterprises Dr Dawie de Villiers when he presented the Post Office budget. The company had produced a prototype of the new transmitter and the first unit would be delivered this year, said Dr Temple.

Other important projects were the development of a datalink replacement for the Post Office's continual cable linkages which could carry up to 32 lines by microwave and a budget energy meter for pre-paid electricity.

Opening of the technology centre and the new building on June 4 will be performed by Minister of Finance Mr Barend du Plessis.

R4m expansion at Plessey

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28/1/90

By DICK USHER
Business Staff

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The decision by Plate Glass and Shatterprufe Industries (PGSI) to refocus its European glass interests and concentrate on automotive glass operations should help to counter the dent in investor sentiment that will follow news of a 30 percent drop in earnings per share for financial 1990.

Key feature of the European glass deal (in which PGSI gets £100 million for its UK building glass arm), is that it will result in the virtual elimination of the debt in the group's over-gearred off-shore glass companies and so enhance future dividend flow to the SA parent. It also takes PGSI out of a market that seems set to be dominated by the world's large manufacturers after 1992.

Yesterday Plate Glass was suspended at R59. Based on the revised figure of 338c earnings for the 12 months to end-March 1990 this means that investors were putting it on a very expensive price/earnings rating of 17.4 times.

Although the UK glass deal looks a very attractive one for PGSI and the directors have stated that the 1990 dividend will be unchanged at 222c, it is difficult to see support for this sort of rating.

News of the 30 percent earnings drop will be a sharp jolt to shareholders who had been told as recently as last November that earnings for financial 1990 would be unchanged on financial '89.

According to joint chairman Ronnie Lubner there were "material and unbudgeted losses in

Troubled PGSI gets hefty cash injection

Diagonal Street

ANN CROTTY



the group's timber division worldwide."

These material factors included the need to make substantial management and structural changes (following the resignation of members of the executive team), the unexpectedly severe downturns in certain markets and, development costs in Australia.

Some analysts speculated that the difficulties in the timber division may have some impact on the Whitestone deal announced earlier this year. Mr Lubner says that that deal was still on but indicated that there may be some changes.

The glass deal, that was finalised early yesterday morning, will result in a major injection of capital and a refocussing of the glass division's activities.

Ahead of the deal the international glass division comprised two distinct legs — building glass (which is UK-based) and automotive glass.

The UK building glass subsidiary and its Solaglas name has been sold to French-based glass

manufacturer, St Gobain for £100 million (R435 million) and PGSI has bought St Gobain's automotive glass fixing networks in Germany (95 outlets) and France (50 outlets) for £16 million (R70 million). Currently loss-makers, Mr Lubner expects to turn them to profit by 1992.

Following the deal PGSI's Autoglass International Holdings will be the largest chain in France, Germany, Belgium, Holland and Italy. It is already the dominant player in the UK market with a network of 156 fitting shops.

As Mr Lubner states: "The value placed by St Gobain on Solaglas UK clearly illustrates that the original investment of £7.4 million in October 1982 has been vastly rewarding. PGSI has acquired £100 million and retained substantially more than half its UK business."

After repaying the debt and paying for the automotive acquisition the directors expect to be able to repatriate about R40 million — hence the decision to maintain the dividend.

Given the fairly dismal outlook on the timber front and the otherwise generally unexciting short-term prospects for the group, the deal will be a welcome prop for the share at a more realistic p/e rating.

UK parent selling NEG in liquidation process

NATIONAL Employers' General Insurance (NEG) is to be sold off by its UK parent to pay for huge Workmen's Compensation claims lodged with a wholly-owned Australian subsidiary.

However, SA short-term insurer NEG is in a sound condition, having reported an underwriting surplus of R5,5m, investment income of R15,5m and after-tax profit of R21m in the year to end-December — quite an achievement in the embattled short-term market. It has assets of R188m.

About 64% of its business is in motor insurance.

NEG MD Peter D'Arcy-Jones said yesterday NEG's parent, National Employers' Mutual General Assurance (Nemgea) was required to liquidate all its assets worldwide to cover the losses of the Australian claims.

The Supreme Court in New South Wales issued the provisional liquidation order.

Most of the claims apparently related to asbestosis, though D'Arcy-Jones could not confirm this yesterday.

LINDA ENSOR

Nemgea owns 73% of NEG, 25% being held by African Finance Corporation and 2% by staff and public.

D'Arcy-Jones said NEG's business and solvency was completely unaffected by the liquidation of Nemgea as it was an independently incorporated company which financed itself and arranged all its reinsurance through normal and traditional markets.

"The financial difficulties of Nemgea will have absolutely no affect on the finances of NEG nor on its ability either to underwrite new business or to meet claims arising from existing policies," D'Arcy-Jones said.

"NEG is of course subject to the provisions of the SA Insurance Act and complies fully with all the solvency requirements of that Act."

There has apparently been a lot of interest in purchasing NEG, including by AGF of France. Preliminary negotiations with interested parties are apparently under way.

In a £100m deal . . .

PGSI sells UK operation

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PGSI

Own Correspondent

JOHANNESBURG. — Plate Glass and Shatterprufe Industries (PGSI) has withdrawn from the UK building glass market, selling its UK operation and its Solaglas name to the world's second largest glass manufacturer, French group Saint-Gobain, for £100m.

This gives Saint-Gobain a captive glass market in Britain with sales worth more than £170m, while PGSI becomes the dominant player in the European automotive glass fixing business by purchasing Saint-Gobain's automotive glass fixing networks in Germany and France for £16m.

Yesterday trading in the shares of PGSI and its holding company Placor were suspended on the JSE.

The acquisition will result in the addition of 95 outlets in Germany and 50 in France to PGSI's Autoglass International Holdings, making it the largest chain in France, Germany, Belgium, Holland and Italy with a market share of about 12%. It will continue with this business in the UK where it has 156 fitting shops and claims about 50% of the market.

Autoglass will be well prepared for European integration in 1992, says PGSI chairman and CE of the group's glass interests, Ronnie Lubner.

The recapitalisation of the offshore operations will provide Solaglas with the means for considerable expansion in the automotive glass replacement business in Europe and the US.

As a result of the deal, Solaglas International's heavily overgeared glass operation (63%) will be relieved of its debt and interest burden, leaving it in a net cash position which will make possible a strong flow of dividends to SA. PGSI owns 74.3% of Solaglas International, the name of which will be changed.

About R40m of the remaining cash from the deal will flow back into SA.

Considering this liquidity and the heightened confidence about the group's future, Lubner says PGSI's dividends for the year to end-March will be maintained at 222c in spite of

the expected 30% decline in earnings from last year's 482.7c.

The effect of the deal on earnings for the year to end-September 1989 would have been a 14% (67c) increase in earnings to 551c (484c) and a 35% (827c) increase in tangible net asset value.

Lubner said it was the strategic implications of the deal for Saint-Gobain, which has a market capitalisation of R17.5bn, rather than the profit history of Solaglas' building glass business, which enabled PGSI to demand a price with a price:earnings of about 25 times.

He said capital would be required to turn around and rationalise the acquisitions which have been making losses for Saint-Gobain, which was reported yesterday to have made a successful \$2bn bid for US abrasives group, Norton.

Losses in the international timber trading division of the wood group since November meant the group has had to revise earnings forecasts downwards.

A downturn in the SA market, substantial management restructuring in a falling European market, a severe downturn in demand and development problems in Australia and economic restructurings in Brazil had contributed to the losses.

"Corrective actions to reverse these losses continue and the overall viability of certain operations is under review," Lubner said.

The SA Reserve Bank has approved the deal but approval is still awaited from regulatory authorities in Europe.

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Thor refuses tests on mercury levels

Own Correspondent

DURBAN — The British based company, Thor Chemicals, whose mercury extracting process was suspended by the Department of Water Affairs two weeks ago, has denied access to an independent medical team to conduct a series of health tests on its workers.

Thor chief Mr Steve van der Vyver said the decision had been made by head office in Britain.

Thor came under fire after claims that lethal amounts of toxic mercury effluent were settling in a tributary of the Umgeni River. Greenpeace scientists found levels in sediment 8 800 times higher than the World Health Organisation's (WHO) accepted levels.

"It was unfortunate this that this decision was taken. We have every reason now to be suspicious," said Earthlife chairman Mr Chris Albertyn. Doctors wanted to take hair and urine samples for analysis.

In the latest Earthlife newsletter, a former senior employee at Thor, Mr Eric Ncube, claims some of the urine samples taken by Thor last year contained an 18 times higher mercury content per litre than the accepted WHO's 50 micrograms per litre. In some cases urine contained 900 micrograms per litre.

Professor A Davies, an occupational health consultant, said problems would be experienced by a person with more than 50 micrograms of mercury per litre of urine. Thor puts its "safe" level at 200 micrograms.

Mr van der Vyver said at the weekend that the doctor put forward by Earthlife to do the monitoring represented chemical union workers. "As my workers are not unionised, even though they are free to join if they want to, I did not feel he was the right person to do the testing ... in principal I have no objection to an independent medical team visiting the plant."

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GIC earnings a share shows healthy rise

BRITISH-controlled steel-strip supplier Goldfields Industrial Corporation (GIC) has posted earnings per share of 92c (70c) — a healthy increase of 31% for the year to end-March.

A final dividend of 30c (20c) was declared bringing the total to 50c (40c).

Attributable income has also risen by an impressive 40% from R2,6m to R3,7m, following hard on the heels of September figures, which reflected low turnover but sound growth. Turnover increased 12% to R76,2m (R67,9m).

Chairman Michael Frye says achieving in an increase in profits and sales

PIERRE DU PREEZ

reflects an excellent performance given adverse trading conditions.

The business is soundly based, the steel position has improved and order books are also up and continue to rise.

In March last year GIC's results were seriously affected by disrupted steel deliveries as result of production problems at Iscor. b10 aq 161390

Frye says the company will benefit from newly-introduced major training programmes, new capital equipment and plant rationalisation.

No halt to five-year-old Numsa campaign

THE National Union of Metalworkers of South Africa (Numsa) intends to continue its campaign against the multinational company British Tyre and Rubber until BTR agrees to resolve the five-year-old dispute at its Sarmcol plant in Howick, Natal.

This was the message which Numsa representatives took to the BTR annual general meeting in London last Friday.

Numsa national organiser, Mr Bobby Marie, and

against BTR

South 1715-2215790
Sarmcol shopsteward chairperson, Mr Philip Dladla, told the 500 shareholders who attended the meeting that Numsa wanted BTR to agree to arbitration in the Sarmcol dispute.

Also present at the meeting were British trade union and anti-apartheid representatives.

A letter from the white council of Howick appealing to the company to resolve the dispute was read to the meeting.

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[scribble]
TUC general secretary Norman Willis joined the call for the company to meet with the union in an attempt to resolve the dispute.

Following the AGM, a Numsa spokesperson said the union intended to begin a new political campaign around the Sarmcol dispute.

He said Numsa believed that the change in the political climate and concern about the violence in Natal meant the union would get wide support.

BTR Dunlop races ahead

Listed UK company BTR plc has every reason to be proud of its 52,3 percent investment in SA-listed BTR Dunlop whose trading profit was 50 percent higher than in 1988 and exceeded R100 million for the first time.

The increase in profits stems from productivity and efficiency programmes, combined with the benefits of higher sales volumes, says MD Clive Hooper.

Although sales increased in 1989 by 19 percent, only five percent was real growth.

But the most outstanding feature of the 1989 annual report was that pre-tax profits were a mammoth 16,92 percent (1988: 13,29 percent) of sales, with attributable earnings at 11,48 percent (1988: 7,21 percent) of sales.

These are significant percentages and when a bottom line virtually doubles that of the preceding year, one's curiosity is aroused.

Not only has debt declined to R4,05 million (1988: R13,73 million), but there is now a healthy cash balance of R3,42 million (1988: nil).

Actually BTR Dunlop needs the high profits to fund its R110 million capex programme over the next three years, primarily to meet the continuing swing to steel-belted radial tyres in both the car and truck markets, including special high-performance car tyres and the high demand for earth-mover tyres.

Already R31,8 million was spent in 1989.

But Mr Hooper is unhappy that tax depreciation rates were charged again at the end of 1989, "thus adding to business uncertainty in our high-tax environment".

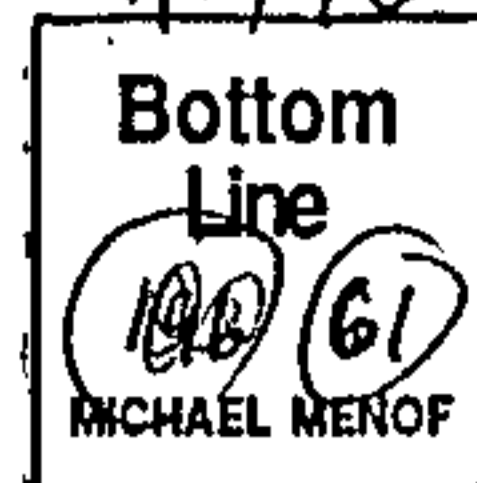
This must be worrying him for the future as BTR Dunlop actually lowered its effective tax rate to 32,15 percent in 1989 (1988: 45,74 percent) thanks to the higher capex allowances.

BTR Dunlop is engaged in three fields — engineering and industrial, which produced 49 percent of sales (1988: 45 percent); motor, which made 39 percent of sales (1988: 42 percent); and consumer with 12 percent (1988: 13 percent).

But motor produced 45 percent (1988: 49 percent) of trading profit, with engineering and industrial 43 percent (1988: 41 percent) and consumer the balance, showing the motor division to be on the decline.

The group's objective is to achieve a real growth in sales and profits, in line with the development of the SA economy, says chairman Drury Gnodde.

This will help increase earnings and dividends, while increasing dividend cover to maintain a sound financial base — certainly a wise strategy ensuring that funds are ploughed back for growth, rather than escalating debt with massive dividends merely to keep investors happy.



changed at R4,02 million (1988: R3,72 million), giving pre-tax profits of R106,9 million (1988: R70,3 million).

After deducting tax of R34,4 million (1988: R32,2 million) and the unchanged pref dividend of R90 000, attributable earnings were R72,42 million (1988: R38,07 million) — a massive leap of 90 percent.

Earnings per share were 310c (1988: 165c), with the annual dividend lifted only 33 percent to 140c (1988: 105c).

A new range of steel-belted car tyres was successfully launched during the year and, together with the reorganisation of the tyre business and rationalisation of industrial products manufacturing, helped produce the superb results.

The local tyre industry made little headway, contending as it did with low-priced imports from the Far East.

Demand for mining and industrial products was static, but sales of automotive products increased.

The consumer and engineering divisions had a good year.

Accounting for deferred tax was changed to the partial method in 1989 and 1988's comparative numbers are restated.

Ordinary shareholders' equity totalled R265,7 million (1988: R203 million) at end-December 1989 — the difference being a R43 million increase in non-distributable reserves and profits retained.

Plant, machinery, equipment and vehicles with a book value of R78,9 million (1988: R63,4 million) had an insured value (replacement value, I presume) of R782 million (1988: R630 million) at end-December 189 — consider a 1 000 percent difference!

Working capital increased to R103 million (1988: R80 million). Net worth per share of R11,37 included R3,14 of help from the non-distributable reserve (predominantly the revaluation of fixed assets), compared with the current JSE price of around R19,25.

A consolidating year is forecast for 1990, with trading profits expected to grow in line with the economy and inflation, says management.

I always question when a group produces such a massive leap in profits whether it is fuelling the country's already high inflation rate.

The bottom line as a percentage of shareholders' funds doubled from 13,7 percent in 1986 to 27,1 percent in 1989 and the cash flow produced — retained profit after dividends plus depreciation — improved from R12 million in 1986 to R54 million in 1989.

In fact, it doubled from the R27 million in 1988.

Small wonder that BTR has the funds to reduce debt and fund capex.

With the number of employees virtually remaining constant over the last four years, I question why some of the high profits made were not used to create new jobs and so demonstrate some social responsibility.

Management's conservative financial policy is well illustrated in the current numbers and trend of the past four years.

Sales totalled R631,8 million (1988: R529,3 million), with trading profit at R110,9 million (1988: R74,1 million).

Cost of financing was virtually un-

Investment COUP FOR FW

CAPT Times 2/15/90

From ANTHONY JOHNSON

BONN. — Leading European industrialists with interests in South Africa were ready to expand their operations, top South African government sources said yesterday.

President F W de Klerk's touring party arrived here last night after "highly successful" talks with Mrs Margaret Thatcher and more than 60 top British businessmen, bankers and industrialists.

A senior SA official in the touring party said the series of meetings with business leaders in five countries had been "very important" and could well turn out to be more significant than the meetings held with political leaders.

And tonight, after meeting West German Chancellor Mr Helmut Kohl and Foreign Minister Mr Hans-Dietrich Genscher, Mr De Klerk will fly to Frankfurt where he has been invited by a leading European bank to speak at a dinner attended by 50 top industrialists, bankers and businessmen.

A well-placed German source described tonight's meeting as "very important", adding that if Mr De Klerk made "a good impression", new loans and investment could be the result.

Prospects

Speaking at a press conference after a "very friendly" meeting at Mrs Thatcher's country residence, Chequers, on Saturday, Mr De Klerk said leading businessmen and bankers he had spoken to in Britain and other European countries had been "extremely interested and regarded us as a future market of great potential".

He said that businessmen and private investors he had spoken to in five countries were already looking at renewing investment in SA — "already there is movement away from disinvestment."

"I also found a new interest and the absolute acceptance of the fact that South and Southern Africa offers tremendous prospects if one looks beyond the short-term problems."

This message was echoed in a statement from 10 Downing Street after the Chequers talks: "The task now is to help SA create the wealth, and have the access to international finance necessary, to create a successful post-apartheid society."

Mrs Thatcher's office also noted that

Mandela offers a truce

CAIRO — Mr Nelson Mandela, trying to wrest the political initiative from President F W de Klerk, has offered a truce in the armed struggle if the government takes solid steps to dismantle apartheid.

On arrival in Egypt at the weekend, Mr Mandela threw down his challenge to Mr De Klerk.

"We are prepared to consider a cessation of hostilities, not at the end of the armed struggle. We are prepared to consider a truce," Mr Mandela said.

"I am not aware of any significant step taken by Mr De Klerk which has the possibility of dismantling apartheid."

Mr Mandela also held talks with Egyptian President Hosni Mubarak. — Sapa-Reuter

3 SHOT DEAD IN SWELLEKOP

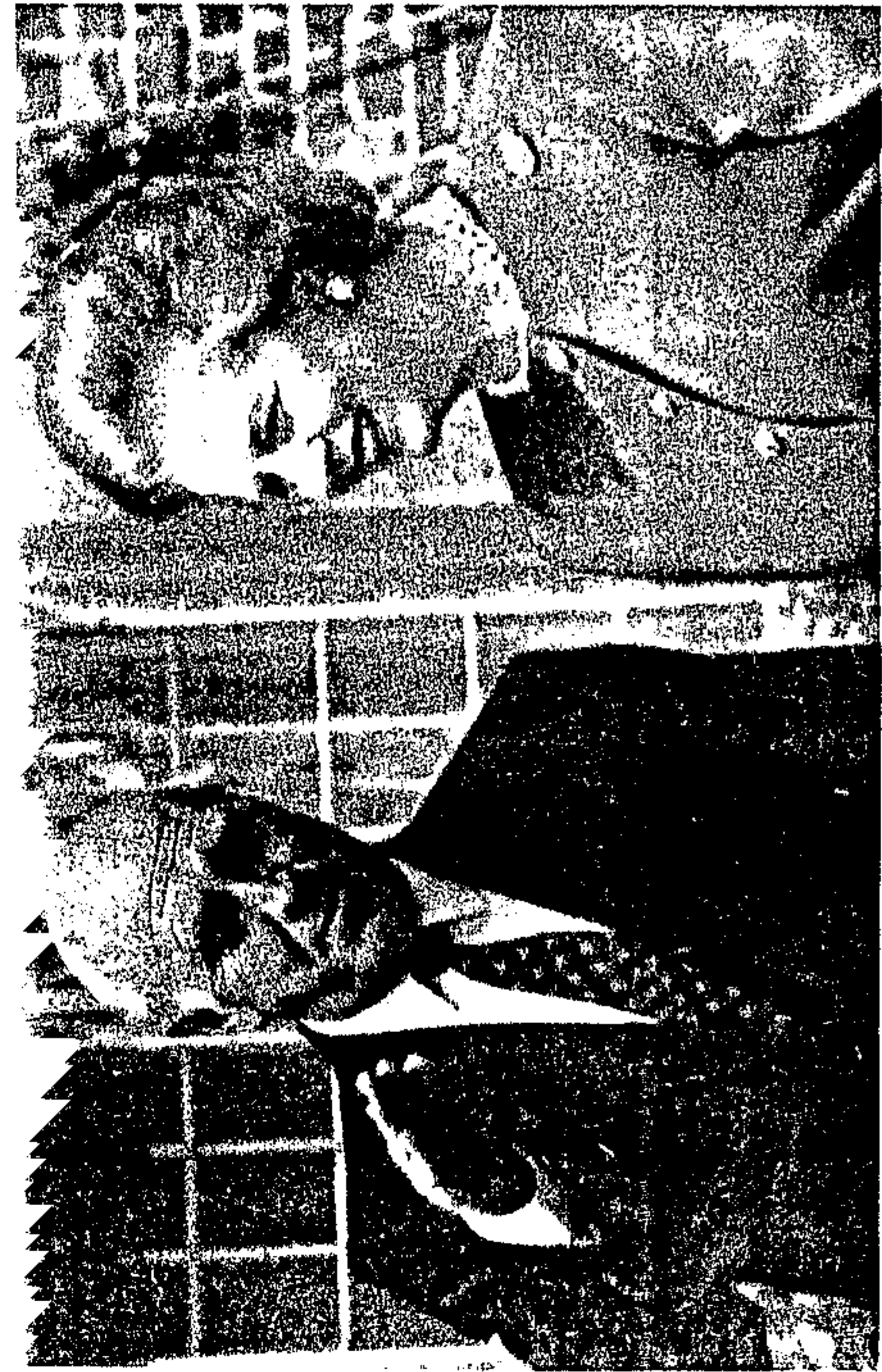
CAPT Times 2/15/90

WELKOM. — Violence flared in Thabong township, leaving at least three people dead and scores seriously injured last night only hours after a mass meeting decided to call off an 11-day consumer boycott of the white town.

Police confirmed the deaths but could not give details.

Smal and Naas miss cup game

Staff Reporter
GERT SMAL won't be home in time for Western Province's Currie



FW AT CHEQUERS... President F W de Klerk and Mrs Margaret Thatcher outside Chequers, the British Prime Minister's country residence, on Saturday.

Picture: REUTER

FW's coup

it believed UK policy on sanctions was "correct" and that "sanctions belonged to the past".

At the Chequers lunch — attended by three cabinet ministers and about 20 top industrialists and businessmen including media baron Rupert Murdoch — Mrs Thatcher said she "marvelled at the remarkable transformation" that had been brought about by Mr De Klerk.

Mrs Thatcher said she "admired the courage" shown by Mr De Klerk in bringing about the sort of changes that Britain had been urging.

A senior SA source said yesterday that the series of meetings that had been arranged on the nine-nation tour with industrialists, bankers and businessmen was to allow these key players "to feel De Klerk as a risk factor".

Members of the SA delegation believe that the time is ripe for SA to place much greater emphasis on its vast resources of strategic minerals.

Following meetings with with a broad cross-section of investors, the SA delegation believes that the current euphoria about Eastern Europe as a preferred site for investment could fade as many of these countries were "hollow shells" with very limited purchasing power and an archaic business mentality.

One senior member of the SA delegation said yesterday that Mrs Thatcher's stance on sanctions and the need for boosting investment in SA had brought about "a sea change" in attitudes.

Mrs Thatcher was "not backsliding one bit" and she believed that the changes that had come about in SA justified her stand that Europe and the Commonwealth "should not only demand but also assist and support".

The fact that the Australian Foreign Minister, Mr Gareth Evans, had "dashed to Dublin to try and stop the rot is an indication that something is moving".

Mr De Klerk and the rest of the SA delegation have been following a two-pronged strategy in their meetings with a wide cross-section of industrialists and business leaders:

- Convince them that SA is a good or "passable" risk factor.
- Get them to bring pressure to bear on their governments and encourage them to rethink their stance on SA.

One source said the meetings with the business community on the tour could end up being of greater significance than those between heads of state.

Mr De Klerk said there had been a general recognition for the irreversibility of the change process taking place in SA and "an acceptance of the fact that we are inexorably moving to the birth of a new SA".

Proper note was being taken that the the SA government was moving into an "implementation phase" when it came to removing obstacles to negotiation, as well as discriminatory legislation.

"We are moving into a stage where real negotiation can start.

"The message is: 'Things are on the move. There is no turning back. SA stands on the verge of executing such reconciliation and constitutional reform."

Mr De Klerk said he had also won acceptance for the need for SA to play a pivotal "economic underpinning role" in Southern Africa and the need for rapid economic growth in the region to upgrade peoples' quality of life.

Mr De Klerk said the message he had brought to Europe was that the "totally changed situation in SA necessitated a total re-evaluation in policy and attitude by Europe.

"I would not want to prescribe but the conclusion that the time has come for re-evaluation is inescapable.

"Sanctions in general are in any case becoming irrelevant because of what is happening in SA."

Mr De Klerk said he did not see himself "in opposition" to Mr Nelson Mandela on the sanctions debate.

Calls for continued sanctions were simply "out of place in view of the fundamental changes taking place in SA".

UK firm plans to set up base in SA

PEPE, Britain's R600m-a-year jeans giant, is set to invest what it calls substantial sums in creating a manufacturing base in SA which could eventually be used as a springboard for the world market.

Between R1m and R2m would initially be spent on infrastructure and marketing alone, excluding manufacture, it said.

"If positive developments continue in SA, it could take over Hong Kong's role as a major sourcing centre for Pepe," said Peter Hodson, MD for the SA operation.

"President (F W) de Klerk's reform moves will open up world markets for SA, where manufacturers will

BTpay 21/5/90
ACHMED KARIEM

have to meet important criteria of quality, reliability and price."

SA was ideally suited because it had the necessary raw materials, locally grown cotton, language, export incentives and lower labour costs.

On the mechanics of the arrangement, Hodson said local textile manufacturer Hebox would supply denim, while jeans would be farmed out to other firms.

On the potential of the local SA market, Hodson said this could be worth between R4m and R8m in the first year.

Pepe is represented in 25 countries.

Overseas sales account for at least 60% of total business.

The company was started 15 years ago in the UK by the Shah brothers (Arun, Nitin and Milan) of Kenya. After humble beginnings on London's Kings Road, Pepe was floated on the London Unlisted Securities Market, which funded overseas expansion.

Meanwhile, SA-Britain Trade Association Limited (Sabrita) spokesman Bill Yeowart said Sabrita was aware of two other British companies with "substantial investments" on hold which were now proceeding with plans to begin operations in SA, but declined to give further details.

Reason to get it right



British consul general John Doble, making his first official appearance in SA, sounded a positive note during an SA-Britain Trade Association lunch in Johannesburg. Here is an abbreviated version of his speech.

Our commitment to SA and to all South Africans is strong. There were some who disengaged in protest against apartheid; but Britain remained, during all those difficult years, trying to promote reform through persuasion and dialogue.

SA is more important to Britain than it is to any other country in the world, apart from your immediate neighbours. We have more at stake than anyone else; for us it is much too important for posturing.

Many South Africans have some degree of British ancestry. Around half of all the overseas investment here is British, to a large extent for historical reasons; and we sell more than £1bn of exports to SA each year, rather more than we do to the whole of Latin America.

It is not for the British government to get involved in the process, that has happily begun, of South Africans working out with South Africans, a constitutional solution to what is a unique SA problem. At the same time we want to do anything we can to help achieve a peaceful and prosperous future.

British-SA trade, I'm glad to say, is flourishing. Last year, we sold you goods worth £1,038bn; you sold us £885m. But, whereas our exports were static with your tight monetary policy, yours to us went up by 10%. In the first quarter of this year, there has been considerable growth in each country's exports to the other — ours up by 14%, yours by a staggering 43%. Our visible trade is now in balance for the first time since 1986. We have done well in power generation, railway

engines, machine tools and mine equipment.

Invisible trade is also healthy. Lloyd's has long had expertise in handling the special insurance needs of SA industry. In the other direction, British tourism here, from a high level, rose 18% in 1989. SA has long been a favourite wintering place for those who can afford the trip from Britain; and tourism should be a growth sector for you.

Of course, new investment is critical for you, if SA is to create jobs. Mrs Thatcher has ended the voluntary British ban on new investment. Commentators have said that this will not necessarily lead to any immediate new investment at all: they point to businessmen's doubts about the future here, partly in the light of the ANC's remarks on nationalisation. People have also pointed out that SA will now be competing for investment with eastern Europe.

But, unlike the countries of eastern Europe, you have a functioning, free-market economy and business practices with which British firms are familiar. I believe that there is great potential for new British investment here, once — and these are the two big provisos — you have achieved a new constitution acceptable to the majority of the people in this country, and one which retains a largely free-market economy.

The recent government-ANC talks, coupled with more realistic remarks by ANC leaders on economic policy, give considerable hope that such a settlement will be achieved. Almost all the top British firms have remained in SA, because of faith in your future and with an eye obviously to future business.

So once political reform releases the full potential of your economy from the restraints of both apartheid at home and sanctions abroad, I expect to see most British firms investing in expansion, to meet increased demand. The enhancement of black living standards, which is already under way, will obviously create great new demand in sectors such as construction, water supply, furnishings, electricity supply and domestic

equipment.

With a settlement here, much new demand will also come from the other countries of southern and central Africa. There has been much talk at the UN and elsewhere of the plight of Africa and the need for aid of Marshall Plan proportions. This is clearly over-optimistic, especially with the urge, the duty, to help the countries of eastern Europe emerging from the long, dark communist night. But there would undoubtedly be a great welcome internationally for a constitutional settlement here, together with a determination to rebuild the economies of the whole region.

Considerable new aid would flow, mainly to the surrounding countries. A very great part of the equipment and expertise to rebuild these economies, would come from SA. British firms bidding for contracts there would probably generally bid through their SA subsidiaries, or take SA partners. Within a few days of Namibian independence, Lonrho announced a \$150m sugar plantation and refinery producing 60 000 t rising to 100 000 t a year. Guinness will be made under licence in Windhoek from June 2.

In Mozambique, Gencor and Lonrho are discussing a joint project for the rehabilitation of the Moatize coal mines, which could produce 7 Mt a year for 500 years. The electricity industries of the countries of the region are already talking to Eskom about a regional electricity grid possibly including the Congo River. These are just a few examples of the sort of projects which could be expected in the wake of a political settlement here.

Britain and British firms are strongly committed to SA. They welcome unreservedly the new policies of your government. They are keen to take advantage of the great opportunities which will result from a constitutional settlement when SA is able to resume its natural role as the engine room for the growth and redevelopment of much of Africa.

(61) ~~XXXXXXXXXX~~

UK's Oceana Trust to become corporation

OCEANA Development Investment Trust, the UK-based company in which the Lewis family (of Foschini fame) acquired a 53% stake in September last year, has announced a change of status and an A\$8,35m Australian acquisition.

Oceana (no connection with Oceana Fishing) switches from an investment trust — limited by UK law to a maximum of 15% of the assets of any one company — to a corporation free to build up larger stakes in target companies.

Application will be made to the JSE to transfer Oceana's listing from "Financial — Investment Trusts" to "Industrial — Industrial Holdings". A similar transfer is expected to be effected in London.

Concurrently, Oceana has agreed to acquire 28,9% of Handbags International, Australia's largest independent retailer of women's handbags and travel goods (1989 sales: A\$58,4m) with 158 outlets nationwide.

Although Handbags made A\$2,9m in pre-tax profits in 1989, profitability in the current year has been squeezed by reduced consumer expenditure, the recent airline strike and increased debt charges arising from high interest rates.

It is in this context that Handbags has agreed to let Oceana come on board. (However, the Lewis family itself was already present in Handbags through a 22,5% stake via American Swiss Investments BV, a holding company it controls).

The A\$8,35m consideration for Oceana's 28,9% stake in Handbags, which comprises a shareholding and certain loan obligations, will be satisfied by the issue of about

LIZ ROUSE and
ROBERT GENTLE

459 000 new ordinary stock units in Oceana and A\$5,35m in cash.

It will be subject to an upward or downward adjustment of up to A\$1,5m payable in cash in 1992 depending on pre-determined future profitability levels.

On completion of the acquisition, Oceana and its subsidiary American Swiss will hold 28,9%. Interests associated with Handbags' management will hold the controlling 51%.

The Oceana board says the move into Handbags is in line with its stated policy of concentrating on investment in retail related businesses internationally, complemented by ancillary investments in real estate.

Cease

It will have the added benefit of enabling the Lewis family interests to concentrate all of their material non-SA retailing activities in Oceana, thereby eliminating "any potential for conflict".

If the proposed acquisition is approved, Oceana's investment trust status will cease from April 1990 and it will be renamed Oceana Investment Corporation PLC.

Only last month, Liberty Life's UK-based investment arm TransAtlantic moved to change the status of its 43%-owned Continental and Industrial Trust because of limitations on investment trust companies.

SA Eagle's UK parent hits BAT earnings

B/Dec 22/90

BAT Industries, the UK tobacco and financial services conglomerate, has posted a shock 27% fall in pre-tax profits for the first quarter of 1990.

These were £231m compared to £318m for the

ROBERT GENTLE

same period last year. According to BAT chairman Pat Sheehy, this was almost entirely due to poor results from UK assurer Eagle Star, controlling sharehold-

er of local assurer SA Eagle.

There was no indication if SA Eagle's own operations in any way contributed to the poor performance of its UK parent, which posted a £48m trading loss at group level.

CMT-7475 5/16/90

R4m research centre opened

PLESSEY (SA) spent 8% of its turnover — R20m — on research and development in the last financial year, a spokesman said at the opening of its new R4m extension in Retreat yesterday. It is likely to increase this by at least 15% in the current year.

It created new products, some of which will be exported, and competed successfully against overseas firms to land a R30m contract to supply the SABC with FM transmitters.

Mentioning this at the opening ceremony SABC chairman Christo Viljoen said that developing this product meant that "from being an importer of FM transmitters SA is about to become an exporter."

Viljoen said there were two good reasons why SA electronics companies should continue to invest in research.

One was that they could solve problems peculiar to Africa. This would give unique opportunities to enter the rest of Africa.

The other was that a nation could secure real wealth only through exports. SA could not compete with the Far East in mass production because labour in this country was too expensive and productivity too low.

But SA electronic engineers were innovative. SA should continue to invest in Technoparks like that in Stellenbosch, and in research and development departments.

panies attending the function, realised it had been necessary to cool down the economy.

This particular year great demands were made on the economy by foreign debt repayments. It was important that it should register with other countries that SA had met its liabilities.

"There are sectors of the economy where the landing has been quite hard," he admitted.

"But there are other sectors that are doing quite well."

It was difficult to manage and control when the economy made a hard landing. But SA management had learned valuable lessons from "the terrible experience of 1985".

B/day 5/6/90

Metal Closures buyout a 'vote of confidence'

JOHN CAVILL

LONDON — The R14m buyout of the South African minority shareholders in Metal Closures by the British parent group was a mixture of "a vote of confidence" and "good housekeeping", Wassall group chief executive Chris Miller said yesterday.

He said the purchase would not mean a new investment of sterling in SA. "What is happening is that our South African subsidiary is buying in its own shares, but it does represent an increased investment by the group as a whole," said Miller whose company took over Metal Closures in the UK in January.

"We took the business-like view. Metal Closures in SA is a good business and we are happy to have 100% of it.

"It is a vote of confidence in that business and its future in SA. But it was also good housekeeping.

"With a 23% local minority we would have less control over cash flow and our options would be restricted," he said.

Abercom's
Biday 7/6/90
UK subsidiary

sells off firm

BRENT MELVILLE

MALBAK-controlled Abercom has formally announced the sale of MYH Sports and Games by its struggling UK-based subsidiary MY Holdings. (61)

Malbak director Ian Willis said yesterday the sale, together with the earlier sale of Dawes Cycles and the group's former head office building, would reduce the MY group's debt by about £5.7m (R25.7m).

He said the sale was in line with the group's long-term recovery strategy.

MY now has interests in four packaging sectors: corrugated, printed cartons, cushion packaging and thermoforming.

Regional Court. They were not asked to plead.

CAF 7/13 7/6/90
Shell plants strike

DURBAN. — About 240 Chemical Workers Industrial Union members at Shell's oil and chemical plants in Durban and the Eastern Cape are on strike. The union is in dispute with Shell's oil and chemical divisions about working conditions.

Between two stools

Control of electronics manufacturer Plessey SA is likely to pass into local hands as a result of the acquisition of the company's UK parent by European rivals GEC and Siemens.

Since the Anglo-German consortium seized control of Plessey UK early this year, most of its business has been split between the two predators. GEC has taken over, among others, Plessey Semiconductor, Aerospace, Avionics and Naval Systems while Siemens has acquired Plessey Radar, Controls and Defence Systems.

The fate of Plessey SA, together with some of the group's other less substantial interests, is still undecided. GEC and Siemens each has an effective 37% stake in the SA company. The remaining 26% is held locally by Sanlam's investment corporation, Sankorp.

The absence of a controlling shareholder is unlikely to continue for long. Management at Plessey SA has made no secret of the fact that it would prefer control of the company to rest in SA.

MD John Temple believes either one of the two European shareholders could be persuaded to sell its stake. Both already have major investments in SA that might conflict with Plessey SA. Siemens' Swiss subsidiary owns 52% of the local Siemens company while GEC has a 50% stake, together with Reunert, in GEC SA. The local operations of Plessey and GEC jointly own Telephone Manufacturers of SA.

Sankorp has pre-emptive rights to any Plessey SA shares that come up for sale. According to Sankorp GM investments, Derek Hunt-Davis, the Sanlam company would be keen to increase its shareholding in Plessey SA provided the price were right and the move would help rationalise the local electronics market. He says Sankorp, together with other local companies, has held discussions with both GEC and Siemens about the possible impact on the SA market of the

FINANCIAL MAIL JUNE 8 1990

F/M 8/6/90 (61) ~~(187-197)~~
takeover of Plessey UK. As yet, however, there have been no negotiations to increase Sankorp's shareholding in Plessey SA.

Temple says uncertainty over the future of Plessey SA has not led to a major loss of business but is bound to have affected clients' confidence in the company. He stresses the company continues to enjoy access to products and technology that were previously imported from Plessey UK.

Just over 20% of Plessey's estimated sales last year of R300m were generated from imports. Though this dependence has declined in the past few years, the company's international technology links remain important.

The slowdown in the economy, fierce competition in the overtraded telecommunications market and severe cutbacks in Post Office spending have depressed profits at Plessey SA. Pre-tax profits rose only 10.4% last year to R36m on the back of a 34% increase in turnover.

The company has ventured into new markets in the past 12 months, including automotive electronics, broadcasting systems and air navigation equipment. Plessey SA also intends expanding its interests in the systems engineering and software market through acquisitions. ■

Voltex makes R130 million acquisition of UK-listed firm

By Ann Crotty

Voltex has announced the overseas deal the market has been expecting for some weeks.

The R130 million acquisition of a 52 percent stake in UK-based Bennett & Fountain (B&F) will give this electrical and electronics giant an attractive outlet for export sales.

B&F, listed in London, has 110 wholesale and retail electrical distribution stores throughout the UK.

The deal will be funded by debt, but a Voltex rights issue seems on the cards.

Voltex was formed early this year through the merger of assets from Elcentre and Berzack.

At the time that deal was being put together, management said it would be looking for acquisitions offshore.

By enlarging its potential market the B&F deal will not only provide foreign earnings, but will increase the level of utilisation of Voltex' production capacity. Both factors should help boost margins in the medium-to-longer term.

But the initial impact will be to reduce slightly the net asset value and earnings of Voltex, suggesting the purchase was relatively expensive and involved some goodwill.

Voltex is currently trading at 200c, having risen in response to recent results and speculation about an offshore deal.

Bloodshed threats as Shell strike grips

is/1-M6us 9/6/90 (61) (2/11)

By DAVID YUTAN
Labour Reporter (2/11) (10/12)

THE strike by Shell workers which began on Wednesday at several of the company's plants throughout the country, has taken a turn for the worse with allegations of threats of violence and "bloodshed" by strikers.

In Port Elizabeth, where 100 employees are on strike, Shell said it had to suspend operations and take steps to protect lives and equipment in response to alleged unruly behaviour and threats of violence by armed strikers.

A company spokesman said that yesterday's negotiations had deadlocked "because the union rejected suggestions even on the procedure and rules of strike action unless we met all their substantive demands."

And in Queenstown, a customer who defied striking workers and loaded his own truck with petroleum products, was threatened by strikers when he attempted to drive away with his load, Shell has alleged.

The strikes resulted from deadlocked negotiations between Shell and

the Chemical Workers Industrial Union (CWIU) over wages and the union's demand to change the review date for the salaries of unionised employees so as to coincide with the date on which the salaries of non-unionised employees' are reviewed.

Defends offer

With regard to the strike by 60 Shell employees at the company's Reunion chemical plant outside Durban, Shell said that it expected to reach a settlement with the CWIU soon.

The company has defended its offer of wage increases of between 16 and 22 percent, together with improvements to housing and education benefits, as "equal to any of the comparable recent settlements entered into by the CWIU with other members of the industry".

The CWIU is demanding that the review date for salaries of unionised employees be changed from March 1 to July 1 — the date for non-unionised employees.

● Repeated efforts to obtain comment from the CWIU before going to press were unsuccessful.

CAL T-15 11/6/90 (61) ~~61~~

Strikers' eviction granted

PORT ELIZABETH. — On Friday night Shell was granted an interim court order to evict striking employees from their premises. This they proceeded to do with the assistance of a major contingent of armed riot police with Hippos, accompanied by Shell company officials.

B/Day 12/6/90

Valard hits snags over Landlock

BRENT MELVILLE

THE sale of Landlock to engineering group Valard has hit snags at the European end of negotiations, Valard chairman David Makins said yesterday.

Makins said although all the details of the purchase were in place, Landlock's parent — UK-based BBA — did not seem able to "get its act together".

In terms of the deal, Valard would be paying 115c a share, translating into R21m for 100% control of Landlock.

The purchase follows last year's R2m acquisition by Valard of Landlock's crane company Tilghman Lasch.

Makins said that although the results of Tilghman had been unsatisfactory over the past year, major management changes had now been made and the company relocated to more suitable premises. In addition Kragfontein had withdrawn from the generator market which was not commercially viable.

Walk away

Following the Landlock purchase, Valard would sell the automotive parts manufacturer's one profitable subsidiary — Girlock.

Makins confirmed that Valard already had a buyer lined up for Girlock but BBA was holding up the entire process. BBA has a 56,6% holding in Landlock.

"In fact if we do not have the entire deal tied up soon we will walk away from it," he said.

During its last financial year Valard, renowned as "turnaround specialists", reported bottom line earnings of R7,5m — a 46% increase over previous year's earnings of R5,2m.

And despite buying Jegkurt Engineering for R2,2m cash during the year, gearing was reduced to 52% (55%).

The current ratio remained at 1,9:1 and group shareholder's funds versus total assets increased to 48% (45%).

"Makins said that Valard would be able to shrug off the prevailing economic downturn and post sound results in the coming year.

Bishop to sue church over SA investments

ALB:3
19/6/90

The Argus Foreign Service (4)

LONDON. — The Bishop of Oxford will go ahead with his legal action against the Anglican Church Commissioners over their indirect investments in South Africa — in spite of a plea by the Archbishop of Canterbury to drop the action.

Dr Richard Harries said in a BBC radio interview: "I'm going to tell him the Church ought to give a much clearer lead. Ethical investment — taking moral considerations into account when you invest your money — is an idea whose time has come. Investment can be and should be an instrument of the Gospel."

The Church Commission has holdings in companies who invest in South Africa but no direct investment.

HARMFUL

One of the commissioners, Sir Douglas Lovelock, said the lawsuit could be harmful to the church.

He said the commission needed "the best return subject to certain ethical constraints which we accept and which do not damage our beneficiaries". The restraints suggested by Dr Harries "would certainly damage them very much indeed".

The Archbishop, Dr Robert Runcie, personally intervened when news of Dr Harries's plan first became known. The Oxford diocese is also considering removing funds amounting to nearly R8 million from the Church's central finances because of dissatisfaction about the investments.

Sappi in R500-m overseas venture



Eugene van As

By Ann Crotty

Sappi has made its first foray into the international market in a R500 million deal, which sees the pulp and paper manufacturer acquire a 49 percent stake in a company with five UK-based paper mills.

The new company should rank as the fifth-largest paper company in the UK.

The deal, involving an overseas consortium of investors who will hold the other 51 percent, will be funded through the financial rand and offshore borrowings.

Sappi chief executive Eugene van As yesterday would not disclose the proportion being funded by financial rands, but did say funding entirely by finrands would have made the acquisitions very expensive.

Assuming the proportion of finrands used matched Sappi's exposure, then around R245 million was funded with finrands.

The finrands used were apparently bought over the past few weeks, which accounts for the relative strength of the finrand in the face of a falling gold price.

The involvement of the consortium meant that foreign funding could be utilised and no doubt helped to smooth the way for an SA-sourced investment in Europe.

Mr van As said there was some scope for Sappi to increase its holding above 49 percent at a later stage.

For shareholders, the benefits of the overseas venture will not be immediate.

In the current financial year

(to March 1991) the acquisition is expected to have a slightly negative effect on Sappi's earnings per share.

This reflects the impact of having to take on costly borrowings to fund part of the deal.

Earnings are expected to pick up in later years as the cash flow generated by the mills helps to reduce borrowings.

In addition, one of the five mills is apparently operating below potential; an improvement in this situation would also lift earnings.

According to Mr van As, these acquisitions, combined with Sappi's existing international trading operation, should add approximately 100c a share to earnings in financial 1993.

Part of this will presumably

come in the form of increased Sappi exports to supply the mills since the UK has no pulp resources.

In financial 1990 Sappi earned 650c a share.

The deal puts a value of around R100 million on each of the five mills acquired.

This is not large in the Ngodwana scheme of things, but as Mr van As says, the UK mills are specialty mills, which produce high-value-added products for specific markets. They will bring some new technology to Sappi.

The five mills, which are being bought from two vendors, will be put into a new company specialising in high-value-added speciality paper products that will be distributed throughout the EC.

(61) (1427)

SAW 21/6/90

Call to boycott shell

MELBOURNE - A Unit-
ing Church group yester-
day urged Australians to
boycott Shell petrol until
the oil company with-
draws from South Africa.

•The church's Social
Responsibility and Justice
Commission said it hoped
millions of Australians
would sign a register
pledging not to buy any
Shell products.

It claimed Shell South

Africa was fuelling the
South African military
and police who "con-
tinued to prop up the
apartheid regime".

The register, known as
"Shun Shell", was
launched by Mr Eddie
Funde, chief representa-
tive in Australia of the
African National Con-
gress.

It was backed immedi-
ately by the Australian

Democrats, which hold
the balance of power in
the Senate.

However, the
campaign was quickly at-
tacked by Shell Austra-
lia's Public Affairs Man-
ager, Mr Tony Adair.

He said the company
was opposed to apartheid
and its South African op-
eration was closely in-
volved in bringing about
its end.

South African 28/6/70

61

Investment exodus

Star 2/7/90 The Star Bureau (6)

LONDON — Nearly one third of British companies with industrial investments in Africa have disposed of their holdings in the last decade and are unlikely to return.

The Overseas Development Institute's Development Policy Review says in a study that 43 out of the 139 British companies withdrew their investments from sub-Saharan Africa from 1979 to 1989.

Metalclo to buy out minorities

Star 3/7/90 By Ann Crotty

Shareholders of Metal Closures Group SA (MCG SA) will attend a general meeting next Tuesday when they will be asked to pass the necessary special resolutions in terms of which the shares held by minority shareholders will be converted into redeemable preference shares and then redeemed.

The deal has been proposed by UK-based group Wassall which acquired MCG SA's UK parent MCG in the first quarter of this year.

Wassall has decided that for strategic reasons it wants MCG SA to become a wholly owned subsidiary of MCG.

According to the official document the proposal, which will be implemented in terms of section 98 of the Companies Act 1973, "will entail the conversion of the shares held by the shareholders, other than MCG, into redeemable preference shares and their redemption for cash, utilising the profits of MCG SA available for distribution as dividends and will result in such shareholders receiving a consideration of R23 per ordinary share in MCG SA held by them."

Some R22,50 of the consideration will constitute a dividend for income tax purposes with the balance of 50c constituting a return on capital.

The JSE has asked MCG not to vote at next Tuesday's meeting because the resolutions can be passed by 75 percent of the shares present and voting.

As MCG has 77 percent, the outcome would be a foregone conclusion and not give the minorities a say in the matter.

However, according to the official document: "Primarily because of the necessity for MCG to attend the meeting to secure the necessary quorum, but also because MCG SA has been advised by Finansbank that the proposal is fair and reasonable to shareholders of MCG SA, MCG has in the interests of such shareholders decided to attend the meeting and vote in favour of the resolutions proposed thereat."

July 6 1990

Embassies (61)
asked to shun
Buthelezi

CAPE TOWN — Cosatu, the UDF, and the ANC have handed a memorandum to the German, British and American embassies in Cape Town asking foreign governments to withdraw support for the KwaZulu Chief Minister Mangosuthu Buthelezi, according to reports.

They also asked for the disbanding of the KwaZulu police force and the appointment of a judicial commission of inquiry.

It was reported that Chief Buthelezi will not be invited to a peace conference that is to be held in Natal under the auspices of the ANC, the UDF and Cosatu next month.

UDF spokesman Murphy Morobe told a news conference in Johannesburg that Chief Buthelezi had sabotaged all peace initiatives in Natal so far. — Sapa.

UK Metaclo offer runs into a storm

ST Times 8/7/90

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• From Page 1

It asks of Finansbank: "How can a financial adviser engaged to act on behalf of the minorities promote a scheme in which the minority has no say whatsoever? Following its use of 'the most oppressive means available' to force shareholders to part with their shares, we question whether Finansbank can still be regarded as the 'protector of minorities'."

Abe Jersky, of Anglo American's pension funds, says: "Minority holders should have an opportunity to vote under a more equitable scheme. The whole mechanism of this deal leaves one uncomfortable."

"As to Finansbank's fair and reasonable, we don't know how they made their valuation. If they know more about the company than we do, they haven't told us about it."

Critics say the share is thinly traded and the pre-bid market price of 1850c was a questionable basis for valuation.

Finansbank spokesman Willy Ross says he and his colleagues have more insight into Metaclo's affairs than the minority shareholders. On earnings prospects, the shares are not worth more than R23, as alleged by Martin & Co.

He says last year's fall in earnings was not simply a

hiccup, that competition in metal closures and plastic crates has intensified, margins have been cut and other contenders have won market share.

Finansbank does not want the deal to be scotched by minority holders demanding too much.

Mr Jersky says if Finansbank knows why prospects for Metaclo SA are not as bright as in the past, it has not given the reason.

Martin urges shareholders to vote against the scheme.

Reject Metalclo offer, brokers say

By Sven Lünsche

Stockbroking firm Martin & Co has urged shareholders to reject an offer by UK-based Wassall Plc to acquire the minorities in Metal Closures SA.

In advertisements placed today Martin & Co says it could use Section 252 of the Companies Act — which provides for shareholders protection “in case of oppressive or unfairly prejudicial conduct” — to prevent the deal going ahead.

Wassall Plc recently acquired UK Metal Closures and with it the 77 percent that Metal Closures Plc owns in Metal Closures SA.

Wassall subsequently offered

61 5/7 9/7/90
the minority shareholders in the South African company R23 an ordinary share. It plans to convert the ordinaries into redeemable preference shares and redeem them out of the company's fund.

To achieve this a special resolution, which requires a 75 percent vote, is required.

Martin & Co says: “As Metal Closures UK owns 77 percent it is able to steamroller the resolutions through — even if every minority shareholder votes against the proposal.”

It adds that a request by the JSE that Metal Closures UK

should not vote at the meeting has been ignored.

“In addition, the holding company states that it has been advised by Finansbank that the proposal is fair to shareholders.

“How can any scheme be fair where the shareholders concerned have their shares expropriated without any effective say?”

Martin & Co also doubts that the price of R23 a share is reasonable, arguing that if the price were based on the same pre-tax price earnings ratio as other companies in the packaging sector it would be raised to between R35 and R48 a share.

Sun Life rights offer to finance expansion drive

Finance Staff

13/7/90

UK life insurer Sun Life, in which Liberty Life subsidiary TransAtlantic holds a 29.8 percent stake, has announced a £67.5 million rights offer to finance an expansion drive.

Both TransAtlantic and the second major shareholders, Union des Assurances de Paris (UAP), are reported to have taken up their allotment of one new share for every seven shares held at £8 a share.

RULING PRICE

UAP, which holds 25.4 percent in Sun Life, and TransAtlantic have agreed to underwrite the offer, which is pitched at well below the ruling market price of £12.80.

Both major shareholders, however, have agreed not to raise their interest in Sun Life above 30 percent, while TransAtlantic said it would sell some of its shares to UAP to equalise the holdings.

Sun Life said it was looking for acquisition among other life insurers or unit trusts, but has also not ruled out a bid for a building society.

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Metalco deal fair, says UK chief

6/1/90
Own Correspondent

LONDON. — Chris Miller, chief executive of the Wassall group which owns Metal Closures UK, yesterday defended his group's buy out offer for the 23% minority in the SA subsidiary.

"We think that what we have done is legal, fair and reasonable," he said after returning from Johannesburg where Metalco SA was taken to court by minority shareholders to try to block the deal which would give the UK parent 100% ownership.

"The matter is now before the Supreme Court and we will have to wait to see what happens. But as people who want to invest in South Africa I can only note that disinvestment doesn't seem to attract the same amount of fuss," he said.

"I can only repeat that we took a course of action on the basis of valuations by three advisers all of whom concluded that Metal Closures SA shares were worth less than R23 each."

Metaclo UK backs off on take-out

By DAVID CARTE

METAL Closures UK has dropped its bid for the 23% minority stake in Metaclo SA. *STimes 15/7/90*

The offer was resisted by stockbroker Martin & Co, backed by the Mine Officials, Mine Employees and Anglo American pension funds.

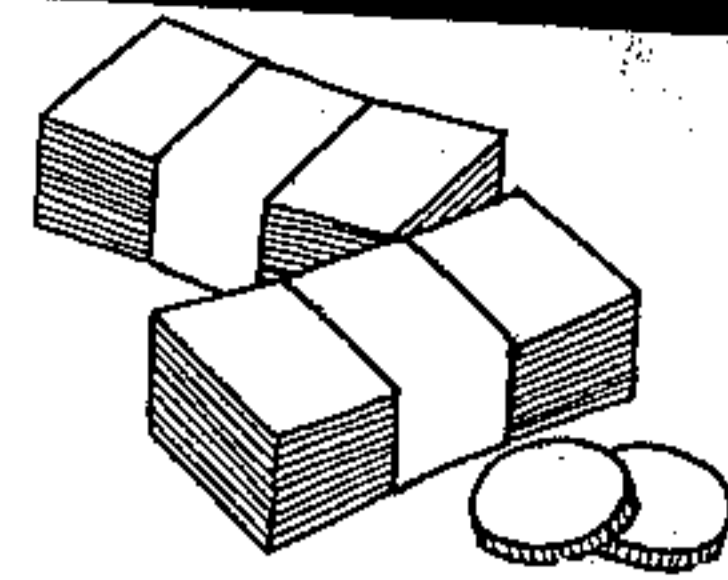
The objectors said the offer of effectively R23 was too low. They were incensed because Metaclo, with 77% of the shares, proposed to force acceptance on the minority by converting its holding into redeemable prefs and then redeeming them.

They also criticised Finansbank for stating the offer was fair and reasonable.

After Metaclo UK steamrolled resolutions through the meeting of shareholders in spite of rejection by 98% of the minority, the matter went to the Supreme Court.

On Friday, attorneys for Metaclo told Don Jowell, attorney for Martin & Co and the pension funds, that it was withdrawing the resolutions and would pay costs.

British firms likely to shun Africa – study



■ MONEY TALK

THE many British companies which disinvested from southern Africa in the past 10 years are unlikely to return, despite being encouraged to do so by the British government, African governments and the World Bank.

CP/Pres 15/11/90 (62)

This pessimistic conclusion is contained in a study by Paul Bennell of Harare University, according to the latest edition of Development Policy Review – a publication of the British Overseas Development Institute.

Almost one third of British companies with industrial investments south of the Sahara disinvested between 1979 and 1989. The countries worst-hit were Zimbabwe and Nigeria.

Due to low returns on industrial investments in Africa, appeals by African governments and top Western officials for more investments in Africa are likely to fall on deaf ears, the study predicts.

One factor which makes British industrial investors wary of Africa is the prospect of large re-

ductions of import tariffs and the removal of other trade barriers. This will threaten the viability of key industries in African countries because of their inability to compete internationally.

Apart from outright disinvestment, the low returns from investments in Africa have led to an unwillingness by British companies to invest more

capital in their existing African subsidiaries. The result is that these companies have become undercapitalised.

The study found that financial returns from Africa outside the industrial sector are higher, making it more likely that British investment will flow into resource-based companies with export potential.

Pepe's profit slide 'will not hit SA operation'

By way 18/7/90
THE slide in the profits of UK denim jeans company Pepe will have no impact on its SA operations, a company spokesman said last week.

Pre-tax profit of Pepe, which is represented in 25 countries, declined by

ACHMED KARIEM

17.4% to £10.5m (£12.8m) in the year to March due to difficult trading conditions in the UK. Earnings a share were 23.4p (31.9p). A final dividend of 4p was declared.

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Pepe has invested in SA as an additional source centre to Hong Kong for its clothing products.

SA management said Pepe planned to export to the EC once production reached international standards.

Unitrans buys Malawi company

61 MANDY JEAN WOODS

ROAD freight transportation group Unitrans has acquired a transport company in Malawi in a move to expand its operations in southern Africa.

With the acquisition of the Malawian freight transport company, Unitrans now has operations in Namibia, Zimbabwe, Malawi, Zaire, Zambia, Mozambique, Botswana, Lesotho, Swaziland and, more recently, Tanzania.

Unitrans CE Eduardo Garcia said yesterday the company was purchased for a nominal amount as it was previously owned by Unitrans's UK-based parent company BET which wanted to sell the Malawi company.

"In April, we sent up a complete management team and applications to inject capital — in the form of vehicles and cash — into the company has just now been approved." *510m 181790*

Garcia said in the annual report that the company hoped to capitalise on the need for a reliable road transportation network in southern Africa.

However, SA still had the best prospects for growth, and the core business would remain with long-term contracts in SA, he said.

Healthy Charter looks to further acquisitions

B10^{am} 23/7/90 ROBERT GENTLE (61)

CHARTER Consolidated, the UK-based industrial holding company in which Minorco has a 36% stake, faces the coming year with a revamped board, a healthy cash pile of £90m and an eye on further acquisitions.

In the 1990 annual report, chairman Sir Michael Edwardes says that the group's management team is being encouraged to expand through acquisitions — just so long as these complement existing operations.

It was this logic that saw Charter's rail tracks subsidiary, Pandrol International, double in size during the year through the acquisition of £22m-of track maintenance businesses in the US.

Cape, Charter's UK-based building products subsidiary, strengthened its European presence by opening a manufacturing plant in France.

Similarly, peripheral activities which Edwardes describes as absorbing too much management time and financial resources, were shed. These included a majority interest in Beralt Tin and Wolfram Ltd,

Political contribution

Regarding Charter's 38%-owned precious metals group Johnson Matthey, whose yearly profit contribution fell 24%, substantial benefits should begin to accrue in the current year following new management initiatives.

An interesting point to emerge in the annual report is that Charter and its subsidiaries made charitable contributions during the year of £93 000 and, in accordance with prior shareholder authority, made a political contribution of £20 000 to the Conservative Board of Finance.

Shareholders will be asked at the forthcoming annual meeting (on July 30) to authorise political contributions which "are in the interests of the company and its shareholders" up to a maximum of £50 000.

Regarding the potentially ruinous legal actions which Cape — and other suppliers — continue to face in the US over the use of asbestos products, Charter says it has been advised that these are unlikely to succeed.

Metaclo's importance to UK group makes second offer to minorities likely

By Ann Crotty



Charles Millward of Millward Grebeck Securities. He restructured a British multinational's entire investment in South Africa by arranging a disinvestment through the financial rand, followed by a re-investment through standstill debt.

Another offer for the 23 percent minorities stake in Metal Closures SA seems likely given the importance of MCSA to the Wassall group and to Wassall management's growth plans.

A 100 percent owned MCSA — with attractive prospects to use standstill debt to re-capitalise the company — would be an ideal income booster to help this fledgling conglomerate attract the necessary institutional support to fund reasonably rapid growth.

Wassall as it stands today is just short of two years old. In September 1989 Wassall, the shoe retailer, was acquired by two Hanson executives.

Their intention was to convert the company into a broadly based group as a vehicle for their acquisition trail.

For the 12 months to end-December 1988 Wassall reported pre-tax profit of £50 000. In the 12 months to end-December 1989 acquisitions boosted pre-tax profit to £3.2 million.

In the second half of 1989 Wassall made a successful bid for the Metal Closures group — promising shareholders of the poorly performing group that the Wassall management team intended to take action immediately to improve the productivity and profitability of Metal Closures.

The combined effect of a very weak performance from MC's UK operations and strong performances from MCSA had resulted in the SA subsidiary increasing its contribution to group taxed profit to more than 70 percent in 1989 from 20 percent in 1978.

So the acquisition of MC was a major leap for Wassall and the importance of the role played by MCSA in that leap was enormous.

Two issues unresolved

Despite this the minority offer of R23,50 a share valued the SA subsidiary at around £14 million (£9 million at the financial rand rate) — only a third of the amount for the whole group despite the much greater contribution to group earnings.

Two issues remain unresolved after the dropping of the offer.

Firstly, the speed with which Wassall backed down is remarkable. The reason advanced by Wassall's legal advisers Webber Wentzel (that they wished to avoid lengthy litigation) is unsatisfactory.

The minorities brought an urgent application which was granted on July 11 with a return date set for the hearing on August 1.

If Wassall had been so confident of its legal position it should have attempted to overturn the ruling a mere two weeks later.

Had it succeeded it could have implemented the resolutions redeeming the minorities' shares and delisted the company.

The only option then left to the minorities would have been to proceed against Metal Closures under Section 252 of the Companies Act — the section that provides redress for oppression of minorities.

The litigation may have been lengthy but Wassall would have achieved its objective and would be faced only with possible payment of damages. On this front it would have Finansbank and Volkskas Merchant Bank to endorse its R23 price.

Using standstill debt

The second issue is one of disclosure. The company and its advisers were silent throughout the controversy about suggestions that they were going to re-capitalise the company using standstill debt.

Apart from the fact that MC, and particularly the directors of the local company, had a duty to disclose this material fact to minority shareholders before making the offer, the subsequent refusal even to discuss the matter, let alone issue a denial, is disturbing.

Standstill debt has been used for several years as an alternative to financial rand investment. A multinational wishing to increase the capital of its local subsidiary could buy SA debt (at a discount similar to that on the financial rand) on the secondary market in London and then lend the money to its SA subsidiary.

The fact that interest on the loan is tax deductible and does not attract withholding tax creates large cash flow benefits for the multinational parent.

This concept was significantly refined last year by Charles Millward of Millward Grebeck Securities. In effect he restructured a UK multinational's entire in-

vestment in SA by arranging a disinvestment through the financial rand, which was followed by a re-investment through standstill debt.

Mr Millward estimates that the transaction increased the multinational's cash flow by about 40 percent. (The deal benefits the country because it achieves the rollover of significant amounts of debt caught in the net without affecting the country's reserves).

Such a deal is likely to be irresistible to the Hanson-trained Wassall executives.

As aggressive acquirers, their philosophy is likely to involve squeezing ever higher earnings out of operating subsidiaries in order to place shares at ever finer yields to fund the next acquisition.

So the opportunity to restructure the SA subsidiary to enhance the cash flows bought is something they are unlikely to pass up easily.

The interest benefit generated by a restructure of MCSA, estimated by Mr Millward to be up to £1 million a year, would go a long way toward servicing the £14 million debt incurred in acquiring the MC group.

Wassall will be relying to a great extent on MCSA's earnings while it gets the UK operation into shape. Unless it decides that the MCSA minorities present too many problems (the standstill debt scheme could not be implemented if there were minority shareholders) it seems just a matter of time before it has another run at the local company.

Ball in their court

Willie Ross of Finansbank says there has been no contact with Wassall and "the ball is entirely in their court now".

Winston Floquet of stockbrokers Martin & Co, who fought for the minorities' case, agrees that it is in Wassall's interest to make another offer but emphasises that a different method and different price should be used.

He also points out that as some of the major minority shareholders have held the share since its listing some 40 years ago, they are reluctant to part with the scrip.

This raises the possibility of offering the SA minorities the opportunity to participate in the overall group by exchanging MCSA shares for Wassall shares. Because of Reserve Bank restrictions this would require Wassall getting a listing on the JSE.

Mr Floquet says this was considered in the initial stages of the deal. The Wassall management referred it to some of their UK institutional backers, who apparently were nervous about the South African role being given even greater prominence through a Wassall listing.

Take a second look

As one local analyst points out, going for a JSE listing does not look appropriate for a company trying to build a high price/earnings rating in the UK.

But it may be that having failed with their first bid to take out the minorities, the Wassall team will take a second and keener look at the possibility of a JSE listing.

Mr Millward believes the MCSA minority shareholders should be given the same offer as the MCKU minorities — the opportunity to participate in Wassall.

"If the share swap was done on an earnings basis SA minorities might reasonably expect to end up with some 10 percent of the shares in Wassall," he says.

"From Wassall's point of view it gains access to another stock market with an ever-growing appetite for opportunities to invest in rand hedge stocks."

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COMPANIES

Masterbond's masterful results

MANDY JEAN WOODS

MASTERBOND Trust's group MD Johann Brits says the group is confident that assets under control — which improved from R186m to R532m in the year to end-February — will reach the R1bn mark in the current financial year.

In the latest annual report Brits says Masterbond had achieved substantial growth for the sixth consecutive year with group pre-tax profits doubling to R2m.

Pre-tax profit is expect-

ed to double again to R4m in the year to February 1991, Brits said.

The group's financial services saw funds under its administration increase by more than 200% to R496m, he said.

"The performance of the past year is particularly noteworthy in view of the slow-down in the SA economy," he said.

Much of the group's success could be attributed to

a policy of diversifying within the areas in which it is already strong — property development and financial services.

"With its strong financial services arm the company is well placed to take advantage of the high interest rates that exist in the market at present.

"Although it is expected that the economy will decline further during the coming year, the group should not be adversely affected," Brits said.

Wassall considers its Metaclo offer options

UK-BASED Wassall plc has firmly denied SA speculation that it will be making a renewed offer to buy-out minorities in packaging group Metal Closures SA (Metaclo).

Speaking from London yesterday Wassall group CE Christopher Miller said that while there were a number of options still open to it, no definite decision had yet been taken on either making a revised bid or not.

"At the moment we are doing nothing," he said, adding that any renewed offer would not necessarily be handled the same way.

Wassall is the parent group of Metal Closures UK, which controls 77% of Metaclo.

Miller said to put a value on any potential new bid would be premature. But a market source said yesterday any new offer would have to be "substantially higher" than Metal Closures' last one of R23,50 — opposed by minority interests

represented by stockbrokers Martin & Co, Anglo American, and the Mine Employees and Mine Officials pension funds — as too low.

After the matter was taken to court, and based on advice from its legal advisers Webber Wentzel, Wassall stepped down from the bid, ostensibly to "avoid lengthy and expensive litigation".

Options

A source at Metaclo said it was conceivable that another offer could be in the air because of the strategic importance that the SA operations had to its UK parent, and especially to Wassall.

For the past financial year Metaclo contributed more than 70% to the taxed profits of Metal Closures UK.

Miller would say only that the group was considering its options and was playing its cards close to its chest.

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Major British firm offers to buy Fourth Dimension

NEIL YORKE SMITH

A MAJOR British public company has offered to buy local corporate video and training company Fourth Dimension (FD).

A firm offer had been received from "a major international" education and training group, FD chairman Bill Taylor said yesterday. Price and the buyer's identity could not be disclosed.

The company would use FD as a springboard into the growing SA training market, Taylor said. "They have identified the local market as a major growth area and are prepared to invest heavily in SA."

This was part of a strategic move into the development of technical skills training and represented a vote of confidence in SA.

FD initially concentrat-

ed on corporate video production, then expanded into the computer-based training (CBT) field.

It now specialises in CBT and has won substantial corporate and government training contracts.

An aggressive business approach had encouraged the British-based group to invest in FD, Taylor said.

"We were seen as being aggressive and dynamic — prepared to develop any opportunities in our field of expertise. We have identified major growth areas in the black training market ranging from pre-school education to on-the-job technical training."

The offer would be discussed further at a meeting during August.

3/1/80
3/11/76
1/1/80

Investments in SA a possibility — Phillips

SA 3/9/90
(61)

By Sven Lunsche

LONDON — Darryl Phillips' Acsis group would consider immediate investments in South Africa if there were firm evidence of a stable political and economic future.

Mr Phillips, founder and chairman of Acsis, and the majority shareholder in Grey Advertising in Johannesburg, says the attitude to South Africa has improved significantly among UK business circles.

"However, nobody knows which way the country is going and talks of nationalisation and the recent violence are scaring off some investors.

"Certainly nobody would expand into the country if the spectre of a new Lebanon was on the cards," Mr Phillips says.

Acsis, which was founded three years ago and has grown into a diversified group employing 500 people, has been on the acquisition trail over the past year.

"We are currently looking at about 20 companies a week to find acquisitions fitting our portfolio."

He adds that Acsis could react very quickly to events in South Africa.

"We certainly have the funds available and could easily raise substantial amounts on the stock exchange with the backing of financial institutions.

"But more importantly, with former ICS MD Owen Dinsdale as our group managing director, we have an intimate knowledge of the South African market."

Acsis has shown compound earnings growth of 30 percent since it was founded in June 1987 and expects pre-tax profits of £13.2 million this year (1989: £7.37 Million) on forecast turnover of £60 million (£31.7 million).



Darryl Phillips

Its diversified operations are structured into four major divisions: Media Sales, which contributes 51 percent to profits, Recruitments (21 percent), Interior Design (27 percent) and Continuity Sales Promotion (less than one percent).

In the first six months of the year, the first three divisions showed growth of over 100 percent, compared with the same period last year.

But profits in the Sales Promotion division plunged 96 percent.

Combined interim pre-tax profits at £5.75 million are almost 90 percent up on last year's figures, reflecting organic growth and a substantial number of acquisitions in that period.

One of them is Acsis' first acquisition outside the UK, the US-based design group Hirsch Bedner, allowing the group to entrench its position as world leader in the hotel interior design market.

"The first rule I had to learn when starting the business here (in the UK) was that there are few national boundaries to financial operations and we are

certainly looking at possible new target companies around the world," Mr Phillips says.

The London market has been expecting a major buy from Acsis for some time and Mr Phillips confirms a bigger acquisition is the next logical step in development.

This could also involve companies listed on the London Stock Exchange, which he has avoided so far because many of them have been overpriced.

Mr Phillips believes his long experience in South Africa prepared him for the current recession in the UK.

"The UK has not experienced a downturn in almost eight years. But I've worked through recessions, which also allows me to better evaluate possible target companies on their performance during a recession," he says.

"Higher SA interest rates have also made me a cash-flow fanatic, which has proved a sub-

stantial benefit in the UK at present."

Despite his experience in the advertising world, Mr Phillips is reluctant to acquire an advertising agency.

"While I have been offered opportunities to expand into this area, I think the market is saturated," he says.

Acsis has recorded above-average earnings growth over the last three years, but it seems the market has not yet given the share the recognition which some analysts believe it deserves.

Mr Phillips ascribes this largely to the weakness of other companies listed in the advertising agency sector of the LSE, which so far this year has witnessed five liquidations.

He expects this trend to continue for some time.

But eventually the strong financial performance of the group should translate into an above-average rating, he says.

A good 1991 is predicted for Oceana

ACHMED KARIEM

OCEANA Investment Corporation, which concentrates its resources on investment in retail related businesses internationally, expects the 1991 financial year to be a favourable one, chairman Stanley Lewis says in the company's annual report.

However, the seasonal pattern of the earnings of Australian-based retail chain Handbags International, in which the group acquired a 28.9% equity interest in May, is likely to affect profits for the first half of the year.

Lewis says UK companies are reporting reduced profits due to higher costs and depressed consumer spending.

"Investment in this area has to be most carefully considered bearing in mind the high level of competition and prevailing market conditions."

He says strict monetary discipline will be entrenched once Britain joins the exchange rate mechanism of the European monetary system, which may hamper a quick recovery in consumer spending.

Lewis adds that the changes in Eastern Europe will profoundly affect the economies of the world trading nations, creating new opportunities for commerce and industry.

Oceana posted a 33% increase in net profit to £619 857 (£467 289) in the year to March on ordinary activities after tax and amortisation of goodwill.

16/8/70
16/8/91

See 20/9/90

(61) (55)



British MP William Waldegrave (centre) chats with Dr Nthato Motlana at the unveiling of a plaque at the UK-funded Promat College yesterday. British ambassador Sir Robin Renwick is on the left.

Britain puts money into black college

Pretoria Bureau

Britain is helping to pay for the building of the first independent black teachers' training college in South Africa.

William Waldegrave, Britain's Minister of State in the Foreign and Commonwealth Office, unveiled a plaque yesterday commemorating British assistance to the R20 million Promat College under construction near Mamelodi.

Mr Waldegrave, on a three-day visit to the country, is expected to meet President de

Klerk today and other top political figures.

Last night, he had a private meeting with Foreign Minister Pik Botha and later today is to brief British heads of mission stationed in Africa south of the Equator.

Speaking at the college yesterday, Mr Waldegrave said it was the first such privately funded establishment since Kilnerton College, where many top black teachers were trained, was closed by the Verwoerd government in the 1960s.

The 26 ha site will house the

Promat College, now in a disused factory in Mamelodi, and a primary school. There are four other colleges in the country.

The training college will admit its first 100 students in January and it is eventually intended to house 400.

Mr Waldegrave described Promat as one of the most imaginative and outstandingly cost-effective ways of helping very large numbers of black South Africans acquire better access to education opportunities.

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Lonrho under selling pressure

Lonrho has come under heavy selling pressure from overseas investors who fear weaker year end results following the strengthening of the pound sterling against the dollar and lower platinum prices.

A London analyst has forecast that with sterling 20 percent firmer against the dollar, coupled with slack platinum prices, Lonrho's profits should be lower.

Lonrho is an international mining and industrial conglomerate, with over 1 000 companies operating mainly in the UK, sub-Saharan Africa, Europe and America.

Over 50 percent of its revenue is denominated in dollar, while platinum interests contribute more than 20 percent to group profits. Forecasts are that from 1991, 45 percent of Lonrho earnings will be from mining, with over 80 percent of these coming from platinum.

Platinum interests

This forecast of a pedestrian performance from Lonrho precipitated heavy selling of Lonrho shares by London investors. Last week over 3 million Lonrho shares changed hands on the JSE, while from Monday to yesterday over 1,8 million shares were traded. Most of the selling orders have been coming from London. Yesterday, Lonrho dropped 8,9 percent (155c) to close at R15,85.

George Huysamer analyst, John Clemmow has revised down his forecast of Lonrho earnings from 26 pence to 25 pence per share. He says Lonrho's car distribution network should benefit from the strength of sterling against the German mark, but the recession in the UK, coupled with high interest rates and the higher petrol price, should see demand for cars slowing down.

Negative impact

Euan Worthington of S G Warburg Securities in London notes in a recent report on Lonrho that the recent decline in gold and platinum prices will have a negative impact on group profits.

But higher output of both metals (gold and platinum) and benefits of the Karee merger should see profits rising significantly.

The UK manufacturing,

Diagonal
Street

Jabulani
Sikhakhane



building contracting and car distribution industries have been depressed by high UK interest rates and the downturn in the UK economy.

However, Lonrho's trading, freight forwarding and warehousing associates, Kuhne & Nagel (50 percent) and Krupp Lonrho (50 percent) are expected to continue to increase profits in line with economic growth on the Continent. In future, most of Lonrho's growth is expected to come from Europe.

Despite lower spending by conference delegates, the refurbishment and expansion of the Metropole group of Hotels in the UK is starting to increase profits from this source. Also investment in new printing equipment has had a beneficial effect on its Scottish newspaper interests.

Net asset value

Overall, analysts argue that Lonrho offers exceptional value, particularly, for local investors. At yesterday's closing price of R15,85, Lonrho is trading at a discount of 46 percent to its net asset value.

Mr Clemmow argues that for local investors the strength of the sterling is good news. At the current rand/sterling rate, Lonrho offers a very attractive dividend yield and is a good rand-hedge stock. About two-thirds of Lonrho profits come from outside South Africa.

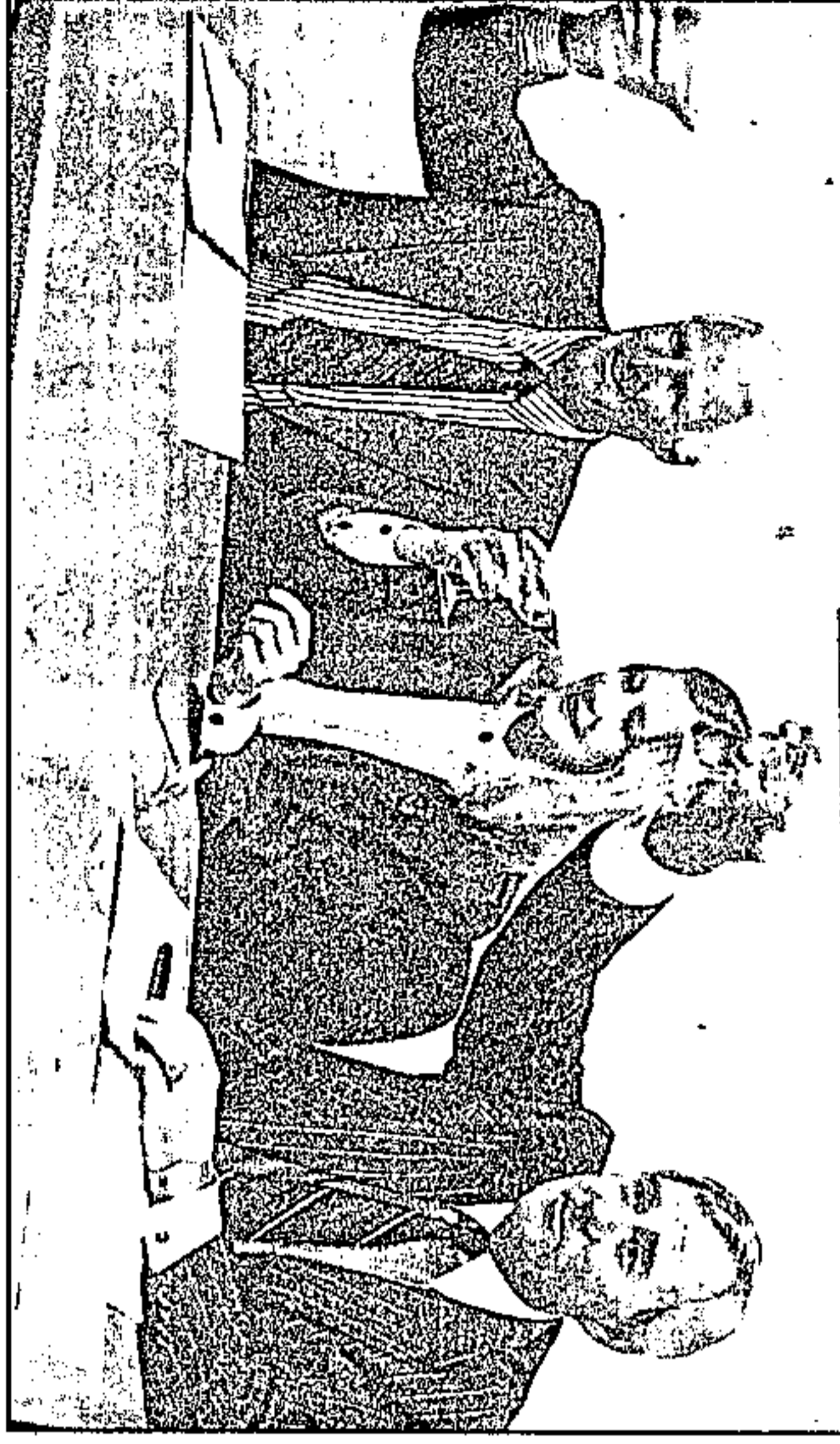
Analysts also point out that the higher rhodium price should offset the lower revenue from platinum. The rhodium-rich UG2 reef forms about 50 percent of Lonrho's mining activity.

Says Mr Worthington: "The share is a good stock to hold. We forecast earnings per share of 25 pence for this year and 28 pence for financial 1991. But a lot depends on what happens in the Middle East and the effects of the world recession."

In the medium term, economists forecast that sterling should fall by about 10 percent against the dollar. At current levels the sterling is off its peak of \$1,95.

SA takes a shine to Lornho

ON THE BALL WITH I-NET



THE NEWS COMES ALIVE... stockbroker Ivor Jones, I-Net managing director Anne Finlayson and Times Media managing director Stephen Mulholland toast the best in the business. Picture: STEVE GREEN

BUSINESS TIMES REPORTER

THE screen-based service will give corporate and institutional subscribers access to international news as it happens, simultaneously with live, on-line text and commodity prices. They will also have access to financial information and analysis from a research firm.

Exhaustive

It will be based on local area networking between personal computers. The sophisticated, computerised financial information service will be designed to rival foreign services, which charge up to R3 000 a month to access.

I-Net will give far more detail on SA companies and companies than foreign services. Unlike them, it will offer historical information and time series.

Mr Jones says the capital investment will "well into eight figures". Ivor Jones Roy has detailed statistics and analysis going back 25 years for most listed companies.

I-Net will be a separate company funded by TML, publishers of the Saturday Times, Financial Mail, Busi-

SOUTH African institutions have been heavy buyers of the shares of UK conglomerate Lornho and may now have as much as 10% of the company.

Lornho is a controversial conglomerate valued at R11-billion, founded and controlled by colourful entrepreneur Tiny Rowland. It has extensive interests in SA, Europe, the US — and black Africa. It has a large gold plantations and estates in other African countries.

Lornho claims to produce half of Africa's food. In SA it has large stakes in Western Platinum, Duker and other companies.

As SA institutions have been buying, attracted largely by Lornho's platinum interests and the possibility of rapprochement between SA and Africa, London holders have been bearish and selling.

Notwithstanding SA purchases of an estimated 28-million shares for R500-million in the past four months, the price has slumped from R20 to R15 since August.

Stockbrokers say Sanlam has been asked by the London Takeover Panel to state its intentions because its holding has moved above 5%. But Sanlam investment chief Ronnie Masson denies the claim.

BIGGEST

He says: "We have been buying Lornho as a good rand hedge purely for portfolio purposes but we have only 1.5% of the company."

According to the Lornho share register on September 14, Eight One Main Street nominees, with 9.4-million shares, is the biggest holder in SA. McGregor's Who Owns Whom says the nominee company belongs to Old Mutual.

Old Mutual has 7.1 million shares in its own name and those in Eight One Main Street would take the total to 16.5-million shares — 25% of Lornho's equity.

But an Old Mutual spokesman denies that Eight One Main Street holds shares for it. He thinks it is a nominee company for Nedbank.

Other Lornho holders are Sanlam with 7.5-million, Stellenbosch Nominees (4.6-million), Southern Life (2.5-million), First National Bank Nominees (1.7-million) and Sepont (1.3-million). The big six SA holders have 33.3-million shares, or 53%.

The actual SA holding is thought to be higher because the 4.5% of the company traded in the past few months has probably not been registered. Shareholders have six months to register.

But Brits scary of its appeal

BUSINESS TIMES REPORTER

Another attraction is Mr Rowland's valuation of his company at £8 a share. Some Lornho followers expect Mr Rowland, 73, to retire and asset strippers to realise the company's real worth.

Lornho's value has long been disputed. The African assets and earnings are consolidated at official exchange rates that have little bearing on reality. But bulls say assets outside Africa make the share good value.

Grey-cash black-out

By IAN SMITH

THE GREY market, which enables inter-company loans to be arranged at favourable rates, is under attack. Legislation expected to come into effect early next year could outlaw the loans, which have been used frequently in commerce and industry in recent years.

The Deposit-taking Institutions Act will also affect deposits in estate agents and attorneys' trust funds and other transactions that bypass official deposit-taking institutions.

Price Waterhouse partner Mike Lear says corporate treasuries will have to study the Act carefully.

"It appears that the Reserve Bank is trying to gain better control of money supply. It stands to reason that many loan transactions between companies will be outlawed."

The loans — known as disintermediation — come into play when one company lends to another, which has spare cash agrees to lend it to another temporarily.

The attraction for the lender is that it may negotiate interest of one or two percentage points above that offered by institutions. The borrower also benefits

SAA freed from Transnet web

By ROGER MAKINGS

EMBATTLED SA Airways has settled its fourth pay dispute this year — three of which could have seriously disrupted operations.

The negotiations have set a pattern taking workers directly connected with flight operations out of the web of Transnet, which sets pay for all its employees.

In April, the South African Airways Pilots Association threatened to take management to arbitration if pay demands, agreed to earlier, were not met.

A month later, flight engineers threatened a work-to-rule which could have seriously affected flights abroad. Two months ago, senior administrative staff threatened to stop work.

In a break with procedure, SAA management and not Transnet conducted the talks.

Airline workers are seeking market-related salaries and rejecting lower rates offered by Government institutions.

Earlier this year about 110 technicians resigned to take up other jobs and two years ago many pilots quit for

higher-paid jobs abroad. Instead of trying to replace trained staff members, SAA seems to be investing in their skills.

The question is to what extent will SAA, which is working towards privatisation, be held to ransom by these responsible for keeping aircraft aloft? Senior manager, public relations, Mr Leon Els, says: "We have settled disputes in the spirit of negotiation and with the interests of the airline at heart. Future salary talks will be conducted in the same way."

"Management and staff realise that differences can be settled without resorting to industrial action, jeopardising the airline's smooth running."

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Lesotho



SOUTH African institutions have been heavy buyers of the shares of UK conglomerate Lonrho and may now have as much as 10% of the company.

Lonrho is a controversial conglomerate valued at R11-billion, founded and controlled by colourful entrepreneur Tiny Rowland. It has extensive interests in SA, Europe, the US — and black Africa. It has a large gold mine in Ghana and huge plantations and estates in other African countries.

Lonrho claims to produce half of Africa's food. In SA it has large stakes in Western Platinum, Duiker and other companies.

As SA institutions have been buying, attracted largely by Lonrho's platinum interests and the possibility of rapprochement between SA and Africa, London holders have been bearish and selling.

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But an Old Mutual spokesman denies that Eight One Main Street holds shares for it. He thinks it is a nominee company for Nedbank.

Other Lonrho holders are Sanlam with 7.9-million, Stellenbosch Nominees (3.6-million), Southern Life (2.5-million), First National Bank Nominees (1.7-million) and Sepon (1.3-million). The big six SA holders have 33.3-million shares, or 5.3%.

NEGATIVE

The actual SA holding is thought to be higher because the 4.5% of the company traded in the past few months has probably not been registered. Shareholders have six months to register.

Lonrho has fallen on the London Stock Exchange. But heavy SA buying has helped the share to outperform the sliding London market by about 14%.

Some brokers attributed the fall to a negative report by UK stockbroker Shearson Lehmann. The report, by analyst Robert Davies, is said to be an internal document and will not be sent to clients.

Mr Davies says Lonrho does not have much room for dividend growth. Returns from property are likely to be down, US earnings will not be great given the strong

But Brits scary of its appeal

BUSINESS TIMES REPORTER

pound and weak dollar, and the group is highly geared.

Mr Davies has "not yet" revised his forecasts. Last May, he expected pre-tax profit to fall from £273.2-million to £253-million for the year to September 30. He expects profits to recover to £298-million in the following year.

What alerted SA buyers to Lonrho's attractions as a neglected rand hedge was the deal with Western Platinum.

Another attraction is Mr Rowland's valuation of his company at £8 a share. Some Lonrho followers expect Mr Rowland, 73, to retire and asset strippers to realise the company's real worth.

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Two months ago, senior administrative staff threatened to stop work.

This week ground to off an overtime ban which disrupted both domestic services. They receive improvements.

In a break with management and not the talks.

Airline workers are related salaries and rates offered by Government.

Earlier this year at least two years ago many

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'Best chance for SA to be accepted'

Political Staff

THE prospects of South Africa returning to full acceptance by the international community were now far better than ever before, the British ambassador in South Africa, Sir Robin Renwick, said last night.

He also warned that if negotiations in South Africa were interrupted, they would have to be resumed later, in worse circumstances.

"It would be quite wrong for anyone, black or white, to imagine that they are going to be able to do better later," Sir Robin said at the annual general meeting of Operation Hunger in Johannesburg.

"The penalty of failure will fall most heavily, as it usually does, on the poorest of the poor.

"If negotiations do not succeed now there will not be much to negotiate about later."

Neither side could defeat the other, except in circumstances that would lead to the "victors having nothing to distribute but the ashes", said Sir Robin.

South Africa had no prospect of being able to resolve these economic

and demographic problems on its own, in isolation from the international community.

"But the prospects of returning to full acceptance by the international community are now far better than ever before. That includes regaining access to the international financial institutions."

Most British companies had chosen to stay in South Africa. About 20% had left, but more than 250 remained.

Over the past 10 years 30% of British companies had left the rest of Africa and the reversal of investment flows was the key to turning Africa's economic fortunes around. This would happen if the negotiation process succeeded in South Africa, but if it did not the reversal of investment flows was simply not going to happen.

"The future of much of Africa, therefore, is being played out here," said Sir Robin.

Britain hoped the next session of Parliament would see the repeal of the land acts as this would remove a major grievance of black South Africans.

If land reform could be initiated before formal constitutional negotiations got under way it would be easier to deal with the issue in negotiations.

Reserve Bank retains hold on marketing of securities

The Reserve Bank is to continue, in the short term, to be responsible for the marketing of government securities. The decision follows a joint meeting of the Department of Finance, the SA Reserve Bank and various participants in the financial markets. Yesterday's announcement says that to enhance the marketability of such securities, the Reserve Bank will always be accessible with a view to supporting two-way prices and actively participating in the option market.

A spokesman for the Department of Finance denied previous reports that the Bank would use certain merchant banks to make a market in South Africa on behalf of the State.

The Department of Finance and the SA Reserve Bank have appointed a task group which is now studying various marketing strategies aimed at enhancing over the long term the marketability of RSA securities as an integral part of a more effective management of the public debt, the announcement said. — Sapa.

AAF lifts⁽⁶¹⁾ earnings 21%

AAF Investment Corporation, the London-listed subsidiary of W&A Investment Corporation, lifted earnings per share by 21 percent in sterling terms to 10,9p in the six months to June.

AAF, which is 57,6 percent-owned by W&A, acquired systems building companies in UK and US at the start of the period under review and has £20 million available for investment in these and other industries.

Chairman Jeff Liebesman says AAF is now a significant force in the quality sector of the system and modular building industry in the UK and US.

The trading results of the systems and modular building activities appear for the first time, contributing to turnover of £15,1 million.

Operating profit grew 56 percent to £2,474 million and profit attributable to

shareholders showed a 21 percent gain to £1,874 million.

On earnings up from 9p to 10,9p, the interim dividend has been raised from 4,5p to 5p.

As AAF continues to hold substantial cash deposits, a higher dividend is being paid than would have been the case if it had been fully invested. Both interims include a special payment of 1p per share.

The group has cash resources £20 million available for investment to enhance its position in the system and modular building industry and for acquisitions in other focused segments of basic growth industries in the UK, the US and Europe.

Mr Liebesman says FSI, the ultimate controlling shareholder, fully supports plans to fund such acquisitions through share exchanges which will dilute its shareholding in the company. — Sapa.

IDC acquires 37,6% stake in ERF SA

THE Industrial Development Corporation (IDC) has acquired a 37,6% stake in truck and bus supplier ERF SA, a subsidiary of UK-based ERF Holdings, for an undisclosed amount.

IDC senior GM Jan de Bruyn said the acquisition was made by the IDC's two listed investment subsidiaries — Industrial Selections and National Selections — on an equal basis. *6/1*

Both saw the deal as an attractive investment opportunity which would increase local industrial activity and which went hand in hand with ERF SA's proposed expansion plans. *28/8/90*

ZILLA EFRAT

Alrode-based ERF SA, which has been in SA for 25 years, assembles and manufactures trucks and bus chassis. It was previously 100% owned by its UK parent.

ERF SA MD Dai Davies said the deal emphasised ERF SA's intention to be more closely identified with its SA origins and was in line with its policy of controlling growth and increasing local content.

ERF SA sales and marketing director John Barnett said the acquisition enabled ERF SA to take advantage of opportunities opening up in southern Africa.

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Lock-out, sleep-in and now a strike

By SHARON SOROUR
Labour Reporter

PRODUCTION at the Nestlé-Rowntree factory in East London has stopped after hundreds of workers downed tools following a deadlock in wage negotiations.

Some workers were locked out of the factory by management yesterday while about 400 stayed inside the premises after beginning a sleep-in strike on Monday.

The factory's general manager, Mr F D Jelley, confirmed that 440 people had embarked on a sleep-in on Monday night but company spokesman Mrs Maureen Stagg said all the workers had left the factory by today.

GO-SLOW

The industrial action follows three months of negotiations between the company and the Food and Allied Workers' Union.

Two union shop stewards, Mr Mxolisi Ngunuza and Mr Thabo Oliphant, said the workers started a go-slow last week after negotiations deadlocked at industrial council and mediation levels.

Workers had last received a wage increase over a year ago and negotiations had been under way since June, Mr Ngunuza said.

During wage negotiations the union had been prepared to compromise to R500 back-pay. Management had offered an increase of R35 a week plus R200 back-pay or an increase of R38 a week without back-pay.

Rothmans bid for Irish firm

JOHN CAVILL
and RIAAN SMIT

LONDON — In its first move since Johann Rupert became executive deputy chairman, tobacco giant Rothmans International (RI) made a £66.5m cash bid yesterday for the remaining stake in troubled Irish cigarette group, P J Carroll.

Rothmans — which is 68% controlled by Richemont, the Rupert family's Swiss-based international arm — already owns 39% of Carroll's.

Also, Forbes magazine reported in September "a Swiss outfit controlled by SA's rich Rupert family" had acquired 21% of US company Harken Energy, which holds oil exploration rights to "almost all" of Bahrain's offshore acreage in the Persian Gulf.

A Richemont spokesman in London declined to comment yesterday, but it was reliably learnt that the "Swiss-based outfit" is Richemont and that the 21% is held

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in conjunction with the family of Richemont director Alan Quasha.

Quasha is one of two principals of Harken Energy, which recorded revenues of \$1.1bn in 1989. Harvard University's endowment fund owns 26% of Harken.

The Carroll bid, which values the company at £109m, followed rumours that Rothmans was looking at buying a cigarette factory in the Soviet Union.

Rothmans director Bill Ryan said Rothmans did not have plans to do so at that stage.

In the 18 months to March, Carroll slumped to a £12m pre-tax loss on sales of £358m and paid no dividend. In 1986 pre-tax profits were £14.5m.

Rupert took office as executive deputy chairman on September 3.

CAF 7/12 11/10/60

Rowntree strike ends

EAST LONDON. — Striking workers at Wilson Rowntree here are expected to return to work today following an agreement between management and the Food and Allied Workers' Union. More than 1 000 workers downed tools last Monday after wage negotiations deadlocked.

East London sweet factory strike ends

Labour Reporter
HUNDREDS of employees of the Wilson-Rowntree sweet factory in East London, who downed tools after wage negotiations deadlocked, have returned to work.

Mr David Jelley, director of the company's chocolate and confectionary division, said an agreement had been reached between management and the Food and Allied Workers' Union (Fawu).

"Both sides are committed to building relationships for the future."

The workers returned to work yesterday.

Production at the factory was interrupted last week when about 400 workers staged a sleep-in strike and others were locked out by management.

● Nampak Corrugated Containers is to meet the Paper, Printing, Wood and Allied Workers' Union in a bid to resolve the nationwide six-week "illegal" strike by thousands of workers.

The meeting today follows a threat by trade union federation Cosatu to take solidarity action against the Barlow Rand subsidiary's "iron fist attitude".

The workers are demanding the company stop factory-level negotiations in favour of a single national bargaining forum.

Angry parents fuming over ANC 'indoctrination camp' for kids

By SHARON CHETTY

FURIOUS parents have hit out at the organisers of a youth leadership camp, claiming it was used to "indoctrinate youths in ANC politics".

The camp's programme included discussions on violence, racism and politics — and one of the participants was a convicted ANC activist involved in a terror bombing.

Sixty schoolchildren of all races, aged between 16 and 18, were invited to the weekend youth leadership development course by a committee of the Shell Science and Mathematics Resource Centre Educational Trust in August this year.

game that had the children divided into their four race groups and limiting racial stereotypes.

While the whites were referred to as Boers, they had to describe the Indian, black and coloured children as "lazy, uncivilized, violent, unintelligent, drunken, immoral and cunning".

The presence of ANC member Greta Apelegren who was charged and convicted for her role in the bombing of Durban's Magoo's Bar along with Death Row prisoner Robert McBride. Others were either ex-prisoners or former detainees. Parents say these claims were con-

firmed by "national intelligence sources".

There was a bias towards the ANC and no other political viewpoint was put forward.

Discussions centred only on political topics, and various types of violence were discussed.

Homeland leaders were described as "collaborators" and anti-white, anti-S.A.P. and anti-Inkatha viewpoint was propagated.

The only religious element was a debate on whether churches should support violence by giving money to local "revolutionary movements" — meaning the ANC.

The programme did not include any scientific or academic content.

Dr Steenkamp, representing the group of outraged parents, said the youth camp organisers "clearly formed part of the ANC's hidden agenda" and wanted to propagate left-wing politics.

"They have used the Shell Trust's name to further their own political ends which I find totally unacceptable," he told the Sunday Times this week.

Terry McCulloch, of the Shell Science and Mathematics Resource Centre, based at the University of Natal in Durban, said he had met

with a "few" parents this week to discuss their grievances.

Mr McCulloch said a youth sub-committee which reported to an action committee had organised the course.

"The subject matter was set by the youth sub-committee with input from previous course participants and the course was led by people who were not on the staff of the centre," he said.

Mr McCulloch said he apologised to parents and pupils who had found the course offensive and said the centre was prepared to offer the affected students another course

under different leadership.

He added: "The trustees had already taken certain steps and more would be taken to ensure that the high standards which have been a hallmark of the centre's work will apply to all programmes and courses run by or on behalf of the Shell Science and Mathematics Resource Centre Educational Trust."

Camp organiser John Paul said he was "surprised" at the complaints.

"All the youth, including the white schoolchildren, thoroughly enjoyed themselves and said at the end of the weekend that they had learnt a lot," he said.

They said that they were glad to have been shown different historical viewpoints and another side to our history.

"During the discussions everyone participated actively and put their viewpoints across strongly," said Mr Paul.

"We asked for the children's criticisms and alterations on the programme at the beginning, but nobody wanted it changed.

"Everyone agreed that the course was educational and was an eye-opener," Mr Paul added.

Social worker Miss Apelegren refused to comment.

Sappi Europe launched in Rome

B/D 16/10/90

ZILLA EFRAT

SAPPI Europe, the UK-based company with a turnover approaching \$300m a year and in which local pulp and paper giant Sappi has an interest, was launched at the weekend.

The new company ranks as the UK's second largest speciality paper manufacturing group and its fifth largest paper company.

Sappi Europe was officially introduced to representatives of the European paper merchanting and print industry at a function near Rome on Friday evening.

The company consists of the five DRG and Star Paper mills.

Earlier this year, Sappi and a consortium of overseas investors bought the mills for R500m from corporate raider Roland Franklin's Pembridge Investments and the Kymmene Corporation.

Sappi Europe, held by a Luxem-

bourg company in which Sappi has a 49% stake, will specialise in high value added speciality paper products and provide Sappi with a springboard into the European market.

It will obtain a significant proportion of its pulp requirements from Sappi's SA operations.

Customers

Speaking at Friday's function, Sappi Europe MD Kim Jokipii said: "With the advent of the single European market it became important for us to be able to serve customers across a wide front."

This will be done by offering a comprehensive range of paper products from the five UK mills. That range will be complemented with fine paper products from Sappi's oth-

er operations.

"Our strongly branded products can compete with the best in the world in terms of quality and we are actively looking to identify new product areas and develop new products in conjunction with our customers," Jokipii said.

Sappi Europe's mills are Nash in Hemel Hempstead, Wolvercote near Oxford, Keynsham near Bristol, Transcript in Fife, Scotland, and the Blackburn mill.

Nash produces fine paper brands, while Wolvercote makes bladenart one-sided coated label papers.

The Keynsham mill manufactures speciality papers, Transcript is one of the world's most advanced carbonless paper manufacturers.

Finally, the Blackburn mill produces astralux quality cast coated paper and board.

Star 19/10/90

Abercom (b) shows signs of recovery

By Ann Crotty

Full year results from Malbak's UK division Abercom show some signs of improvement on the dismal picture that was presented at the interim stage.

The attributable loss for the full year to end-August was R15,5 million — R10,5 million of this loss was notched up in the first six months of the year. So it appears that the cleaning up operation showed some benefits in the second half.

In addition interest bearing debt was down to R83 million (from R133,6 million at end-August '89) which means gearing is down to a more manageable 70 percent.

But the cost of the corrective action can be seen in the sharp reduction in net asset value — this is down from 176c a share at end-August '89 to 93c a share a year later.

Turnover for financial '90 was little changed at R233 million (R223 million) but operating income was a mere R667 000 — down sharply from the R9,2 million reported in '89. Interest charges were a massive R19,8 million (R14 million) which resulted in a pre-tax loss of R19 million. After allowing for a tax receipt of R2,5 million and minority shareholders' share of the loss, the attributable loss was R15,5 million.

The corrective action undertaken during the year included the appointment of a new group CE and new chairman; a 27 percent reduction in the workforce (excluding discontinued operations); a R35 million reduction in debt following the sale of properties and the consumer goods division and; an 18 percent reduction in stocks.

Looking ahead, the directors note that all operations but one are now profitable and that the UK economy is expected to start recovering.

"The new management together with the reductions in the debt level and interest charges will put the group back on the road to profitability, but shareholders are cautioned that rapid progress is unlikely."

Buthelezi calls on Shell to go public

ULUNDI. — Inkatha Freedom Party president Chief Mangosuthu Buthelezi has challenged the Shell petroleum company to state publicly its commitment to a multi-party democracy in South Africa following a furore over a youth programme sponsored by the multinational.

The programme came under severe attack in Natal for its alleged pro-ANC bias.

In a bid to rebut the flood of criticism, Shell SA chairman Mr John Kilroe earlier this month circulated a memorandum to employees and pensioners, dissociating the company from the programme's content.

"Any suggestions that Shell is either directly or indirectly involved in funding a political party or advancing its political programme are absolutely untrue," wrote Mr Kilroe.

He added that any future Shell Science and Mathematics Resource Centre Trust projects which promoted a political point of view, would not be tolerated.

In his challenge — made at Ulundi during a meeting with Mr Kilroe and Shell International director Mr M van den Bergh — Chief Buthelezi said a public statement on the kind of society the company envisaged was needed.

UK company makes cash bid for Namsea

By Tom Hood

CAPE TOWN — Arun Holdings, a British-based company, is making a R9,9 million cash bid for a full takeover of Namibian Sea Products.

The company paid R13,7 million in September to take over Oceana's 54,5 percent stake in Namsea (formerly South West Africa Fishing Industries.)

A spokesman for stockbrokers Simpson McKie said Arun was offering 565c a share to the minorities. The offer applies to shareholders registered on November 12 and closes on November 30.

The price represents a 7,6 percent premium on the current 525c a share on the JSE.

Namsea today disclosed it would have to spend millions of rands to diversify into white fish trawling and tuna fishing industries.

No final dividend will be paid

for the year to September 30 and no dividend payments are envisaged for the immediate future.

The reason for this policy is to strengthen the company's cash position to provide capital for diversification of the fishing industry in Namibia.

"This will enable the company to further contribute to Namibia's national product, especially by increasing employment opportunities for Namibians," say the directors.

Profits plunged to R2,1 million after tax for the year to September from R6,9 million last year, resulting in earnings of 59,9c (163,5c) a share.

Shareholders received only a 15c interim payout this year compared with a 65c interim last year and total dividends of 155c.

Lower lobster catches were a major factor in the profits plunge.

Arm of FSI in UK takeover

(61) 6/11/90
BRENT MELVILLE

FSI Group's London-based subsidiary, AAF Investments, has expanded its activities in the system building industry through the acquisition of the Unit-Span group in Britain.

The acquisition will have the effect of pushing turnover from the group's international system-building interests to about R175m a year.

AAF, which is controlled 65% by W & A, acquired systems building companies in the UK and USA for R43m recently.

AAF executive deputy chairman Hilton Schlosberg said yesterday Unit-Span offered the potential for excellent synergy with

the group's existing UK company, Premier Construction, as it was complementary in both product range and geographic location.

"System building in the UK, particularly at the quality end, is still undeveloped but is growing rapidly, as its advantages become more widely known. In particular, the durability and low maintenance characteristics of modern materials provide an economic life for the group's modular buildings that compare favourably with traditional building methods," said Schlosberg.

STOL 10/11/90

SA 'commitment' impresses UK group

(61)

JOVIAL RANTAO

A 10-man British parliamentary foreign affairs committee flew out of South Africa last night, after a week's visit, impressed with the widespread commitment shown by political groups to work towards a multiparty democratic structure.

David Howell MP, chairman of the committee, told a press conference at Jan Smuts Airport, that all groups the committee had met, except the Conservative Party, showed a commitment to achieve reconciliation.

Long term prospects for a new and prosperous South Africa were good, he said, and could be very attractive to outside support and capital.

Mr. Howell said obstacles on the way to reconciliation were discussed. "One such obstacle is the inter-

party violence, which we discussed in detail with party leaders, including Nelson Mandela," he said.

He said the committee saw little immediate prospect of economic conditions improving unless this was triggered by the success of the peace process.

The British party spent an hour with Mr Mandela at his Orlando West home. The ANC deputy president said the discussions were productive.

The committee met a wide range of people, from President de Klerk and Cabinet Ministers to political organisations, media personalities and key figures in the business world.

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Pepe's jeans sales soar above forecasts

PEPE, the UK jeans giant with operations in 25 countries, had doubled its sales forecasts since setting up base locally six months ago, MD Peter Hodson said in an interview last week.

"We set out to manufacture 10 000 jeans a month for the first year and within six months we are delivering 20 000 pairs a month," he said.

Hodson, who also started Pepe's Swiss operation two years ago, said the increase in sales was achieved through good marketing. *Bpca 12/11/90*
He said the international average con-

ACHMED KARIEM

sumption of jeans was one-and-a-half pairs per person.

"We aim to capture 5% of the local market in most countries," he said.

At present Pepe has 400 buyers in SA, including Edgars, Truworhs, Foschini and Markhams. (61) (10)

Hodson said Pepe would be doing much of its production in Cape Town-based factories and also planned a "substantial presence" in Durban.

FW: UK analysts believe in SA

BIDAN 16/11/90

ZILLA EFRAT

SEVERAL London investment analysts believed SA offered better investment potential than Central Europe, President F W De Klerk said yesterday.

Speaking at the SA Britain Trade Association's (Sabrita) 25th AGM in Johannesburg, De Klerk said this was because of SA's modern infrastructure, sophisticated stock market and banking system and its growing consumer base.

SA was believed to be one of the markets identified by the British Overseas Trade Board as a priority market for UK exports.

He urged British industrialists to plan for new investment in SA.

UK investors should not doubt SA would continue its reforms.

Recent estimates put direct UK investment at 40% of all foreign investment in SA.

Trade between SA and the UK was

increasing, reaching nearly R8bn in 1989. The UK market would continue to grow in importance for SA.

The UK was SA's third largest trading partner and SA's biggest foreign partner in industrial development, technology transfers, joint venture operations and financial services.

De Klerk added it was now time, given that the economy was in a cyclical downswing, for the private sector to look at the international market as a means of maintaining and even expanding output and sales instead of laying off personnel.

The economic downswing should serve rather as an encouragement to step up research and development, product diversification and internationalisation of the market.

He holds the purse strings

STEP
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In addition to Michael Heseltine, there are two other contenders to replace Mrs Thatcher: Chancellor of the Exchequer John Major and Foreign Secretary Douglas Hurd, both of whom announced their candidacy yesterday.

The capitalist who cares

JOHN Major is a perfect embodiment of Margaret Thatcher's enterprise culture. And like her, the 47-year-old Chancellor of the Exchequer is a far cry from old-style Conservative politicians. The son of a circus trapeze artist, he has made a stunning ascent to the high wire of British politics.

He became an MP in the 1979 general election that brought Mrs Thatcher to power, and has risen relentlessly in her wake.

He has been tipped as a possible Prime Minister ever since his surprise appointment as Chancellor of the Exchequer in October 1989.

Already known as a pragmatist, the spending and economic matters from his two years as Nigel Lawson's number two, he quickly pledged allegiance to the Thatcher-Lawson war on inflation by means of high interest rates.

Like Mrs Thatcher, he is cautious about giving too much discretion-making to European Community Commission officials in Brussels.

Regarded

His first budget in March this year was coolly received in financial circles and not regarded as a vote-winner among the general population.

Born on March 29 1943, in south London, he was educated at a grammar school and worked with the Standard Chartered Bank until 1979, when he entered Parliament. — Sapa-Reuters. □

MICHAEL Heseltine, who led the Conservative Party revolt that forced Mrs Thatcher to resign, is a self-made millionaire who says he still cares about homeless people sleeping on the streets of London.

"I am persuaded that I would now have a better chance of leading the Conservatives to a fourth electoral victory," the former Defence Secretary said, announcing on November 14 he would run in the party's annual leadership election.

Mr Heseltine (57) pledged to be a better European than Mrs Thatcher, whose implacable hostility towards the European Community has split the party.

He followed up with a promise to reform the poll tax — the community charge which levies a charge on every adult in Britain, rich and poor.

After storming out of the Cabinet in 1986, he has run a thinly disguised campaign for Mrs Thatcher's job.

Mr Heseltine spent almost every week on the road, giving speeches and press interviews in a style which British newspapers said resembled that of a US presidential hopeful rather than a parliamentary backbencher.

Mr Heseltine has never been wholly in tune with Mrs Thatcher.

His biographer, Julian Critchley, quoted him as referring to her as "that bloody woman" and condemning her economic policy as "lunatic".

Condemning

Born on March 21 1933 into a middle-class family in Swansea, south Wales, Mr Heseltine was educated at an elite fee-paying public school where he imbibed some of the paternalist ideals of the old-style Conservative Party.

He studied at Oxford, where he was president of the debating union, and entered Parliament in 1966.

Part of his appeal to a Conservative Party dedicated to free enterprise was his background as a self-made millionaire who controlled the private Haymarket publishing group.

As a backbencher in 1976, he won notoriety by grabbing the mace, symbol of Parliament's authority, and brandishing it at the then Labour government after Labour supporters sang the socialist anthem "The Red Flag". — Reuter. □

Diplomat who has adapted

FOREIGN Secretary Douglas Hurd is a former career diplomat whose stature has grown during the Gulf crisis.

After Mrs Thatcher's resignation announcement, Mr Hurd, a party centrist seen as a unifying force for Conservatives, said he would oppose Michael Heseltine in next Tuesday's party leadership elections.

Tall and white-haired, Mr Hurd is outwardly stern but with a diplomat's suppleness of mind that has been his hallmark in politics.

His image has strengthened since becoming Foreign Secretary in October last year at a critical moment in international diplomacy. The 60-year-old Mr Hurd was the first professional diplomat to hold the office since the Earl of Clarendon, who served three times as Foreign Secretary between 1853 and 1870.

Served

Having served as a diplomat in China, at the United Nations and in Italy, becoming Foreign Secretary was Mr Hurd's greatest ambition.

Mr Hurd was born at Marlborough, southern England, on March 8 1930, the son and grandson of MPs, and was educated at Eton and Cambridge.

His first marriage, by which he had three children, broke up in 1982. He married his secretary, 20 years his junior, the same year. — Sapa-Reuters. □

GREAT LEADER: Mrs Thatcher has dominated the public imagination in Britain as no Prime Minister since Winston Churchill has done.

The one-woman go

NORMALLY when Prime Ministers resign it makes no noticeable emotional impact on the life of the nation.

Occasionally there is a genuine sense of shock, and for many people, of grief.

It was so when Winston Churchill finally resigned in 1955, though that was muffled by a newspaper strike. It is so again with the resignation of Margaret Thatcher.

Churchill

The shock leaves an imprint. I shall always know where I was standing, a couple of feet from the telephone in our living room, just as I remember that I was standing by the lift in the old Thomson House in Grays Inn Road when I heard the news of the assassination of President Kennedy.

Why do so many of us feel the resignation so deeply, when only a few hours before we had recognised the need for it, and perhaps had seen it as probable for at least a few months?

It is partly that the 11 years in Downing Street have made Mrs Thatcher dominate the public imagination, as no Prime Minister since Winston Churchill has done.

The things we have all come to laugh at, such as her use of the royal "we", as in "we are a grandmother", seem now to be

endearing, and even truthful. After all she was the government, to a degree unusual among Prime Ministers. Her dominance of policy was greater than that of any Prime Minister in modern memory, certainly greater than that of Winston Churchill himself.

Her career has been a strange one. I have known her for nearly 45 years, since we sat together on the committee of the Oxford University Conservative Association in 1946. She was serious, hard-working and deeply Conservative, but she left on one no impression of the possibility of the later flowering which actually occurred.

Her main political interest, which she derived from her father, was in local government. If I had been asked then to forecast her political future, I would have thought she might be Minister of Education, which she was under Ted Heath, but I would never have conceived that she might one day be the Prime Minister.

I met her once or twice when we were both young Conservative candidates in the 1950s. We were both looking for a good seat for the 1959 election, but never happened to be on the same shortlist.

My friend Peter Goldman stood against her on the shortlist for Finchley, and had the backing of Central Office. The chairman of the Finchley Association was said to have telephoned Lord Hailsham, then chairman of the Conservative

Party, and complained about being given a choice between a woman and a Jew.

The strong Jewish element in her constituency proved to be important in the friendships she formed, and in her sympathies with the Jewish members of her Cabinet.

She was an energetic and effective young constituency member after 1959, but no better known at that stage in her career than 20 other hard-working backbenchers.

Plodders

She became joint parliamentary secretary to the Ministry of Pensions and National Insurance in 1961 and remained in that post until the Conservative defeat in 1964. It was a singularly obscure post, normally reserved for hard-working plodders, which I think was how she was still seen.

She became Secretary of State for Education in the Heath government. She would not have got that job if Sir Edward Boyle, the shadow Minister, had not retired from politics. She was a diligent but not an original Secretary of State.

So her whole political career looks like rather like a tulip. First there is a long green stalk which represents the career of a very ordinary, though useful, departmental politician. Then comes the flower.

The flowering began with the leadership contest in which, almost by accident, she became

By **WILLIAM REES-MOGG**, former editor of The Times, London.

the candidate of those who wanted to turn Edward Heath out. But, like most political accidents, it rested on a real fact.

Margaret Thatcher has an exceptional political will, which has never deserted her, in good times or in bad.

The period from 1975 to 1979 was the time which made her,

and provided her with the stock of ideas which shaped her Prime Ministership. I do not believe that in 1975 she had very different ideas from other of the more right-wing section of the Heath government.

She was certainly not, at that stage, a political intellectual like Sir Keith Joseph. One might have talked of Josephism. But there was no such thing as Thatcherism.

It was remarkable in her that she spent as much energy as

How Britain Will Get a New Leader

Margaret Thatcher will remain prime minister of the United Kingdom of Great Britain and Northern Ireland until the governing Conservative Party chooses a new leader next week. Here's a look at how the leadership change will work:

SELECTING A PRIME MINISTER

Citizens of the United Kingdom do not vote for the prime minister, who is the head of government. They vote for a local Member of Parliament. The leader of the party with a majority in the 650-seat House of Commons is the prime minister.

RULES FOR ELECTION

Each party has its own rules for electing a leader. The Conservative Party, which has a 98-seat majority in the Commons, will choose its new leader by a secret ballot on Tuesday. If no candidate wins a majority, there will be a final ballot on Thursday.

HANDING OVER POWER

When the Conservative Party chooses a new leader, Mrs. Thatcher will submit her resignation to Queen Elizabeth II. The party's new leader would meet the monarch soon afterward to be confirmed as prime minister, probably within an hour.

TERMS OF OFFICE

Parties are elected to govern for a maximum of five years, but a British prime minister can call a general election at any time. The present government's term runs out in mid-1992.

Denis: the ultimate consort

FOREIGN NEWS SERVICE

LONDON — Right to the very last painful day he was the ultimate consort — partner, supporter, protector and friend.

Beside him was her empty chair. But as his mouth sprang open for the hymn and his grey head rolled in time with the music, you could tell he was singing for them both: himself and his absent wife, Margaret Thatcher.

"All things bright and beautiful ..." The cascades of organ chords crashing through Westminster Abbey were ebulliently chased by his raucous voice roaring out the words. After 15 years as the party leader's husband, 11 of them in No 10 Downing Street, Denis Thatcher was not going to let her down now with an apologetic whimper.

Small voice

In front of her empty chair at the memorial service to Baroness Home of the Hirsell, wife and equally brilliant consort of 1960s Tory leader, Lord Home, sat the bulky figure of Edward Heath, a man of much music.

But on Thursday, a day he had surely been waiting for, his singing voice was small.

The two men had exchanged the briefest of acknowledgements, after which Denis's eyes never strayed on to Heath's hunched back.

Some seats away to Denis's left sat Sir Geoffrey Howe; Michael Heseltine was also nearby, but ducked out through the abbey's side door when it was all over.

Wide smile

Denis Thatcher was sitting upright as he followed the words of the anthem on his order of service. In the abbey's half-light, his leathery face looked about as grey as the pinstripes of his morning suit.

It was during the address, when the Queen's former private Secretary, Lord Charteris, talked of Lady Home's invaluable support and advice to her husband during his years of high office, of



PREMIER'S PARTNER: Denis Thatcher has served as husband in Downing Street for 11 years.

how she would whisper into the back of his neck the name of the capital where they were about to be greeted on a red carpet, that Denis Thatcher's mouth opened in a wide smile.

A flood of nostalgia, a thousand memories, and then he was looking anxiously at his watch, and his eyes were sliding to the empty seat beside him. In a few minutes his wife would be on her way to see the Queen ...

Government

Leader of the Opposition on thinking as on doing.

I can see her now, a mature student of political theory, listening to Professor Hayek and enlarging her own basic Conservative attitudes into a serious political philosophy derived from the classical liberal models and the Austrian School.

Philosophy

Her monetarism also had a thorough academic base, though that was more Milton Friedman than Hayek.

So she came to power in 1979 with a philosophy of government. That would have been true also of Hugh Gaitskell had he lived. In the case of Ted Heath, it was true only as far as European policy was concerned. Other Prime Ministers since 1951 have been almost pure pragmatists.

In her last Mansion Speech Margaret Thatcher appeared in a long cloak of Elizabethan cut. As she continued as Prime Minister, her Elizabethan qualities became more apparent. Authority, and particularly her own authority, nationalism, and particularly nationalism against Europe, became fused with the strength of her remarkable will.

It was these elements which contributed to her remarkable success and in the end to that quarrel with her colleagues which led to her resignation.

These qualities were reinforced by the crises of her government. She was elected to

give us sound money and get the government off our backs. But the most testing crises did not arise over these issues.

The Falklands, the Brighton bombing, the miners' strike, were not intellectual policy issues, to be settled by a clause in a Bill or a speech to the party conference.

They were matters of life and death, to be overcome by will and determination, by dominance over events.

A Prime Minister who repeatedly overcomes such crises begins to look more like a great war Minister than like a great peace Minister, and she began to treat her colleagues more as a war Minister might treat them.

The graph of her leadership was always volatile, with her strong political instinct making the peaks coincide with the elections of 1983 and 1987. But, as time went on, two fatal difficulties began to emerge, more fundamental than the poll tax, though that was a blunder which came from over-confidence.

The fatal failure was to allow inflation to return. She should have scented danger when Nigel Lawson abandoned targeting of broad money in 1985. That was Friedman thrown off the coach.

Inflation destroys government, and she had been elected, beyond anything else, to prevent inflation. If any Minister did Thatcherism in, it was Nigel Lawson.

The second failure was that her nationalism made it impos-

sible for her to follow the Cabinet's agreed line on Europe with any conviction. This led, one way or the other, to the resignation of five Cabinet Ministers.

The resignation of Geoffrey Howe, the steadiest of all her colleagues, proved fatal to her. His Chancellorship had done much to make her government, his resignation unmade it.

There was also a simpler reason why the Conservative Party left her. Most Conservative MPs had come to doubt whether she could win the next election.

The public felt that she had been in power long enough, that the 1980s had belonged to her, but the 1990s would belong to someone else. She had been Prime Minister longer than any other person in the 20th century, the public instinct was that it was time for a change.

Greatness

She has nevertheless been a great Prime Minister. Her Cabinet may have found her difficult. Those, like myself, who did business with her less often and less closely, did not. I never asked for her time except when it seemed necessary. She always responded courteously, positively, reasonably and with remarkable executive energy.

Long after whoever succeeds her settles in, half my mind will still believe she is still in Downing Street, and half my heart will believe that she ought to be. — The Independent, London.

Thatcher: a lesson in humility

61 8/25 29/11/90

HERE is a lesson to be learnt by all politicians from the rise and fall of Margaret Thatcher — never become complacent, isolated and arrogant.

This is what happened to Mrs Thatcher, and unassailable though she seemed to be, when the time came to topple her, it happened almost overnight. This is what happened, too, to Churchill, De Gaulle and many others.

Although Mrs Thatcher was one of Britain's greatest prime ministers of this century (as her Conservative colleagues now hasten to assure her), she outlived her usefulness and became an electoral liability. So the party, "in its customary brutal fashion", as The Times noted, disposed of "a leader of distinction".

Much the same thing happened to P W Botha. Like Mrs Thatcher, he had a domineering personality. Like Mrs Thatcher, he was radical and innovative (Mr Botha has never been given proper credit for the decade of reform he introduced from 1979 to 1989). And

then, like Mrs Thatcher, he reached the limit of his innovativeness — but failed to recognise it.

This is when the rot sets in. The leader surrounds himself (or herself) with like-thinking cronies and they all feed and fatten on the successes of the past. They see themselves as knights of Camelot who are above ordinary mortals. They lose touch with the real world and cannot understand why people become first resentful, then angry, and finally venomous.

President de Klerk is in the ascendant stage of this process. He has an inner circle, but it is still highly innovative, radical and in close touch with the other players. He has demonstrated once again Afrikanerdom's extraordinary capacity to create a new dynamic, just when it seemed to be falling apart.

If Mr de Klerk can stay ahead of the game, he will escape Mrs Thatcher's fate. Also, he has a likeable personality and makes



friends easily, whereas both Mrs Thatcher and Mr Botha were abrasive and domineering, rode roughshod over their critics, and were more famous for the enemies than the friends they made.

But the common lesson is that political parties adulterate their innovators only for as long as they need them. The Conservative Party, as a perceptive commentator noted, "took a dose of Mrs Thatcher in 1975 as a patient takes a barium meal, to show up the party's faults before setting it to rights. It never clasped her to its bosom, and when she ceased to carry conviction as an emblem of electoral supremacy, it rejected her... Mrs Thatcher personified

great change, and did so through to the end. The party had had enough."

I am not suggesting that Mr de Klerk should slow down the process of change — he is only just beginning the great adventure. Nor am I drawing parallels between the Conservative Party under Mrs Thatcher and the National Party under Mr de Klerk, except one — that in the end the party is sovereign.

It will allow itself to be radicalised, remoulded, reshaped, manipulated, but always ultimately only with its consent. This applies as much to the ANC as it does to the National Party.

This is where Mr de Klerk has scored so far. The way in which he persuaded congress after congress, for example, to acclaim him for opening the party's doors to blacks was a little masterpiece. He may have done it with mirrors, but he did it with due humility, recognising where sovereignty lay.

All political parties are capable of treating their once-revered

leaders brutally. Already, the demolition gangs are at work on Mrs Thatcher's reputation. On the one hand she is praised as a great prime minister, but on the other her achievements are being whittled down almost to disappearing point.

Everyone still acknowledges that she broke the massive power of the trade unions after the 1979 winter of discontent, but even her economic achievements are being questioned now. One analyst described her reign as beginning with a recession and ending with a recession, with an economic miracle in between.

And the former editor of The Times, Lord Rees-Mogg, says that the miracle was created by Nigel Lawson when he was chancellor, and it was "the disaster that got us where we are now, with 10 per cent inflation, a large balance of payments deficit, a recession, rising unemployment and very high interest rates." As Mrs Thatcher remarked after being forced to resign: "It's a funny old world."

Mrs Thatcher attempted exactly the opposite of what Mr de Klerk is attempting. The motivation of the backbench revolution that brought her to power was "to end the consensus politics of the post-war years", whereas Mr de Klerk's mission is to achieve consensus politics — a truly worthy aim.

Mrs Thatcher succeeded spectacularly in marginalising the Labour Party for long years. But her Cabinet style, as one insider has commented, was terrible. "Her ability to soothe, coax and cajole was almost non-existent." She was toppled because she simply could not continue indefinitely to override and bypass her Cabinet.

The moral seems to be that if an innovative leader wants to survive his own reforms, he must import a dissenter into his inner circle. He must provide the dissenter with board and lodging and listen to what he has to say. Or he will lose touch with the people out there, who are the ultimate arbiters. □

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Charter expands in Europe

LIZ ROUSE

CASH-flush Charter Consolidated Plc, which increased its cash holdings £23m to £113m during the six months to end-September, is well placed to make acquisitions in Europe.

Directors of the UK industrial holding company say in their interim report that Charter, which is 36% held by Anglo American's offshore arm Minorco, has taken steps to reduce its vulnerability to UK trading conditions.

Its operations are more focused, costs are under tight control and its businesses are expanding steadily into Europe. There are better opportunities for acquisitions as a result of current economic conditions, they say.

Charter has the resources to acquire businesses related to its activities and intends to take advantage of the strength of its position.

Charter reports a 7.5% rise in pre-tax earnings to £41.4m (£38.5m) in the six months to end-September. A higher tax rate caused attributable earnings to rise only slightly to 24.4p a share (24.2p a share). However, the interim dividend has been raised 7.5% to 7p (6.5p).

The group was active during the period, spending £27m on acquisitions.

Building products subsidiary Cape improved its position in the British ceiling market and in Europe, where it now has two manufacturing plants.

Charter's quarrying, concrete and coal mining division Cast purchased concrete and coating plants in subsidiary Hargreaves Quarries' market area. Hargreaves is performing well given difficult trading conditions. Turnover has increased as a result of a more professional approach, but margins are tighter.

In April, mining equipment subsidiary Anderson pur-

chased the minority in National Mine Service Company, which consolidated its position in the US.

In October Charter sold its 75% interest in Beralt Group — which operated a tungsten mine in Portugal — to Minorco for £11.1m.

The sale of Minorco shares has continued, but Charter still holds 1.9-million of the original 6.4-million shareholding. An extraordinary gain of £31.2m in the interim accounts includes profits from the disposal of Minorco shares and the sale of Charter's head office for £20m. The head office is moving to smaller premises.

Performance

Johnson Matthey (in which Charter has a 38.7% holding) has reported a lower pre-tax profit of £32.5m (£33.5m). An increase in its tax rate saw earnings drop from 13.8p to 11.8p. The balance sheet is healthy, hence the rise in the dividend to 3p (2.5p).

Charter's fastening division Pandrol International increased its profits because of higher exports to Japan and increased sales in Italy, the US and Belgium.

The Anderson Group's results were disappointing due to the performance of the Longwall division.

In the US, National Mine Service Company's results were ahead of expectations and profits increased by 24%.

Cape's building products division performed well. Cape expanded its overseas business, particularly in the Far East and Europe, buying German company Saborit, which makes calcium silicate insulation products.

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Low prices cut mine profits

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THE Shell-owned Peiring lead and zinc mine should continue to be profitable, although at a lower level than during the period of high prices, the head of Shell's minerals division, Gordon Jarman, said last week.

While prices had fallen quite sharply in the past few months, he did not expect the decline to continue much longer. The mine did not, however, have plans for expansion.

The Minerals Bureau reported that in

PETER GALLI

1989 the Peiring mine was the major SA producer with a metal-in-concentrate (mic) output of 33 500 tons — 6% less than the 35 7000 tons produced in 1988.

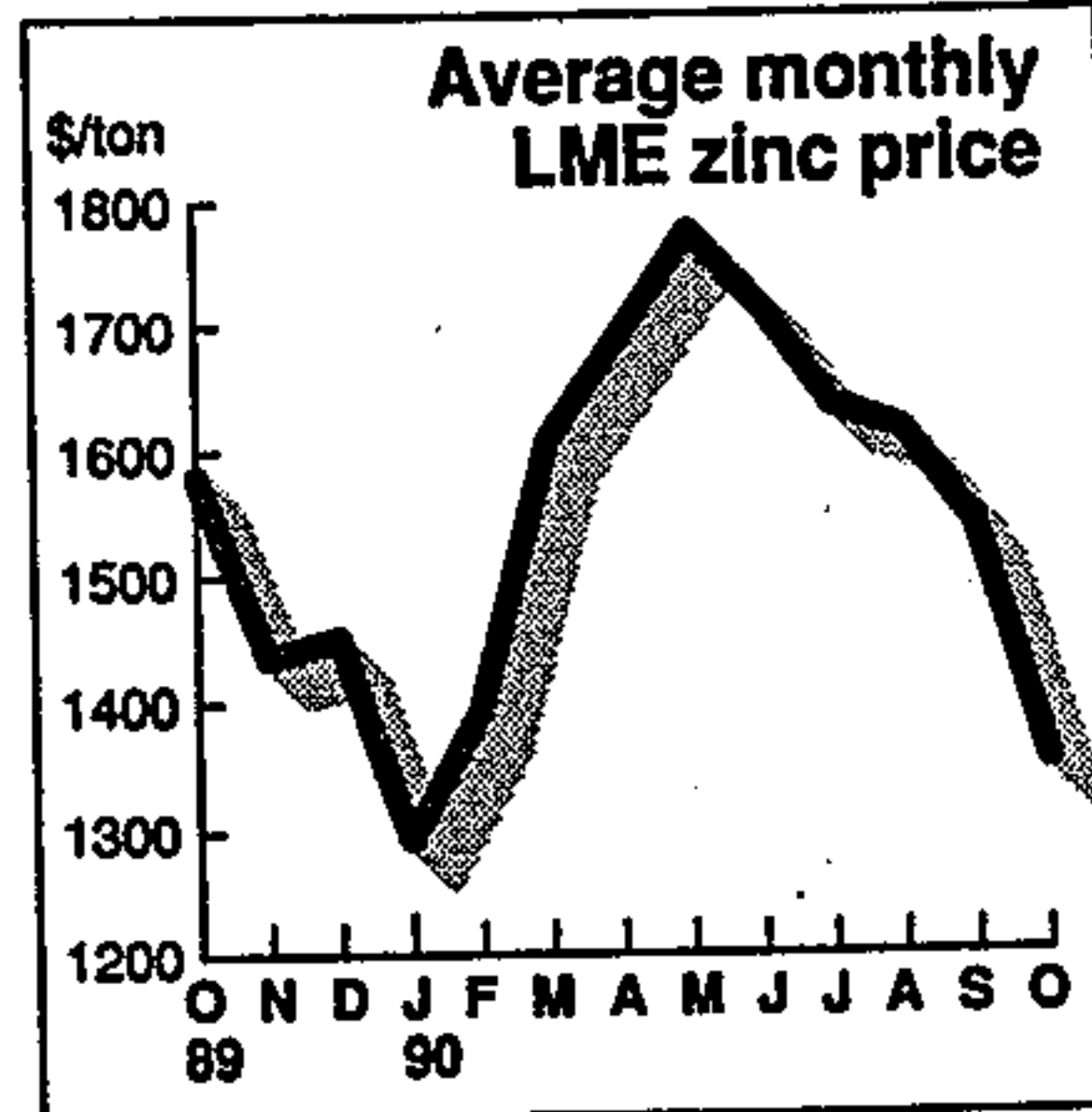
SA ranked 16th in the world production of zinc-in-concentrate in 1989, and contributed 1,1% of the total world production.

At the Prieska mine that closed last week after falling rand/metal prices resulted in operating losses — a trend Anglovaal did not expect to be reversed — production in 1989 declined to 16 800 tons (mic). This was 29,1% lower than in 1988 because of the depletion of its ore reserves.

The British-based Metal Bulletin reported that analysts were forecasting even worse prices for the first half of next year than previously predicted.

"The outlook for zinc is grim whatever the outcome in the Gulf. We cannot expect any consumption growth, and with the increase in mine capacity coming on stream, demand will be well below production," they said.

Gold Fields of SA director John Hopwood said that the closure of the Prieska mine would have no effect on Black Mountain mine.



Graphic: FIONA KRISCH Source: MINERALS BUREAU

Gencor/Lonrho merger denied

Business Day Reporter

GENCOR executive chairman Derek Keys yesterday denied a London Sunday Telegraph report on a possible merger between the SA group and international conglomerate Lonrho. *B. [unclear] 17 1990*

Keys, who is visiting London, said in a statement issued in Johannesburg: "Gencor is not considering merging with Lonrho. At divisional level there are discussions from time to time aimed at possible synergies between businesses in the two groups."

The Sunday Telegraph report by Bill Jamieson said Lonrho chief executive Tiny Rowland was "pondering" a merger with Gencor, which would create one of the world's largest mining, precious metals, farming and industrial groups. It would have a market value of close to £4bn.

Jamieson said the idea had been discussed "in initial outline" between Rowland and Keys, though talks had not yet been held on details.

"A draft of the merger, prepared in Johannesburg in the late autumn, is understood to be under consideration at Lonrho. It proposes a share offer by Lonrho, priced on the Johannesburg Stock Exchange at R10,8bn (£2,2bn) against Lonrho's £1,3bn."

● See Page 3

WILL THEY FIND COMMON GROUND?

Talk of a Gencor/Lonrho merger seemed to be effectively quashed once Gencor chairman Derek Keys stated that there are no such plans. Even so, Impala Platinum's deal earlier this year with Lonrho's Western Platinum came unexpectedly, and there could be other partnerships between the two groups — though it is an open question whether anything is being considered now.

Merger speculation came through reports in the UK press rather than any action by the two parties to indicate talks in progress. From London, John Cavill suggests it may be asked whether Lonrho's controversial CE Tiny Rowland has simply been capriciously teasing the markets.

It started after Bill Jamieson, deputy city editor of the *Sunday Telegraph*, had "a rare interview" with Rowland. This formed the basis of a full-page article which, basically, has 73-year-old Rowland saying Lonrho's "best years are still to come."

Nowhere in it does Rowland (at least on the record) hint at a deal with Gencor. Jamieson, citing the Impala/Western Platinum arrangement, writes: "Throughout this (northern) summer there has been speculation in Johannesburg that a greater tie-up could be afoot. Some have even mooted a Lonrho/Gencor merger."

At a presentation in London last week, Keys told brokers' analysts and fund managers: "There have been talks (with Lonrho) at divisional level about possible synergies both in SA and beyond. There are, and will continue to be, discussions."

Jamieson used this in the lead story of the *Telegraph* City and Business section, which states: "Lonrho and Gencor ponder £4bn merger." He writes that it has been discussed in "initial outline" by Rowland and Keys — though the quotation is not attributed — and claims a draft merger proposal "prepared in Johannesburg . . . is understood to be under consideration by Lonrho. It is a share swap by which Lonrho would reverse into Gencor."

Keys unequivocally denied the *Sunday Telegraph* story: "Gencor is not considering merging with Lonrho," he said. A different signal then came from Lonrho. Monday's *The Independent* says flatly that merger talks are taking place. It quotes Rowland (about to leave for Africa) as saying: "If it suits Gencor we will be merging. Lonrho will be taking over Gencor if it happens." In the *Daily Telegraph*, Lonrho director and spokesman Paul Spicer comments enigmatically that Jamieson's story is "a very interesting observation."

Efforts by the *FM* to confirm these statements were unsuccessful, with both Rowland and Spicer already abroad. Keys has repeat-



Gencor's Keys . . .
no merger talks

ed his denial, without adding to his earlier statement. But the London *Evening Standard* (no sources quoted) says: "Gencor may deny it but Tiny Rowland's conglomerate Lonrho is looking determinedly at plans to merge with the SA mining giant."

London market reaction has been one of incredulity but still had analysts running calculators over possible permutations. "I'm sure Tiny Rowland would love to take over Gencor," says Nick Hatch at James Capel. "But the rumour we heard two weeks ago was that Gencor might acquire some of Lonrho's mining assets or Impala merge wholly with West Plats. The two companies know each other well in SA, and there could be scope for joint ventures elsewhere in Africa. A formal full merger is unlikely."

David Ridley, at Williams de Broe Chaplin, says: "Nobody is taking Rowland seriously. It's a typical statement of his *if* it suits Gencor and *if* it happens. The idea does not tie in with Gencor's unbundling proposal and one can hardly imagine Sanlam wanting a diluted investment in a group which includes Lonrho's non-SA hotchpotch of assets."

Says Jack Jones of UBS Phillips and Drew, Lonrho's brokers who this week revised its 1991 pre-tax profit forecast down by £10m to £280m: "I am bemused. One does not know what is going on."

Even at divisional level, there are not many apparent areas for new synergies. Most obvious candidate is probably platinum. Impala's Karee mine was merged with Western Platinum, from October 1989. In return Impala acquired slightly over 25% of the equity and 27% of the profit of the merged mines and of Eastern Platinum, and gained equal representation with Lonrho on the boards of those companies. Each party has pre-emptive rights over the shares in the combined operation held by the other.

Keys says Impala plans to spend about R2,3bn on the Impala 14 shaft, the Deeps

shaft, exploitation of UG2 and the Messina expansion. Much higher levels of capital expenditure will have to be funded, and the plan is to put proposals to shareholders during this financial year.

Writing in the Impala annual report in August, CE Brian Gilbertson expressed concern that the share's market rating had declined persistently against Rustenburg Platinum. Yet Impala's price has dropped by half since its R87 high set on August 6. There may be mutual benefits in a closer relationship with Western Platinum — perhaps a full merger and listing — though it hardly seems a necessity.

Lonrho SA's other main interests are coal and gold, held through Coronation Syndicate and Duiker. The coal holdings are fairly small and unlikely to offer much for Gencor. On the gold side, there is a 36% holding in Eastern Gold Holdings, which has an effective 85% in Erfdeel — a section of Anglo American's Freegold — as well as a 25,8% stake in a venture with Freegold and Anglo for possible exploitation in an area adjoining Freegold.

More interesting possibilities may exist outside SA, where several of Gencor's divisions are seeking to expand. Engen, for example, has stated it wants to get involved in oil exploration in West Africa.

Lonrho has oil and gas interests in the US and, more important, it has firm relationships in many African countries. Perhaps it could help to open some doors.

John Cavill and Andrew McNulty

Speculation on Lonrho-Gencor synergy plans

81 P. 18/12/90

THE local and UK markets appeared to be in the dark yesterday over a mooted merger of international conglomerate Lonrho and mining group Gencor, and many believed it more likely the two groups were examining down-the-line synergies.

Analysts said these could include the groups' oil, farming and mining interests, and Lonrho could offer Gencor an ideal foothold into Africa, especially southern Africa.

Lonrho MD and CE Roland "Tiny" Rowland reportedly confirmed at the weekend that merger talks were taking place, and he hinted at a possible Lonrho takeover of Gencor.

However, Gencor executive chairman Derek Keys said on Sunday Gencor was not considering a merger with Lonrho. He added: "At divisional level there are discussions from time to time aimed at possible synergies between businesses in the two groups."

ZILLA EFRAI

JOHN CAVILL reports from London that one theory in the UK was that Rowland was deliberately stirring the pot. Yesterday Lonrho's broker UBS Phillips and Drew downgraded its 1991 profit forecast from £290m pre-tax to £280m.

Gencor recently indicated it had plans to increase its penetration into Africa, but would not elaborate. Lonrho has an extensive infrastructure in Africa and is its largest commercial food producer.

Its annual turnover, excluding that from associates, in southern Africa is £304m and that for East, Central and West Africa is £382.7m.

Other synergies existed in platinum, gold and coal mining. Lonrho has gold mining interests in Ghana and Zimbabwe.

Gencor and Lonrho already have a stake in the Lonrho-controlled Western Platinum, Eastern Platinum and Karee mines. There was talk in London yesterday of a full merger of Impala and Wesplats.

Analysts pointed to a tie up between Lonrho's oil and gas interests, through Hondo Oil & Gas, and Gencor. Gencor has an 8% stake in the the £1bn North Sea Alba Field project and its energy subsidiary Engen is actively hunting for new opportunities.

UK firm's move to Atlantis pays off

By Blaise Hopkinson

CAPE TOWN — A British engineering company with a manufacturing base at Atlantis has just shipped its first export order to Britain, part of R10 million worth of overseas business.

Norwood Woodworking Machinery, is producing a full range of industrial and semi-industrial equipment.

The first consignment of 20 saws was shipped yesterday.

Norwood, which employs 150 people at Atlantis and at its Isando foundry, has begun a marketing drive aimed at increasing sales within South Africa.

Justified

The company moved to Atlantis to take advantage of the decentralisation benefits and high calibre of local labour.

Norwood chairman Peter Bullard said the expense of relocating to South Africa had been fully justified.

"We have combined the best of South African engineering expertise with the best of European woodworking machinery technology."

Norwood has engineering, casting and fabrication facilities and an international marketing and distribution agreement.

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By DIRK TIEMANN

BTR, the successful British conglomerate, would be better advised to invest more in South Africa than to contemplate the sale of its 52% stake in BTR Dunlop SA.

That is the SA response to a statement by BTR chairman Sir Owen Green that the conglomerate is considering disposing of some of its "mature" investments.

BTR specialises in buying troubled companies, nursing them back to health or selling off assets to increase shareholders' wealth.

Sir Owen says: "We are more prepared to redefine our areas of interest. It is not sensible for us to move forward on such a broad front."

He also thinks there are many mature assets which could be turned into cash. That has raised eyebrows in SA.

BTR Dunlop managing director Clive Hooper is not aware of any disposal plans by BTR.

(Times 30/12/70)
Dozens

Mr Hooper says: "I do know that they have in mind to go public in the United States where several companies are 100% owned. I don't think we are affected."

BTR Dunlop spokesmen say BTR has dozens of interests worldwide that would make better sale prospects. They say the SA company is on a fast growth track that should last several years.

BTR Dunlop has zero borrowings and a R150-million expansion project should soon bear fruit.

Dunlop has 25% of the SA tyre market and is known to be interested in buying rivals. It was prevented from contesting the bid by Anglovaal's Consol for Goodyear only by the reluctance of the US parent to let it have its tyre technology.

Dunlop could well make approaches to Federale Volksbeleggings, 100% controller of Firestone.

Several years before the big disinvestment spate, Dunlop had reduced its stake from 70%, permitting several SA institutions to increase their stakes. There were eager buyers in 1987 on hopes of a sellout that never came.

BTR took control of troubled Dunlop in the UK three years ago. Although Dunlop International was an under-

BTR is urged to invest not sell



CLIVE HOOPER: Fast growth

performer, BTR management recognised the brilliance of Dunlop SA's management under chairman Hooper.

Dunlop was put in charge after Dunlop SA and BTR SA merged. Dunlop SA acquired BTR's factory at Howick and its other assets. BTR UK has hung tough in spite of violent and persistent industrial relations at the Howick plant.

After good results and an impressive presentation to the Investment Analysts Society in August, the price jumped from 1 810c to 2 325c since October.

Consumer

BTR Dunlop has done outstandingly. Operating surplus rose by 34% on a 16% increase in turnover for the six months to June 30. Earnings a share shot up by 35% to 162c a share in contrast with many weak performances in the industrial sector.

The company makes and markets industrial and engineering products which constitute 49% of turnover, automotive products 39% and consumer products 12%.

BTR Dunlop's market capitalisation is R540-million. BTR could theoretically raise at least R280,8-million for its 52% stake. That would amount to £42-million through the financial rand.

The BTR Dunlop dividend this year will be worth slightly less than £4-million to BTR.

FOREIGN FIRMS IN SA. BRITISH.

1991

A high and dry yard for catamarans

S(Times

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PROUT CATAMARANS (UK) is considering moving some of its operations to South Africa, says Prout Catamarans (SA) director Peter Schofield.

Mr Schofield says the UK manufacturer would be more competitive internationally if it built boats in SA.

"The French boat-building industry is government sponsored, and good boats are produced at low cost. They are hard to beat."

Mr Schofield is looking for a foreign investor to help finance the move.

"Francis Prout, who founded the company 40 years ago, is keen on the project."

Eyebrows

Mr Schofield started building ocean-going catamarans in QwaQwa two years ago under licence. The yard is now nearer Harrismith.

He says the idea of building boats in the Free State raised more than a few eyebrows.

"Try convincing a Free State bank manager that you need an overdraft to build ocean-going boats."

Mr Schofield believes he is ideally positioned, halfway between the Reef "where the money and the buyers are and Durban where the water is".

He says the climate is ideal for glass-reinforced plastic lamination because of low humidity. Decentralisation

BY DIRK TIEMANN

incentives also help.

The catamarans are 38 feet long and cost R500 000 ready to sail. A do-it-yourself kit costs R106 000 — hulls and deck with simple structures done inside.

The boats are copper clad to beat barnacles and reduce maintenance.

Prout Catamarans SA has won a two-boat (sail away) export order worth R940 000. Mr Schofield says these are the third and fourth boats for export.

He believes he offers an asset which will appreciate 20% annually — "better than property".

Potential buyers are retired people with lots of time and money to spend on leisure and travel.

Mr Schofield has one big problem — attracting skilled carpenters who are loath to leave the coast.

SA poised to become economic powerhouse

Star 5/2/91

By Frank Jeans

Overseas interest rekindled

On the back of President FW de Klerk's latest reform initiatives to dismantle the last bastions of apartheid, South Africa is poised to become the powerhouse of the continent.

This is the view of Britain's new Consul-General in South Africa, John Doble, who has already noted the country's huge potential.

Confident that South Africa will achieve a political settlement along with a free market economy, Mr Doble sees the country becoming the centre of an African economic zone.

"Many black South Africans have lived in other African countries and seen how easily an economy can be ruined by inappropriate, socialist economic policies," he says.

"They understand that in a deteriorating economy, black economic empowerment would remain an empty phrase.

"The disasters brought about by socialism elsewhere in the world must deter those inclined to embark on a socialist experiment in South Africa."

Looking at bilateral trade prospects, Mr Doble reports that for the first time in many years South Africa-Britain trade is about to balance.

"South Africa's exports to

LONDON — President FW de Klerk's commitment to a new, non-discriminatory South Africa is likely to rekindle British investor interest in the Republic.

According to The Times' financial columnist, Tempus, the dismantling of "the pillars of apartheid" might persuade investors to "look afresh at the Johannesburg stock market in general, and South African industrial shares in particular".

The reforms, said Tempus, had left the way "all but clear for European sanctions against South Africa to be lifted, and for American interest in investment, currently banned, to be rekindled".

"If the political barriers that prevented several trust funds and those with moral objections to investing in South Africa are removed, and if violence and ANC nationalisation fears are replaced by civil peace and assurances of free enterprise, net equity investment should grow," said the columnist.

He pointed out that, while it lasts, the financial rand should continue to make investing in South Africa appealing. The removal of sanctions would — if the economic train chugs forward with reasonable speed — provide investors with great potential in the building/construction and consumer-related fields.

the UK increased 25 percent last year, while ours went up nine percent — a good performance in a period of tight monetary policy here.

"We are now South Africa's largest trading partner. Our exports to this country at over £1.1 billion are about the same as what we sell to the whole of Latin America and approach our export value to the entire erstwhile Soviet bloc."

After a decline in the number of trade missions from

Britain to South Africa in recent years, the Consul-General says that last year there were only three, although there are already inquiries for eight this year.

"This activity is bound to increase further once we are al-

lowed to resume government funding for trade missions and for British stands at trade shows in South Africa, as I hope will occur this year," he says.

Guinness empire buys *Star 5/21/91* into Cape distributors

By Tom Hood

The giant British spirits company, United Distillers, has pumped millions of rands into South Africa to take a 50 percent shareholding in Henry Tayler and Ries, a leading distributor for international brands of liquor.

The deal is effective from February 1, but the full value of the investment has not been revealed. The company is based in Johannesburg and has a major branch in Paarden Eiland.

"The two parties agreed not to disclose the amount involved, but the investment is substantial," said Dr Ivan

Deacon, managing director of Henry Tayler and Ries.

United Distillers is part of the world-wide Guinness empire.

Dr Deacon said he believed the decision to invest here followed changes that began a year ago in South Africa.

Control

"This is a major British company and I have no doubt we will see a few more companies doing the same."

Mr Walter Crosbie, United Distillers regional director for Southern Africa, said the agreement was in line with United Distillers' policy

of developing a more focussed approach to controlling the distribution of its brands world-wide.

The other 50 percent of Henry Tayler and Ries is shared equally by Stellenbosch Farmers' Winery group and Distillers Corporation.

Reports of Guinness planning to start a brewery in Southern Africa surfaced recently, but Dr Deacon said he knew nothing about this.

As a result of the deal Henry Tayler and Ries will become sole distributors for United Distillers' Scotch whisky brands; White Horse, Dewar's White Label and Black and White.

SA links cost (61) Shell R150-m (61) year contract

Sowetan 1312/91
NEW YORK - The state of New Jersey is to cancel a R150 million a year contract with the Shell Oil Company in support of the international boycott against the company because of its South African ties.

Under a decision announced yesterday by New Jersey's Governor Jim Florio, Shell will lose its exclusive rights to operate 13 service points along the New Jersey Turnpike, a major freeway close to New York which is said to carry the heaviest daily volume of traffic of any roadway in the world.

The move comes at a time when there are signs of international sanctions against South Africa being eased.

Florio told union and religious leaders at an anti-apartheid rally at the United Auto Workers regional headquarters in Cranford, New Jersey, that the recent changes in South Africa "are a signal that sanctions are working" and that pressure should be maintained until blacks get full political rights.

"Now is no time to let up," he said. "Much remains to be done before we win the final victory. As a former boxer, I understand when you've got a guy on the ropes, you don't stop punching." -

Sowetan Correspondent

Nash family buys Cadac back from Shell

IN A deal involving a transfer of assets worth R30m, Shell SA has sold gas company Cadac Ltd to Astra Group Holdings and local businessman Simon Nash, in association with senior Cadac executives.

A joint statement released yesterday said the sale came about as result of a joint approach to Shell by the Astra Group and the management of Cadac.

Analysts said last night the sale did not indicate any move by Shell to disinvest in

MARC HASENFUSS

SA. Shell's shedding of Cadac pointed to the oil giant reviewing its peripheral businesses in order to concentrate on its core business, analysts said. (13) (61)

Newly appointed Cadac chairman John Nash said he had great confidence in the business and expected to expand Cadac's range of products considerably.

□ To Page 2

Cadac

Cadac dominates the local gas appliance market.

It also holds the manufacturing licence for the Primus paraffin stove and has exclusive marketing rights in SA for the products of French Camping Gaz International, the world's largest manufacturer of portable gas appliances.

The Astra group, which controls a wide range of industrial, aviation and property interests, is controlled by members of the

(61) (13) □ From Page 1
Nash family who initially acquired Cadac in partnership with General Mining in 1964. The British Valor Group acquired Cadac in 1972 and sold it to Shell in 1985.

Astra becomes the controlling shareholder of Cadac.

John Nash is chairman of JSE-listed Sable Holdings, while his son Simon Nash, who rejoins the Cadac board, is the executive director of JSE-listed manufacturing and trading group Valard.

Mt Nelson

buyer gets

stake in

Fancourt

By JANE ARBOUS

ORIENT EXPRESS — the upmarket, London leisure group — is looking for more investment and management opportunities in South Africa.

The company, which bought Cape Town's Mount Nelson Hotel in 1988, has taken a minority stake in the luxury golf resort of Fancourt at George.

It also signed a 30-year agreement to manage the complex. It has installed Patrick Elsmie, former resident manager of the golf and leisure resort of Gleneagles in Scotland, as general manager.

Consortium

Nick Seewer, regional managing director of Orient Express and general manager of the Mount Nelson, says the group is extending its worldwide portfolio of hotels, trains and cruises. With agent representation in virtually every country, Orient's marketing network gives added muscle to new ventures.

Orient paid about R30-million for the Mount Nelson and has spent R12-million on refurbishment so far.

The price of Masterbond's 25% stake in Fancourt has not been disclosed, but it is believed that Orient Express paid more than R2-million. The rest was taken up by a UK consortium led by Abraham van Praagh.

The majority shareholder is the original developer, former film executive Andre Pieterse. An option to buy Masterbond's remaining 25% is likely to be exercised by June.

About R50-million has

been spent on Fancourt's historic hotel building and Gary Player-designed 27-hole golf course.

Mr Pieterse says another R90-million will be spent on construction of 292 freehold corporate and executive lodges. Prices for the furnished lodges range from R295 000 (one bedroom) to R1,5-million (four bedrooms), and include membership fees. More than 80 have been sold and 68 are under construction.

Cruise

Mr Seewer says there are "excellent opportunities" for new ventures in the region. However, Orient is interested only in ventures compatible with its reputation for style and exclusivity.

"All we want to impose on our interests are high standards of service. There is a particular need for improved standards in SA."

The group is considering bringing out its cruise ship, the Orient Express, for use in the Indian Ocean in the European winter.

The 650-passenger vessel is based in Venice. Preliminary talks have been held with the railways about a management deal involving the Blue Train. Rovos Rail is another possible target.

Mr Seewer says Orient is also interested in a game park lodge.

Operators

"The turning point for SA tourism was President De Klerk's coming to power. Tourism could overtake gold as SA's biggest foreign-currency earner this decade. But we need more foreign investment and operators."

The Department of Trade and Industry says SA received more than a million foreign visitors last year. Half of them came from African countries.

Gavin Simpson, general manager of Holiday Tours and Orient's marketing agent, says about 1 000 South Africans bought Orient holidays last year.

Poor conditions slice T&N payout

61
8/10/91 2/2/91

UK-controlled industrial manufacturer T & N Holdings' year-end earnings fell sharply under difficult trading conditions and a poor performance from its subsidiary Asseng.

A hefty increase in finance charges to R21m (R16m) saw attributable earnings plummet 49% to R8,1m (R16m) or 35c (69,3) for the year to end December 1990.

A final dividend of 10c (20c) was declared, reducing the total payout 58% to 13,8c (31c), covered 2,5 times.

Turnover showed a marginal improvement to R413,4m (R391,4m), with export turnover increasing 73% to R29m.

A lower tax charge of R1,5m (R4,9m), resulting from allowances relative to the capital expenditure of R19,4m and tax losses in certain operating subsidiaries, had minimal impact on bottom line.

CE Matthys Pretorius said a R6m loss incurred at Asseng's Roodepoort factories was compounded by overstocking engine components in all areas of the distribution chain. Consultants had been employed to address the problem.

Friction materials groups, Ferodo and Beral, improved operating profit in the period under review, but were still operating under capacity.

Dancor showed a small loss, but indications were that it would shortly benefit from cost cuts and rationalisation, Pretorius said.

The Radiator and Heat Exchanger performed well, and despite the downturn in the automotive aftermarket Silverton Services improved market share and upped profit.

FHE Automotive Technologies reflected a substantially improved performance over 1989, mainly as a consequence of improved production efficiency in its brazed aluminium plant together with satisfac-

MARC HASENFUSS

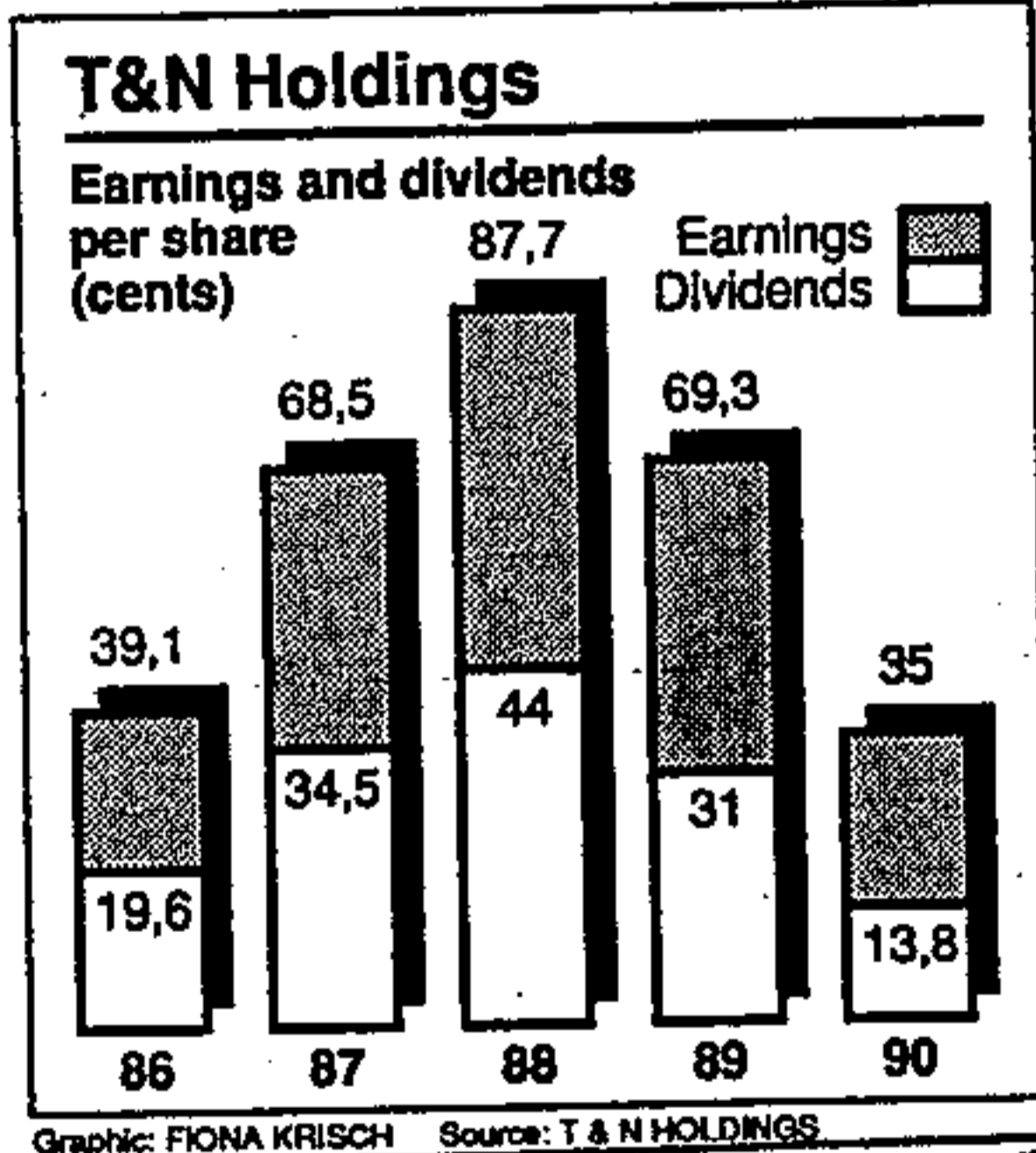
tory export volumes, he said.

The group's Harpo gasket company will be closed as Payen gaskets served the market effectively.

T & N's industrial and mining division performed satisfactorily although at low levels as result of an overall reduction in mining and industry activity.

Pretorius said chemicals and plastics remained a problem area, with BIP experiencing low volumes and disappointing profit levels. Butakem showed an improvement after stabilising raw material prices, but its market remained extremely competitive against imports.

Pretorius cautioned shareholders that conditions for 1991 were expected to be difficult. "Action has been taken to reduce costs, improve productivity and control working capital which should balance the negative economic scenario."



Plans outlined to save ailing Acsis

MARCIA KLEIN

DARYLL Phillips, the South African chairman of ailing London-based marketing and business services group Acsis Group (Acsis), has announced proposals to try and save the group through refinancing and restructuring.

This follows a 44.4% decrease in earnings for the year to end-December 1990, which was reported yesterday.

In the year to end-December, earnings decreased by 44.4% to 3p (5.4p) a share. During this period the group's share price fell by about 96.5%.

Phillips said Acsis would "be unable to continue trading" without the proposed measures, and if the group ceased to trade, "there would probably be no assets for distribution to shareholders". **6/26/91**

The measures include the issue of new shares to raise £2m, extension of bank's facilities, conversion of £1.5m debt into new shares (at 5p a share) and disposal to management of the group's media sales division.

It was also proposed that the group's international hotel design business, HBA International, be disposed of to its original vendors and that earn-out payments due to vendors of Nursing Management Services be restructured.

Results for the December year-end show pre-tax profit at £5.3m (£7.4m) on a turnover of £54.6m (£31.7m).

Extraordinary items of \$6.1m include £5.6m for losses incurred by the disposals and restructuring.

No final dividend was declared. Phillips said "any future dividend would require consent of the group's banks".

Weak demand plays havoc with Samancor

MATTHEW CURTIN

WEAK demand for manganese and chrome (ores and alloys) played havoc with Samancor's results for the six-months to end-December 1990. Earnings tumbled 44% to 109c (195c) a share on a 13% drop in group turnover to R871m (R1bn).

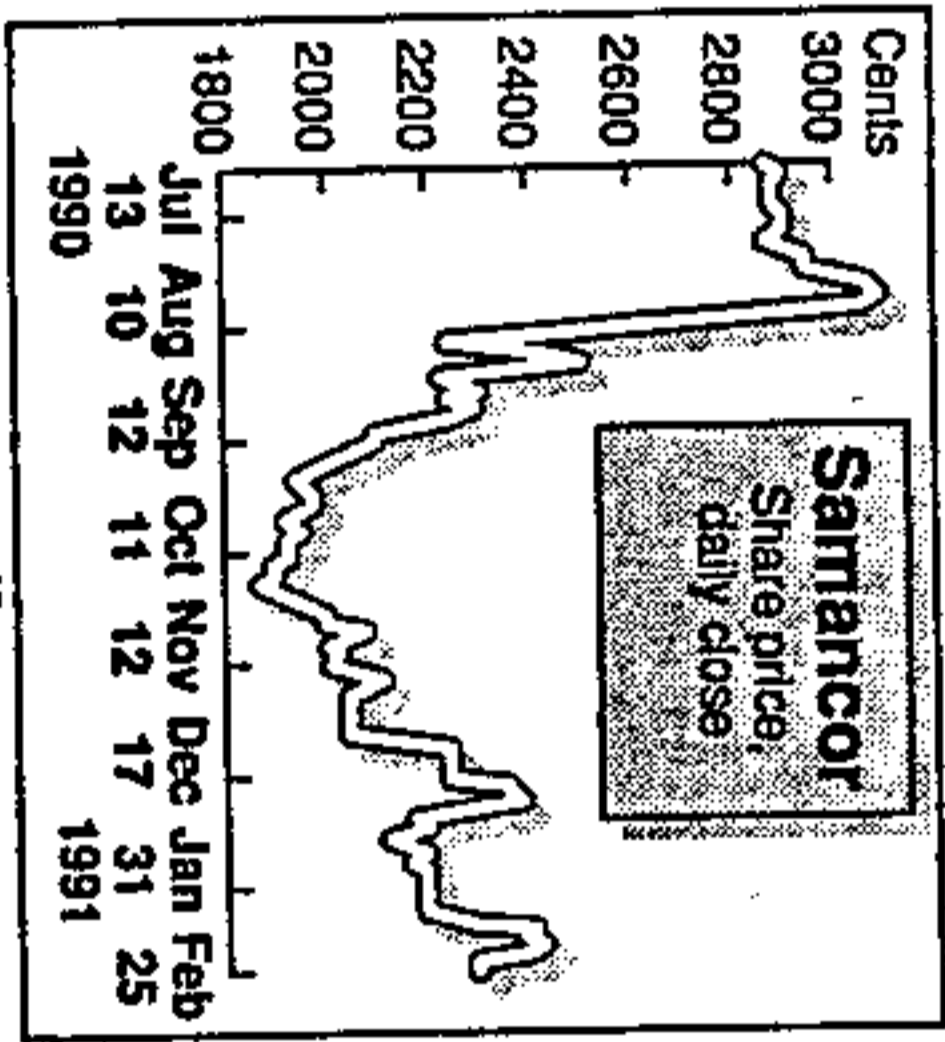
However, the dividend was maintained at 40c.

The results showed how the drop in manganese demand and levelling off of manganese ore prices had combined with the low ferrochrome price of 47c/lb to deal the group a double blow at the interim stage.

Samancor's June 1990 year-end results were hurt by ferrochrome oversupply and weak prices, but sustained by spiralling manganese ore prices which rose 50% in dollar terms.

MD Hans Smith predicted the group's performance would be worse in the coming six months. The 2c rise in ferrochrome prices for the March quarter would not offset cost increases and a stronger rand/dollar exchange rate.

He said the ferrochrome price had to and would rise to 55c/lb in the coming quarters. "Ultimately we will get this price if there is a responsible approach from local producers."



Graphic: FLOVA KRISCH SAUNDERS

Overall growth in the stainless steel market — which provides over 90% of ferrochrome demand — was likely to run at 3.5% a year.

Fierce competition for market share between Samancor and Middelburg Steel & Alloys, Consolidated Metallurgical Industries, and Chromcorp Technology has driven the alloy price down.

As SA's largest ferrochrome producer, Samancor was nevertheless well-positioned to follow its competitors if they did cut prices, Smith said.

Samancor was operating at 70% of its total capacity (620 000 tons a year), and at 70%-75% of its ferrochrome capacity (590 000 tons). The group was "comfortable" even with two furnaces out of action.

After-tax profits of the chrome division (ore and alloys) fell 87% in comparison with the same period last year. Manganese division after-tax profits fell 22%.

Manganese division GM David Munroe said the demand and supply of manganese ore was stable and the market was unlikely to soften.

However, the manganese alloys market was more sensitive, and although prices were driven by the ore price, fluctuating Chinese and Russian supply of silica-manganese — an alternative ingredient in carbon steel production — depressed the market.

Samancor's Columbus project, a joint venture to make stainless steel with Highveld Steel & Vanadium, looks unlikely to put SA on the stainless steel map in the near future.

Smith said with foreign investors unwilling and no guarantee of government support for the steel project, Columbus was "of marginal economic viability".

Samancor could only budget conservatively on Columbus's future and the magnitude of the investment necessary to secure the project was currently prohibitive. The estimated cost of the hot-rolling steel plant was over R2bn.

The joint venture stalled last year when a deal with potential Taiwanese partner Yieng Loong fell through.

Zaaiplaats halts its tin operations

ROBERT LAING

ZAAIPLAATS today announced the suspension of its tin operations.

Directors said in a statement the continuously low tin price and unsatisfactory performance of Zaaiplaats's tin tailings treatment plant and smelter facility had forced it to suspend all its tin operations. Negotiations with Tamcor of Geneva were still in progress.

Zaaiplaats advised shareholders to continue exercising caution in dealings in its shares. The cautionary announcement two weeks ago regarding the negotiations with Tamcor pushed Zaaiplaats's shares up 85c from 120c. It was 190c yesterday.

The company's andalusite operations were doing well, the announcement said. Zaaiplaats bought Annesley Andalusite from its parent company Zimco in 1989. The R8.3m payable to Zimco was settled by issuing 1.16-million shares at 717c each.

MD Roy Travis said the board was not willing to add any comment to the announcement. In the six months to September Zaaiplaats reported the tailings plant and smelter, for which it had raised R7.6m, were not operating properly. Underground tin operations were curtailed because of the metal's prevailing low price.

Zimco, which holds 65% of Zaaiplaats, was formed through the merger of Zinchern, Cookson SA and former Anglo American subsidiary Industrial Mineral Resources.

Zaaiplaats transferred its JSE listing from the "Metals and Minerals — Tin" sector to the "Financial — Mining Holdings" sector two years ago.

Stability would boost trade with UK

61

STABILITY and certainty are the two key elements that would determine growth in trade between South Africa and the United Kingdom.

This was said by Sir Keith Stuart, leader of the visiting United Kingdom South Africa Trade Association delegation, at a Press conference this week.

He said UK businessmen were waiting to see whether these two elements, which could only be brought about by a government enjoying the consensus of the majority of the population, would come into being.

"Current political developments here made South Africa more attractive for trade and investment, and SA-UK business relations are poised for expansion."

Turning to investment, Sir Keith said that there was some new investment at present, but that most potential British investors

were waiting for a clearer picture of the likely economic structure in a new South Africa.

"With the lifting of the ban on new investment, and provided the security situation could be stabilised and improved, I think you will see a quickening in the pace of effort by UK business to increase exports to SA."

He warned, however, that it would be regrettable should the ANC persist with its policy of nationalisation if it came into power.

"It is not so much a matter of what politicians do, but what they say that affects business confidence. Nationalisation would be a major disincentive to invest in SA."

Sir Keith said years of nationalisation in the UK had proved inefficient and not conducive to economic growth.

The British government could decide to go against the Com-

Sowetan 28/2/91
"We won't go on for ever without recognising the progress being made in this country. We see the progress as irreversible."

While he could understand the need for it, a reduction in trade barriers in South Africa would be necessary to encourage a two-way trade, Sir Keith said.

He said that recent proposals by SA to reduce tariffs on about 50 percent of items on the Gatt list, had been suspended.

"We are against protected markets and would like to see this country's tariffs more in keeping with those of Britain which imposes a five percent import duty."

With the country's improved international status, Sir Keith urged SA businessmen to aggressively market their products in the UK market.

Talk of SA returns to UK's boardrooms

B/Doc/ 113191

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POLITICAL changes in SA had put the country back on the agenda for discussion in the boardrooms of British companies, UK SA Trade Association (UKSATA) chairman Sir Keith Stuart said yesterday.

Speaking at a luncheon of the SA Britain Trade Association (Sabrita) in Johannesburg, Stuart said a year ago, when the UK public was euphoric about the markets the collapse of communism in Eastern Europe was expected to create, there was fear SA would be sidelined.

However, he said, the UK public was wiser about Eastern Europe now and believed communism would take longer to dismantle.

In addition, the Gulf war made the honey pot the Middle East presented to the UK less enticing than it used to be.

All this had affected the attitude of UK business to SA, making SA look a more attractive market for exports and foreign investment.

ZILLA EFRAT

Stuart said SA was now being seen as a significant old traditional market and was again receiving attention from UK companies.

The level of trade between the two countries — about R11bn a year in both directions — and the huge investment that UK firms had in SA already served as a large basis on which to build further relations.

However, Stuart cautioned that while SA was again being discussed in UK boardrooms, more evidence was required to show there was likely to be a peaceful settlement in SA.

Stuart added he believed the UK government would lift its sanctions against SA even if the Commonwealth countries or the EC showed a stubborn refusal to accept the changes that had taken place in SA, and did not lift their restrictions.



NICK MITCHELL, executive director of the United Kingdom SA Trade Association, and chairman KEITH STUART . . . attitude improves

UK investors wait for dust to settle

SI Times 3/3/91

By DON ROBERTSON

BRITISH investors are waiting for a clearer picture of the likely economic structure in a new SA before committing themselves.

But the attitude to investment in SA has improved dramatically in the past year and businessmen are more eager to re-enter the SA market than Eastern Europe.

Keith Stuart, chairman of the United Kingdom South Africa Trade Association (Uksata), says that any moves to nationalisation "would be a major disincentive for investment".

Gold

Sir Keith says the UK has a long history of nationalisation, but many State enterprises have been returned to private hands. Nationalisation moves in SA would be regrettable.

Sir Keith is heading a team of five visiting SA to report on attitudes about business links with SA, to reinforce associations with businessmen, to meet political leaders and to establish the outlook for the economy.

"We believe we must reward the progress that has been made in SA and no mat-

ter what the rest of the Commonwealth says, we will go ahead," says Sir Keith.

Two-way trade between the two countries is worth about R11-billion a year and is almost in balance, making Britain SA's second-largest trading partner. British investment in SA is about R50-billion, nearly half of all foreign investment here.

Initial impressions indicate that economic conditions in SA will be difficult in the short term with a low gold price and large unemployment. In the next two to five years, however, the picture looks better, says Sir Keith.

The world has changed with the opening of Eastern Europe, but initial enthusiasm about investment there has waned because of political problems in the Soviet Union.

"We are now more interested in investing in SA than Eastern Europe than we were 12 months ago."

The problems in the Middle East and the recession in the UK economy are helping to emphasise the attractions of the SA market for goods and services.

"Provided the security situation can be stabilised and improved, I think you will see a quickening in the pace of effort by UK business to increase exports to SA," says Sir Keith.

Although SA products have been effectively boycotted in the UK, this should no longer be seen as a deterrent.

"My advice to SA exporters is to go out and sell to the UK. I think they will be pleased with the results," says Sir Keith.

WINNING THE INFLATION WAR

STRATEGIES REST ON THE SHIFT FROM ENGINEERING TO SOCIAL SERVICES

With many blue-chip industrial groups struggling to maintain — let alone increase — earnings, investors have been scouring the market for companies with the ability to ride out the recession. Afrox is near the top of most investors' lists.

Since the mid-Eighties the UK-controlled engineering group — with extensive interests in the provision of gases, welding products and health care services — has built up an enviable record. Earnings per share have grown at a compound rate of more than 25% since 1985, with dividend cover rarely more than twice earnings.

Capital appreciation of the share has been impressive. The price has climbed from 610c at the beginning of 1985 to just under 5 000c by the end of 1990, well ahead of the 20% compound growth in net asset value. Confidence in the market that Afrox will continue to outperform most of the industrial sector, at least

in the short term, has pushed the share to a high of 5 600c. With a p/e of 20,8 and dividend yield of 2,4%, much is expected of the group.

Chairman and MD Peter Joubert clearly believes caution is a virtue and is reluctant to forecast earnings for the current year. Earnings growth may not be as high as last year's 27%, he says, but it will be in double figures.

He's quick to point out that when he talks of growth he means real growth. Since the Seventies Afrox has maintained a policy of current-cost accounting to offset the effects of inflation. By constantly revaluing fixed assets and charging this depreciation against current revenues, management believes it obtains a much more accurate picture of the group's health and funding needs.

In the year to September these deductions helped to bring attributable earnings down by R15,7m to R66,8m, on a

turnover of R903,9m. EPS were in effect trimmed by 53c.

Current-cost accounting is rare among listed companies in SA — but Joubert believes that with current levels of inflation, companies must be crazy not to adopt such policies. Afrox's tight asset management, stringent financial controls and strong emphasis on productivity have been reflected in the group's balance sheet for several years. Trading margins are a healthy 20%, while return on equity (ROE) — based on current cost accounts — stands at around 11,5%; ROE calculated on the historical cost accounts is about 23%.

Joubert's unwillingness to employ a secretary for himself — an answering machine takes phone calls when he is out of the office — and the austerity of Afrox's head office in Selby, Johannesburg, are indications of the cost-conscious culture that permeates the group.

Though Afrox has performed steadily since listing in 1964, only in the last few years has it effectively insulated itself against the fluctuations of the economy. When Joubert took charge of Afrox in 1982, after a two-year stint running the UK business of its BOC parent, the group was heavily dependent on the engineering sector. Not



Afrox's Peter Joubert

Liberty arm lifts its Capco stake

JOHN CAVILL

(61)

LONDON — TransAtlantic Holdings, the British investment arm of Liberty Life, has increased its stake in property group Capital and Counties (Capco) to 82% from 75,5% at a cost of £12,3m.

The 3-million Capco shares were bought from Pearson Group, publishers of the Financial Times, at 410p (against a market price of 350p) in terms of a deal struck in 1988. Then Capco bought land from Pearson for its 121 000m² shopping centre at Thurrock Lakeside near London in exchange for a mixture of cash and 12-million shares. *By Dan 21/3/91*

At the time TransAtlantic underwrote a put option entitling Pearson to sell the shares in four tranches of 3-million a year. This has been exercised in each year since. After this latest deal Pearson will be left with 3-million shares.

TransAtlantic Holdings, with shareholders' funds of £948m, is 45% owned by Liberty Life with Richemont holding 21% and Anglo American 6,3%.

Warburg may open SA office as UK firms prepare to boost trade

LONDON — As British companies prepare to increase trade with SA, Britain's biggest international merchant bank, S G Warburg, is reportedly planning to start operations in Johannesburg this year.

Warburg yesterday refused to confirm or deny SA reports that it is to start operations in Johannesburg later this year. But Johannesburg banking sources said Warburg was planning to open a local office by October.

Oliver Baring, a director of its subsidiary Warburg Securities, which incorporates broker Rowe and Pitman, ranked second in the London market, told Business Day: "I cannot comment."

But there are strong reasons to suggest Warburg, capitalised at £360m on the London market, might be considering such a move.

Much depends on political developments in SA over the next three months, but these are expected to be favourable for increased foreign investment.

Rowe and Pitman (R & P) has strong SA links and has been the principal London broker to Anglo American and De Beers.

From 1972 to 1985, R & P operated actively in Johannesburg and Charter Consolidated (36%-owned by Minorco) held 25% of the firm prior to its merger with S G Warburg.

61
R & P
JOHN CAVILL
100
5/4/91

R & P has a powerful client list. It includes British giants with large SA investments and trading connections: BP and Shell Transport and Trading, Imperial Chemical Industries, Courtaulds (textiles) and Glaxo (pharmaceuticals) are examples.

Others range from Rothmans International (CE Johann Rupert and controlled by Richemont, the family's Swiss-based multinational) to Sun Life (where Liberty Life's offshore wing Transatlantic Holdings owns 27%).

At the other end of the scale is Acsis, the services group run by Grey Advertising chairman Darryl Phillips.

UK household names range from banking groups Abbey National and Trustee Savings; British Airways; Eurotunnel; Prudential, the top life insurer; Boots, the biggest retail chemist chain; to food groups United Biscuits and ARGYL, and Tarmac, the civil engineering leader.

Meanwhile British companies are preparing to increase trade with SA — worth £1.1bn in each direction — now that apartheid is being demolished.

This is the message President F W de Klerk will receive when he visits the Con-

federation of British Industry (CBI) in London on April 26 at the end of his tour of the UK, Denmark and Ireland.

A CBI statement said UK business leaders will tell De Klerk more needs to be done to encourage trade and investment.

CBI Africa section head Neville Thomas said: "SA is a highly valued business partner, with increasing possibilities as the political situation becomes more optimistic with the dismantling of apartheid."

"The UK's market share is second only to Germany. But the going could get tougher when the US and Japan lift their sanctions, so UK firms need to strengthen their position now."

Guinness takes stake in local distributor ⁶¹

UNITED Distillers, the spirits company of UK brewing giant Guinness plc, has acquired a 50% stake in local liquor distributors Henry Tayler & Ries (HTR) for an undisclosed sum.

HTR would become sole distributors for United Distillers Scotch whisky brands White Horse, Dewars White Label and Black & White, a statement released by HTR said at the weekend.

United Distillers regional director (SA) Walter Crosbie said the acquisition was in line with United Distillers' policy of developing a more focused approach to control-

MARC HASENFUSS

ling the distribution of its brands worldwide.

The acquisition of the shareholding is effective from February 1 1991.

Stellenbosch Farmers' Winery Group (SFW) and Distillers Corp each retain 25% of HTR shares.

SFW handles United Distillers' Bell's, Haig and Dimple Scotch whisky brands, while Distillers Corp distributes the company's Johnnie Walker Red and Black Label whiskies.

10am 4/1/91

London trade mission returns (61)

By Frank Jeans ^{Stev} 9/491

In line with the positive reaction from overseas to South Africa's reform initiative, more businessmen are keen to renew contacts in this country.

Following up its successful visit to South Africa last year, the in-

fluent London Chamber of Commerce and Industry is again sending a trade mission, which will arrive on May 5.

The members of the mission will represent UK businesses involved in a wide range of products, including telecommunication, electronics, automotive components

and alloys.

The mission will be in South Africa until May 18 and will be in Johannesburg (May 5-10), Cape Town (May 10-14), and Durban (May 14-18).

Further information is available from the British Consulate-General offices in those cities.

...which will

Guinness ponders the pros and cons

B/Dam 15/4/91. (61)

THE proposed huge investment in SA by British brewing giant Guinness hinges on the lifting of sanctions and an "acceptable" political climate.

Guinness Brewing International MD Colin Storm said yesterday it was too early to say when Guinness would set up a brewery, but "clearly the lifting of sanctions would be a significant and relevant factor with regard to future business with SA".

However, he said that in all its international activities Guinness pursued a neutral non-political policy and was always sensitive to local situations. It would therefore consider any investment for sound investment reasons.

Storm, who recently visited SA with Guinness Brewing International regional director for Africa David Hampshire, would not comment on commercial discussions that had taken place.

He said it was too early to go into details about what any investment in SA would mean in financial terms, as Guinness "was still investigating the market and the options".

However, he did say the SA market was large and was growing fast, and "there was

MARCIA KLEIN

certainly room for new brands and for giving consumers a wider choice".

Guinness sold its products in 130 countries, and 15 of the 34 countries in which Guinness was manufactured were in Africa.

Guinness had planned for expansion into a further four markets in Africa in 1991. Storm said it would make sense for Guinness to explore possibilities in SA, Africa's largest beer market.

SA was "one of a number of markets that Guinness is currently investigating".

Guinness was involved in all types of commercial relationships including with licensed breweries, local shareholders, joint ventures and in agreements with local and international breweries. With regard to potential deals with SA, Storm said at this stage Guinness would "not rule out any options, and all options were still under negotiation".

If Guinness were to invest, there would be no reason why it should not operate as it did in other African markets, where oper-

To Page 2

Guinness

B/Dam 15/4/91. (61)

ations were staffed by local employees and supplemented as needed by outside expertise on financial, technical and marketing aspects.

Guinness "would not necessarily be in direct competition with SA Breweries' brands" as Guinness produced stout, which was "a unique and highly differentiated brand". However, there was certainly room for new brands and a wider choice in the SA market.

In the year to end-December, Guinness announced a 23% increase in pre-tax profit to £847m, and a similar increase in diluted earnings to 58.5p a share. Free cash flow

from operations was £251m.

In financial 1990, 82% of Guinness profits were earned on sales outside the UK. Guinness Brewing Worldwide increased its profits by 29% to £160m, and sales of Guinness "outpaced the growth of the world beer market for the seventh successive year".

Acquisitions since year-end included those of Spain's leading brewing group La Cruz del Campo for £549m, German brandy producer Asbach & Co for £112m, and Australia's Carlton Wines & Spirits and 50% of the Bundaberg Rum company for £40m.

From Page 1

Pullman hotel group books into SA

MARCIA KLEIN

PULLMAN International Hotels, Europe's third largest hotel group with 300 hotels and five chains, is at an advanced stage of negotiations to establish its presence in SA.

Pullman held discussions with some of SA's major hotel groups earlier this year, and executive vice-president Abdullah Lefevre is returning to SA at the end of this month to continue negotiations for Madagascan and SA properties.

A spokesman for the group said Pullman was not considering establishing a hotel, but rather at entering into management contracts at existing hotels. It was looking at operations in Johannesburg and Cape Town.

Lefevre would be accompanied on his trip to SA by the Madagascan Tourism Minister.

Pullman Indian Ocean, a Pullman Inter-

national subsidiary, recently secured the rights from Madagascar's government to build 10 hotels on the island.

The hotels will be built over a five year period and will be financed by local banks, the state of Madagascar, local investors and the Pullman group.

Building of the first hotel, a four star establishment at Ivandry between Ivato airport and Tananarive, will begin in September. The 165 rooms will take shape in an existing but uncompleted building. There will be a huge swimming pool, tennis courts and several restaurants.

Pullman already operates hotels in Mauritius and Reunion and has others planned in the Seychelles, Comores and east Africa.

Put your money into SA, FW tells bankers

61

MEAS
22/4/91

From MICHAEL MORRIS, Political Correspondent

LONDON. — President De Klerk set out today to convince some of Britain's most important bankers and finance men that South Africa is a safe bet.

A sufficient re-assurance from him could lead to a loans and investment boost for South Africa.

Mr De Klerk told journalists last night the search for new investment was the top priority. This was where the emphasis of South Africa's mission abroad now lay.

Tonight he will seek to make a strong and positive impression on the new British Prime Minister Mr John Major, whom he meets for the first time for dinner at 10 Downing Street.

He said last night he was looking forward to the encounter, emphasising the importance of establishing a sound relationship from the start.

Earlier today, he met Britain's Deputy Minister of Foreign Affairs Mrs Lynda Chalker.

A courtesy call

Her courtesy call at Mr De Klerk's resplendent Thames-side hotel was their second meeting this year after Mrs Chalker's visit to Cape Town.

Mr De Klerk left the hotel for his meeting with a small but influential group of bankers and chairmen of financial institutions at South Africa House in Trafalgar Square.

The meeting, a strictly private affair, was attended by, among others, the governor of the Bank of England, Sir Robin Leigh-Pemberton, one of the most influential figures in London.

Diplomats say banks and businesses are in a "wait-and-see mode" and it will be largely up to Mr De Klerk to persuade them to change that posture.

Political and business leaders have two chief concerns. They fear that violence is threatening the negotiation process on one hand, and the potential for investment and economic prosperity on the other.

New investment to generate more wealth and jobs for all South Africans has already been set as the goal of the week-long tour of London, Copenhagen and Ireland and this is what was on Mr De Klerk's mind as he sat down to his meeting with bankers this morning.

'Lot to invest'

Up against him, diplomats say, is the growing international perception that violence is threatening to overwhelm South Africa politically and economically.

Everybody he sees will ask Mr De Klerk what he plans to do about it and whether his talks with the ANC remain on track.

However, British business, as Mr De Klerk was expected to discover this morning, has a "lot of interest" in South Africa and "a lot of money to invest", sources said.

"Many have put their investments on hold and are waiting for a positive signal before they re-invest, explore trade finance deals or open new factories. Sanctions on investment have fallen away, so there are no inhibitions from that quarter."

● See page 11.

De Klerk pleads for lifting of ban on trade

Sowetan 23/4/91

LONDON - President FW de Klerk held talks yesterday with British financial leaders to argue for new foreign investment and was expected to discuss sanctions with Prime Minister John Major.

De Klerk, who arrived in Britain on Saturday, also met British MPs. Protesters chanted anti-apartheid slogans outside the South African embassy when De Klerk arrived.

He was formally welcomed by Overseas Development Minister Lynda Chalker but his first

substantial talks of the day came in a meeting with representatives of banks and financial institutions.

A South African spokesman said Bank of England governor Robin Leigh-Pemberton was included in the meeting but declined to name any other participants or give details of the discussions, stressing that the meeting was confidential.

London banking sources, who said National Westminster Bank chairman Lord Alexander and Barclays Bank chairman Sir John Quinton were

at the meeting, said British banks were unlikely to resume lending to South Africa before full democracy was introduced.

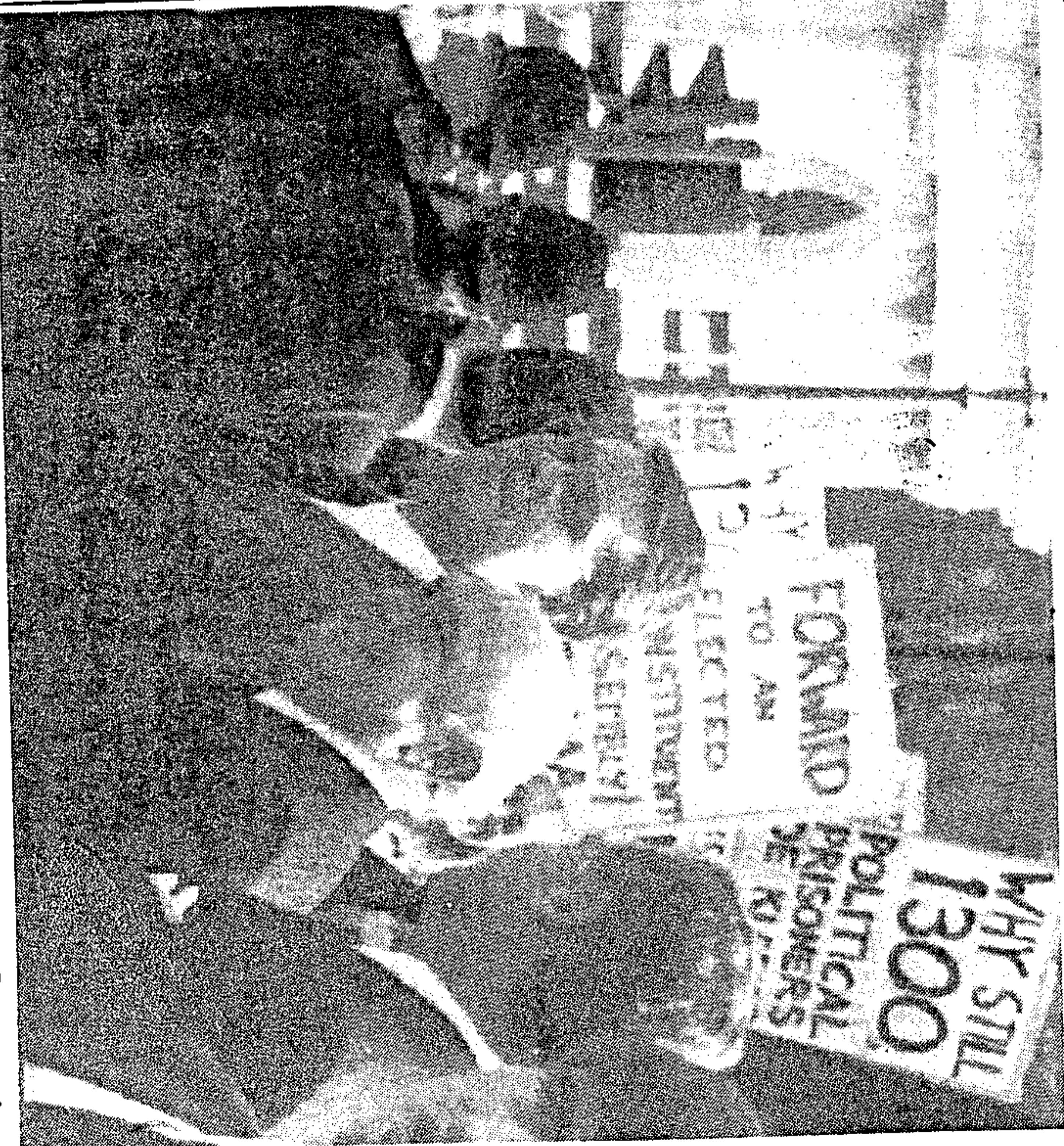
Bankers said they doubted whether De Klerk would have made a direct request for new financing at the meeting, although that would probably emerge at a later stage.

Before leaving South Africa, De Klerk said he wanted new or renewed economic investment to underpin his reforms of apartheid laws.

"When I meet British bankers, I will merely inform them that there were no impediments preventing them from investing in our country," he said, adding it was very important that the private sector was properly and fully informed "about the opportunities which we believe are opening in South Africa".

The South African spokesman said De Klerk and Major would discuss the South African economy and sanctions at a working dinner later.

Sapa-Reuters.



State President FW de Klerk arrives at South Africa House in London's Trafalgar Square yesterday, greeted by protesting ANC supporters. De Klerk is on an official visit to England and has

Bankers are keen to invest in new SA, says F W

From MICHAEL MORRIS
Political Correspondent

LONDON. — British bankers have told President De Klerk they are willing to invest money in South Africa but want to see a state of normality returned to the country.

This was one of the chief impressions Mr De Klerk was left with after yesterday's first round of meetings.

He said "the programme has been very positive so far".

OLD FOE

Sapa reports that Mr De Klerk met his old foe, Britain's opposition Labour Party leader Mr Neil Kinnock, at the House of Commons today. The meeting was expected to last 40 minutes while they discussed his plans for an apartheid-free democracy in South Africa.

The Labour Party is a firm supporter of international sanctions to push the government on to further reforms, but recent new policy statements have indicated an appreciation for Mr De Klerk's efforts.

Mr Kinnock was accompanied by his shadow Foreign Secretary, Mr Gerald Kaufman, and other Labour Party front-benchers.

This was to be followed by tea with an old friend, former Prime Minister Mrs Margaret Thatcher, and then lunch with financiers and businessmen.

The big event of the day — and a public performance he was expected to put all his effort into — is his address this afternoon to the Institute of Directors annual conference at the Royal Albert Hall.

An address to the Royal Institute of International Affairs follows later.

SELF-ASSURED

Today's public engagements follow private meetings yesterday, one of them with bankers.

A smiling and self-assured Mr De Klerk acknowledged that the bankers were anxious to see normality resumed in South Africa but said his chief impression was that they were willing to invest money in the country and expressed considerable interest in the prospects for South Africa and Southern Africa.

UK envoy optimistic about SA

DARUS SANWA

OUTGOING British ambassador Robin Renwick said yesterday SA was the "main glimmer of hope in Africa" and that a negotiated political outcome was inevitable.

Renwick, who is due to become Britain's Washington ambassador in July, said he was optimistic about the future of SA in spite of the violence.

Addressing the SA Britain Trade Association, he warned that apartheid's administrative structures had made the situation in SA economically unsustainable.

Renwick said it was a "bizarre tribute" to the SA business community that it had managed to keep afloat "in this crushingly inefficient super-structure for so long".

SA was still seen as a good investment opportunity by British firms.

He expressed relief that the ANC now regarded the policy of nationalisation as "a more questionable doctrine".

On sanctions, Renwick said Britain would apply the oil embargo until a democratic constitution for SA was agreed on.



British Ambassador Sir Robin Renwick downs a drink before the SA-British Trade Association lunch in Johannesburg yesterday. Looking on in apparent amazement is Carel de Wet, former SA ambassador in London. Picture: ROBERT BOTHA

Violence not feared by UK business

ALGMS 1591
61

From FRANK JEANS

JOHANNESBURG. — Township violence is disappointing British businessmen generally, but is no deterrent to their drive to renew profitable two-way links with South Africa.

This is the message from the London Chamber of Commerce and Industry trade mission in this country until May 18.

At a Press briefing in Johannesburg yesterday, mission leaders were unanimous that they were in South Africa to "see for themselves" rather than accept as fact the often unfavourable reports in the UK about the situation here.

While township unrest had, to some extent, nullified the recent initiative by State President Mr F W de Klerk during his visit to Britain, Ireland and Denmark, mission members were emphatic that the violence "has not put us off".

They said they were hopeful of taking back a more balanced view.

Mr Alfred Rolington, chief executive of Lloyd's of London Business Press, who is due to meet an ANC delegation, said: "I hope to get some assurance from ANC representatives that they are prepared to go to the negotiating table."

Mission members were unanimous that the potential of the South African

marketplace was much greater than that of Eastern Europe.

Mr Paul Hayball, director of Export Market Development of Hampshire, who is marketing new environmental pollution technology for the oil and chemical industries, said: "The long-term business prospects are infinitely better in South Africa.

"British businessmen know the South African market has to be looked at and they are excited about prospects."

● Meanwhile Derek Tommey reports that neither the prospect of 100 000 Zulus on the warpath nor fears that US investors might react strongly to President George Bush's heart troubles has had much effect on sentiment on the JSE.

Although trading was subdued yesterday and share prices slightly easier, brokers and investment managers showed little concern.

Light selling was more likely the result of profit taking than worries about the political situation, said Mr Rodney Yaldwyn of Simpson Mckie.

Industrial shares had risen about 30 percent since the start of the year, and the market was ripe for a correction. Prices could drop 10 percent without affecting sentiment, he added.

Lewis family in bid for UK fashion chain

LONDON — Oceana Investment, the £20m UK group which is 56%-owned by the Lewis family who control Foschini, is hopeful of winning acceptances for its contested £22.3m tender offer to buy 18.5% of the fashion chain Etam:

Michael Lewis, director of Oceana and Foschini, said yesterday: "We've had a lot of brokers ringing up to ask how to tender shares for the offer."

"Etam's share price is staying in the 170p-175p range (against the Oceana offer of 185p) and with a bit of luck that will persuade people to sell."

Oceana has already accumulated 6.6% of Etam which reported a 51% drop in profits to £8.5m for last year. Etam did so despite turnover rising by more than 80% to £207m since 1987-88 when pre-tax earnings hit a peak of £17.9m.

Etam, valued at £121m by the tender price, is fighting the offer.

JOHN CAVILL

Financial director Keith Miles said: "It is an attempt to gain back-door control at an unacceptably low price."

Oceana is considering a full bid for the group, having been rebuffed in February when it proposed a cash and shares offer valuing Etam at 150p — when it was priced at 117p in the market.

Lewis, whose family controls the 700-store Foschini group in SA, said: "We think we can do a better job with Etam than its present management. Etam is tightly run but every key indicator of performance, from sales per square foot to profit margins, has shown a decline."

"And we believe there is a difference between a tightly-managed company and a well run company."

Oceana's tender for the Etam stake closes on May 7.

Influential UK business group arrives in Jo'burg

TIM COHEN

AN influential delegation from the London Chamber of Commerce and Industry (LCCI) arrived in Johannesburg yesterday on a two-week trade mission to SA.

The visit, which reflects growing interest in SA following the lifting of sanctions by the EC, was organised by the British consul in SA.

An LCCI spokesman said from London that the visit reflected the growing confidence in SA's future and the UK government's sympathy for the mission.

Other missions to follow would have the financial support of the British government, she said.

The spokesman said the visit would pave the way for a major British delegation next March.

The delegation includes Barclays Bank deputy export director Stephen Cutler, Lloyds of London Business Press CE Alfred Rodington, Export Market Development director Paul Hayball, mission leader ITW Adhesives GM Michael Underwood, ACO Polymer Products export manager Keith Lambourne and Rockwell International area manager David Williams.

The group, whose visit takes in Cape Town and Durban, was welcomed by representatives from local chambers of commerce and industry.



British consulate-general representative Jacobus Heyns, right, welcomes members of the London Chamber of Commerce and Industry trade mission on their arrival in Johannesburg yesterday.

Picture: ROBERT BOTHA

Violence 'has sobered UK enthusiasm'

VIOLENCE in SA has had a sobering effect on UK companies that were once enthusiastic about changes taking place in the country, London Chamber of Commerce and Industry (LCCI) mission delegates said yesterday.

Speaking at a news conference in Johannesburg, mission secretary Tracey Dorrell said once stability in SA could be demonstrated — and reported in the British media — UK companies would come back to SA quickly, because it was considered an important market.

The delegation, which is in SA for two

3 10 am 7/5791
ZILLA EFRAT

weeks, will promote a variety of products and services.

It followed a successful mission to SA last year and Dorrell said the LCCI was now planning to visit SA annually.

The mission will also visit Cape Town and Durban.

Export Market Development director Paul Hayball said there were niches in the SA market for many UK companies that had not exported to SA before.

Lloyds of London Business Press CE

Alfred Rolington said that, in the longer term, SA would not be neglected as a market in favour of Eastern Europe.

□ Sapa reports that the Afrikaanse Handelsinstituut (AHI) said yesterday the continuing violence and unrest was discouraging local and international investors.

AHI director Prof J Poolman said in a statement: "SA needs political stability more than ever to restore business confidence so that the economy can grow, and prosperity and job creation can be realised."

● Picture: Page 3

UK trade mission not put off by violence

Star 715791
By Frank Jeans

Township violence, while disappointing to British businessmen generally, is no deterrent to their drive to renew profitable two-way links with South Africa.

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UK firms urged to boycott SA goods

61
280
74

Star 14/5/91
Star Bureau

LONDON — Firms that trade with South Africa through the port of Bristol are being urged to seek imports from other countries.

Bristol Anti-Apartheid Advisory Panel claims South Africa is only dismantling "petty apartheid" and no fundamental shift towards nonracial democracy has yet been made.

A report, commissioned by Bristol City Council, which owns the port, said that total trade with South Africa has dropped from 206 000 tons in 1985 to 149 000 tons in 1989.

In 1988 the Labour-controlled council decided to continue handling existing South African trade contracts, but said it would not seek new ones.

The three main imports are wood pulp, fluorspar and molasses.

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South Africa beginning to lure British businessmen

Star 18/5/91

DAVID CANNING

61

DURBAN — British business is becoming much more aware of the abundant trade opportunities in South Africa, says Michael Underwood, leader of the London Chamber of Commerce's trade delegation.

This trend, he said in Durban this week, is reflected in the number of British trade missions planning to visit South Africa.

This year the number had already jumped from four to nine and it is believed that about 20 are planned for next year.

He was speaking at a function sponsored by Volkskas to mark the delegation's visit to Durban.

Without exception, his delegation members were more than happy with the fruits of their visit, which ends when they leave for home this weekend.

Mr Underwood said in an interview that in many respects South Africa represented a more attractive trade partner than Eastern Europe.

Language

Besides the language and cultural problems of Eastern Europe, there were sometimes payment difficulties.

He believed that British business should take a long-term decision to build up business in South Africa, rather than to take an opportunistic one-off view on exports.

Mr Underwood is general manager, Europe, for ITW Adhesives, an international group operating in the industrial resins and coatings fields.

He saw considerable scope for building up his group's business in South Africa.

Maggie pops up in Phalaborwa

Star 18/5/91

THE Phalabora Mining Company had an unusual visitor yesterday as former British Prime Minister Margaret Thatcher spent the third day of her week-long visit to South Africa scrutinising one activity the country does best.



IRON HEAD: Mrs Thatcher was unperturbed about mine safety. Pictures: Etienne Rothbart.

Children soften Iron Lady's heart

Disembarking from a private jet (provided for her convenience by Rembrandt's Anton Rupert), Mrs Thatcher strolled into the town's Van Eck airport looking every inch a reigning stateswoman rather than a private visitor.

A British embassy spokesman said the trip to the mine, jointly owned by Anglo-American and Britain's RTZ mining company, was made to underline her position on economic links with South Africa.

A small group of people who had gathered to welcome her obviously thought so too, woman called out hopefully: "Hey, Maggie, I hope you're going to sort out the pension," referring to

helmet and safety goggles, while the workings of the third-largest pit in the world were explained to her.

And while blasting and machinery may not have moved her, one encounter which caused the Iron to soften slightly was when Mrs Thatcher travelled to Namakgale village, home to most of the mineworkers. She was met at Ikalleng Early Learning Centre by a group of children who greeted her with a repertoire of songs.

Entranced by the music, Mrs Thatcher motioned aside an overeager photographer who blocked her view of the little choir so as to hear the singing better.

To conclude the tour, the party took a walk through the company's well-appointed men's singles quarters - which included a TV room and swimming pool.

At the end of the tour, Mrs Thatcher publicly reiterated her support for investment and economic links between South Africa and Britain.

The visiting party then retired for a private lunch before departing for the airport.

And as the jet rose into the clear winter sky heading for Mala Mala game park, the management and workers of the Phalabora Mining company were left to contemplate their brief brush with a political giant of the last decade.

problems British expatriates have with pensions paid out from England.

After surprising the crowd by greeting well-wishers, including some smalltalk with a local mother of twins, Mrs Thatcher, with husband Denis and outgoing British Ambassador Sir Robin Renwick and his wife, was ushered away



A CHILD'S VIEW: A brush with greatness? One of the children at the Ikalleng Early Learning Centre in Namakgale finds something even more interesting than Mrs Thatcher's visit to his school.

Namibia do deal on Walvis

WINDHOEK - Namibia and South Africa agree at talks here yesterday to establish a joint administration over the SA port of Walvis Bay prior to settlement of the issue.

South African Foreign Affairs Minister Pik Botha said in Windhoek his delegation had come to Namibia to explore the complex issue of Walvis Bay and its islands.

Namibia has demanded that the enclave and the small islands be reintegrated into its territory.

Mr Botha said one of the issues already discussed between the two countries in Cape Town in March, that of the Orange River border, "was not a problem any longer". He did not elaborate.

Officials said South Africa considers the northern bank of the river, which separates the two countries, as the border, while Namibia says the border should be a rippled line in the river.

Mr Botha said he believed peace in Angola and Mozambique was very close. - Sapa

UK trade chief positive about SA links

Staw 21/5791

(61)

PRETORIA — The chairman of the British Overseas Trade Board (BOTB), Sir Derek Hornby, said last night that he was "positive" and "optimistic" about improved trade prospects between South Africa and Britain.

He told a news conference at Jan Smuts Airport, at the conclusion of a fact-finding mission to South Africa, that he would recommend to the BOTB that South Africa be categorised as a priority trade area.

Asked whether the ANC's refusal to participate in President

de Klerk's peace summit at the end of the week would be detrimental to foreign business confidence, Sir Derek said he did not think "daily" news events such as this impasse would affect the business outlook.

Trade missions

"There is currently a very positive atmosphere in the UK regarding South Africa," Sir Derek said.

Sir Derek said he hoped there would be a number of trade missions to South Africa in the

near future, as well as trade fairs.

He said local businessmen he had spoken to were very anxious to do business with the UK.

Sir Derek said he had had the opportunity of meeting most of the South African Cabinet at a banquet in Cape Town this week.

He said he had been "anxious to get down here as soon as we possibly could" to appraise business opportunities ahead of the French, Germans, and Japanese. — Sapa.

Stancha ready to return to SA when conditions permit

Star 23/5/91 (S) 61

HARARE — UK bank Standard Chartered (Stancha), which sold its stake in Standard Bank of SA in 1986, would return to the country "if the conditions were right", Stancha chairman Rodney Galpin said yesterday.

The return of South Africa to the world community should have a beneficial economic effect on all of Southern Africa, Mr Galpin said at a news conference in Harare.

Promising

He said the political situation looked more promising.

Asked whether Stancha would return to SA, Mr Galpin said: "That's an issue that lies ahead, but if it looks right... having some sort of presence in South Africa, we would probably do it, but at the right time."

The Standard Chartered board is having a monthly meeting in Zimbabwe, only the second

time the bank's board session has been held outside London.

It met in Hong Kong last year.

Mr Galpin, chairman and group chief executive of Standard Chartered Plc and Standard Chartered Bank, which celebrates its 100th anniversary in Zimbabwe next year, said the fact the board was meeting in Harare demonstrated the bank's commitment to Africa in general and Zimbabwe in particular.

Asked about the competition for funds between Eastern Europe and the Third World, Mr Galpin said since the euphoria over Eastern Europe 18 months ago, Africa was possibly looking more attractive, with investors seeking political stability.

"What happens in South Africa must be in people's minds," he said.

"Once it is back into the world community, it must have a beneficial effect on Southern Africa as a whole, and I think Africa, and particularly

Southern Africa, are well poised for a significant step forward."

Referring to Zimbabwe's five-year economic reform programme, he said: "You have a well balanced economy, and given both sufficient international support and local determination, this initiative stands a very good chance of succeeding."

Infrastructure

He said Zimbabwe was well placed to attract foreign funds, with political stability, a good infrastructure and a healthy track record in international borrowing.

Asked about debt, he said four years ago unsecured Third World debt — largely in Latin America where Standard Chartered lacked a physical presence — amounted to 170 percent of shareholders' funds.

This was down to 23 percent, "and I think the problem has passed", Mr Galpin said. — Sapa-Reuter.

INVESTMENT FM 24/5/91

TAPPING IN (61)

SA is once again a target market and the British government and businessmen are committed to strengthening trade and investment ties.

That's the view of Sir Derek Hornby, chairman of the British Overseas Trade Board, which sponsors trade missions and fairs and advises the government on business strategies. On Monday, Hornby wrapped up a week-long visit to SA where he met business leaders in Cape Town, Johannesburg and Durban.

"Margaret Thatcher was not on a personal crusade," he says, by way of explaining the UK government's continuing interest in SA. "This is a 100% government-funded and backed trip. Since April, SA has been back on the priority list. It's a target market."

With R11bn a year in two-way visible trade, the UK is SA's biggest trading partner after Germany. Britain's R5,5bn in exports to SA is more than the value of its exports to the whole of Latin America.

Hornby, who retired recently as chairman of Rank Xerox (UK), says violence certainly is a concern among prospective investors. But, as he points out, British business kept up its links with SA more than any other country despite sanctions pressure, so there's a broad base to build upon. British investment in SA is about R50bn, nearly half of all foreign investment here.

He says President F W de Klerk impressed the 300 top industrialists he addressed in London last month by being direct about the problem of violence. "He's very aware of the violence as a bar to further investment."

Hornby says South Africans shouldn't be too concerned about competing with Eastern Europe for investment money because SA has the advantage when it comes to infrastructure and a convertible currency. "It's a concern, but I don't think it's terribly real. Eastern Europe is a much longer-term thing."

He adds: "SA is the gateway to southern Africa. That's the way it's viewed in the international community." ■

UK trade group comes shopping in SA

MORE signs are emerging from the US and Britain that SA is edging out of the financial cold. *B/Day 4/6/91*

UK SA Trade Association (Uksata) executive director Nick Mitchell said yesterday some of Britain's smaller merchant banks were looking at entering the SA market. *(61)*

He was speaking at a news conference for the visiting Uksata trade mission, the first officially sponsored British mission to SA since 1985.

British consul general John Doble later confirmed that a number of UK merchant banks had visited SA over the last year to

ZILLA EFRAT

examine increasing their presence and business in SA.

While nothing had been finalised, Doble said there could soon be involvement by UK merchant banks that had not been in SA in the past, with some possibly setting up offices in the country.

He added that Barclays and Standard had maintained links with SA and financed a lot of trade.

In a separate development, US-owned Monsanto Agricultural Company, one of

To Page 2

Trade group *B/Day 4/6/91*

the world's largest producers of agricultural and industrial chemicals, has announced a plan to give its SA operations a wider role.

The move will see the multinational, which has its headquarters in St Louis, Missouri, making a substantial investment in people and promotion to support its South African business.

In addition, if local sales and exports to southern Africa increased, there could be increased investment in Monsanto's local production facilities, Monsanto SA marketing manager Chris Jones said.

The aim was to turn Monsanto's SA operations into a major player in the global development of new products, new chemistry and new technology.

Prominent SA chemical agronomist Jim Findlay has been appointed Monsanto SA

vice-chairman and southern and east African technical director, a new position which includes a global brief.

While Monsanto had in the past been cautious about increasing investment in SA, Jones said it believed that the SA market offered vast potential.

Monsanto's Brussels-based director of European and African operations Bob Noels said: "During the difficult times we showed confidence in the future of SA and now the country is strategically important in our worldwide development programmes.

"Its location in the southern hemisphere provides excellent opportunities for researching potential new products during the northern off-season."

From Page 1
(61)
● Picture: Page 3

British (61) mission on *South Africa 4/6/91* SA visit

THE first British government-sponsored trade mission in five years arrived for a week's visit to South Africa.

The 23-company delegation, which arrived at the weekend, is the first of a series of trips planned by the United Kingdom-South Africa Trade Association now that the British Government has relaxed its sanctions policy.

Warning

According to Uksata executive director Mr Nick Mitchell, the association is planning up to 10 similar delegations this year, compared to an average of one or two non-sponsored ones over the past few years.

He hoped such visits would help increase the two countries R11 billion annual trade.

While he warned that violence and labour unrest could make the situation difficult, he was confident trade and investment between Britain and South Africa would grow.

'Small firms essential part of economy'

ET 20/6/91 Own Correspondent

JOHANNESBURG. — The growth in the number of British small companies to 2,5-million over the past 10 years had meant that 96% of all businesses in the country were those employing fewer than 20 people, British Small Business Minister Eric Forth said yesterday.

Addressing the annual conference of Nafcoc's National Industrial Chamber (NIC) in Johannesburg, Forth said between 1979 and 1989, the number of businesses registered for VAT grew by almost 30%.

He said this was "a staggering increase of 373 000 or 100 additional businesses every day (including Sundays), something which was sustained over a period of 10 years."

Forth, who is also Minister of State for Employment, added: "In the 1980s firms which employed fewer than 20 people created more than 1-million jobs. In comparison, larger firms created half-a-million jobs over the same period.

"Small firms are an essential part of a healthy economy. They will produce industrial leaders of the future by maximising the range of choice available through market provision and challenge the dominance of existing market leaders," he added.

Forth said small companies were "the engine" of the British economy.

Sapa reports that the battle for a better deal for black businessmen is not over despite the events which have changed the "old" South Africa over the past 30 years, says black businessman Gab Mokgoko.

Speaking at the conference yesterday, Mokgoko said a new thrust had to be made by manufacturers and to adopt methods of co-operation with other enterprises.

Oceana bids for UK fashion chain

CIT 27/6/91

220 (61) 232

By AUDREY D'ANGELO
Business Editor

OCEANA DEVELOPMENT INVESTMENT TRUST (Oceana), the London-based investment trust company in which the Lewis family — controlling shareholders of Foschini — have a 56% stake, is offering £87m (R470m) for 100% of British fashion chain Etam.

Oceana increased its stake in Etam from 6.6% to 28% last month, when it paid 185p a share.

Oceana MD Michael Lewis, who is also a director of Foschini, said then that Etam, with 250 outlets, had a small market share "but we see opportunities for substantial growth in the long term".

His father, Foschini chairman Stanley Lewis, said at the time that there was no connec-

tion between Foschini and Etam, but there might be synergy later.

Yesterday's announcement said that Oceana Retail Enterprises (ORE) had been formed specifically to make the offer for Etam.

The bid would be financed by a consortium of UK institutional investors (£31m), a debt facility of £45m and £45m from Oceana itself. Oceana would have 50% of the equity of ORE and voting control.

UAL Merchant Bank said Oceana would fund its share of the offer by the placing of up to 16.7m new ordinary stock units of Oceana at £3.25 a unit. UAL will underwrite the placing in full.

At the same time, Foschini will acquire an interest of approximately 36% in the enlarged equity of Oceana for approximately R153m in the event of an unconditional acceptance of the Etam offer, or

approximately R131m if the Etam offer is not unconditional.

UAL Corporate Finance executive director Tim Sewell said that, in line with UK practice, the rights offer would be undertaken by a placing of the offer with UAL. Shareholders would be entitled to claw back their rights if they wished.

Any rights not clawed back would be placed by UAL with institutional and other investors in SA.

Sewell said that if the bid was not successful, Oceana would probably lose its London listing.

London Stock Exchange requirements recently caused Donny Gordon's FIT to surrender its London listing and move to Luxembourg.

Oceana could make a similar move if it loses its London listing. Its listing on the JSE would not be affected.

Business leaders team to exploit African opportunities

61
AEC 27/6/91

By TOM HOOD, Business Editor

LEADING businessmen in South Africa, Germany and England have taken an equity stake in Lawfin, the low-profile Cape Town-based financial services group that has been an active player in the country's foreign borrowing programme over the past 16 years.

Lawfin has expanded to exploit exciting opportunities now arising in Southern Africa, says executive chairman and major shareholder Mr Lawrence Miller, who founded the company in 1975.

He says the expansion entails the formation of a group, under the name of Lawfin International, with offices in Cape Town, the Channel Islands and London.

This also involves a select few European businessmen as shareholders and consultants, extending the company's international network and skills.

A permanent London office will be opened by the South African Ambassador, Mr Kent Durr, on July 3.

"FIS Corporate Services will have 15 percent and other local shareholders 5 percent of Lawfin International, with foreign shareholders gradually increasing their interest from 14 percent to 25 percent," said Mr Miller today.

The South African non-executive directors are Mr Jeff Leibesman, chairman of FSI, Mr Howard Mauerberger, chairman of Bergers Group, and Mr Barney Hurwitz, chairman of Clinic Holdings.

The managing director, based in Cape Town, is Mr Nigel Palmer, whose 16 years in international banking and treasury experience in London included spells at Morgon Grenfell, EBC Amro Bank and Arab Banking Corporation.

"Our focus will be on sourcing and negotiating new foreign loan and trade finance for Southern African

borrowers and exporters, structuring and advising on longer term interest and cross currency swap transactions, identifying investment and joint venture opportunities in South Africa, and foreign debt standstill advice and trade," said Mr Palmer.

Mr Miller, who estimated Lawfin was instrumental in initiating up to 10 percent of South Africa's medium-term international borrowing by the mid-1980's, said political developments were helping in reopening the international financial markets to South Africa.

"I felt the best way to capitalise on the international contacts and skills enjoyed by Lawfin was for me to dispose of up to 45 percent of Lawfin's equity to a few significant, strategically located investors who would support their stockholding with long-term loans and new business."

As a result foreign directors are Mr Roland Berger, chairman of a leading German management consultancy, Mr Adolf Kracht, retired partner of a German private bank, Mr Manfred Sadlowski, chief executive of Monch publishing group, Dr Dieter Schulz, German partner of the Euram international group of management consultants, Mr Michael Comminos, recently retired director of N M Rothschild & Sons, Mr Robin Bigland, managing director of Isle of Man Assurance, Mr Alfred Legner, senior partner of Lecham Partnership, international corporate finance specialists in London and Mr Shlomo Grofman, chief executive of Africa-Israel Investments, one of Israel's major listed companies.

London-based executive consultants are Mr David Hilbery, until recently chief executive of the consortium bank, International Commercial Bank, and Mr Brian Piercy, who had 40 years with National Westminster Bank.

Firms pay 'poverty' wages

CT 2/7/91

Own Correspondent

LONDON. — Fifteen British companies operating in SA have been criticised by the Trade Union Council (TUC) for paying "poverty" wages to 1 500 black workers.

The TUC says this is the first time the number of black workers paid below the minimum level has risen since the European Community's code of conduct for firms with interests in SA was launched in 1978.

Last year, according to a TUC analysis of reports from British companies produced by the Department of Trade and Industry, 1 500 black employees at UK firms were paid below the suggested minimum wage — up from 1 100 the previous year.

The minimum wage was calculated by the University of SA and set at 50% above the lowest poverty level for a family of four.

UK firms in SA draw fire for pay levels

Sunday 2/7/91
LONDON — Fifteen British companies operating in SA have been criticised by the Trade Union Council (TUC) for paying "poverty" wages to 1 500 black workers.

The TUC says this is the first time the number of black workers paid below the minimum level has risen since the EC's code of conduct for firms with interests in SA was

KIM BENTLEY

2/5
launched in 1978. *(61)*

TUC's list is: Babcock International Group, BET, BETEC, BOC Group, Frank Fehr, Hickson International, Hunting, Lonrho, Low and Bonar, NEI, A Oppenheimer, Reed International, Renold, Shell and Siebe.

15 UK firms in SA 'pay poverty wages'

Star Bureau

LONDON — The British Trades Union Congress has published the names of 15 British companies it said were paying "poverty wages" to black employees in South Africa.

The list of companies paying below the minimum wage calculated by Unisa, released by TUC secretary general Norman Willis, is based on an analysis of reports from British companies, produced by the Department of Trade and Industry.

The companies were named as the Babcock International Group, BET, BETEC, BOC Group, Frank Fehr,

Hickson International, Hunting, Lonrho, Low and Bonar, NEL, A Openheimer, Reed International, Renold, Shell and Siebe. Between them the companies employ 1 500 workers.

The TUC said it would encourage its affiliates to persuade British companies with which they negotiate to pay all their employees in South Africa above the recommended minimum rate.

At the same time the TUC would urge British companies doing business in South Africa to provide more training and education for employees, and to observe "a voluntary ban on further investment".

UK bank to open in SA

CF 5/7/91 (b1) (S)

From JOHN CAVILL

LONDON. — Robert Fleming Holdings — the UK merchant bank, financial services and international investment group with £25bn (about R117,5bn) in funds under management worldwide — is to set up in South Africa.

One of the top four British investment managers, Flemings intends to offer the full range of merchant banking services and hopes to open in Johannesburg by the end of this year.

Mr Adam Fleming, 43, a director of the holding group, will

move to Johannesburg in September.

The move by Flemings makes it the first UK merchant bank to move into SA since the start of reform by President FW de Klerk. Warburg's is believed to be on the point of a decision.

Mr Fleming said yesterday: "We think money is going to come into SA and we have a huge and wide range of investment clients. We are not just coming to chew up the local merchant banks, we feel we can bring something to the country and that is international investment."

"Europe is already investing in SA again. But when I looked through our portfolios under management, their ownership of SA equities was about zero."

"President De Klerk has done an incredible job of rehabilitating SA internationally."

"And, in a funny way, I think the period of financial sanctions has made SA become financially strong and people are beginning to wake up to that fact," he said.

"I think a lot of foreign companies made the wrong decision when they withdrew."

Flemings 'to bring new investors'

Leading UK bank to start SA operation

B/day 5/7/91

LONDON — Robert Fleming Holdings, the UK merchant bank, financial services and international investment group with £25bn in funds under management worldwide, is to set up in SA.

One of the top four British investment managers, Flemings intends to offer the full range of merchant banking services and hopes to open for business in Johannesburg by the end of this year.

Adam Fleming, 43, a director of the holding group and of several investment trusts, will move to Johannesburg with his family in September.

Flemings will be the first UK merchant bank to move into SA since the start of the reform process by President F W de Klerk. Warburg's is believed to be on the point of a decision.

Fleming said yesterday: "We think money is going to come into SA and we have a huge and wide range of investment clients. We are not just coming to chew up the local merchant banks. We feel we can bring something to the party and that is international investment."

"Europe is already investing in SA again. But when I looked through our portfolios under management their ownership of SA equities was about zero. Back in the mid-1960s an international fund would typically have between 5% and 10% in SA stocks."

"Our reasons for starting in SA are two-fold. President de Klerk has done an incredible job of rehabilitating SA internationally. I met him and listened to him during his visit to London and was enormously impressed."

"And, in a funny way, I think the period of financial sanctions has made SA become

JOHN CAVILL

financially strong and people are beginning to wake up to that fact," he said.

Fleming, who was an investment manager for Flemings in Hong Kong and Singapore before returning to London, said the group had been invested in SA in the 1950s when it owned Utrecht Colliery. "We pulled out for purely business reasons and in many ways I wish we had stayed on."

"I think a lot of foreign companies made the wrong decision when they withdrew."

He would not say how much capital Flemings, which is a family-controlled private group, would be putting into its SA operation. "We tend to start off in a small way and to build up. Our main emphasis at first will be on the investment side which is my particular area."

While Flemings realised that the SA equity market was tightly controlled by the big institutions, he said the group believed the demand for capital would see a "big gearing up and an opening of the market".

Flemings was the first UK bank to become involved in east Germany, and while it and other former communist economies differed from SA, there were similarities in the capital requirements.

Yesterday the group announced net profits of £31.2m — down 13% — but an increase in net assets of 6% to £313.7m. Gross assets of the bank are nearly £2.8bn.

In addition to the giant Save and Prosper unit trust group, Flemings runs 12 investment trusts with portfolios spread across the world and offices in 16 countries — from the US to Japan, Hong Kong, Indonesia and from Australia and New Zealand to France, Germany and Switzerland.

HOW TO SPOT THEM

A total of 45 quoted UK ⁽⁶¹⁾ companies have ended up in the hands of receivers or administrators during the past two years. They include Polly Peck, British & Commonwealth, Parkfield, Coloroll, Leading Leisure, Sock Shop and Charterhall.

There has been much puzzling over the causes of these failures. In many cases, the companies were large, apparently reputable, managed by highly-regarded and seemingly capable individuals and surrounded by eminent professional advisers. In some cases, there were warning signs, but the failures often came completely out of the blue.

Analysts from stockbrokers County NatWest WoodMac have tried to provide some answers by undertaking an exercise which they liken to medical pathology.

They have studied all 45 deceased companies for common symptoms. They conclude that investors should beware of acquisitive companies run by dominant

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FOX

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personalities. The analysts say companies which are quoted on the Unlisted Securities Market (USM) rather than the main stock market and have a penchant for creative accounting, should be avoided. The main points are:

Fast aggressive expansion is a likely precursor to problems, whether the growth is "organic" or comes through acquisition.

All 45 companies grew rapidly before being put in the hands of receivers or administrators: the average growth in turnover for all the companies in 1989-1990 was 50%, while nearly one-fifth doubled their turnover in that time. This is especially dangerous if accompanied by a sharp rise in borrowings.

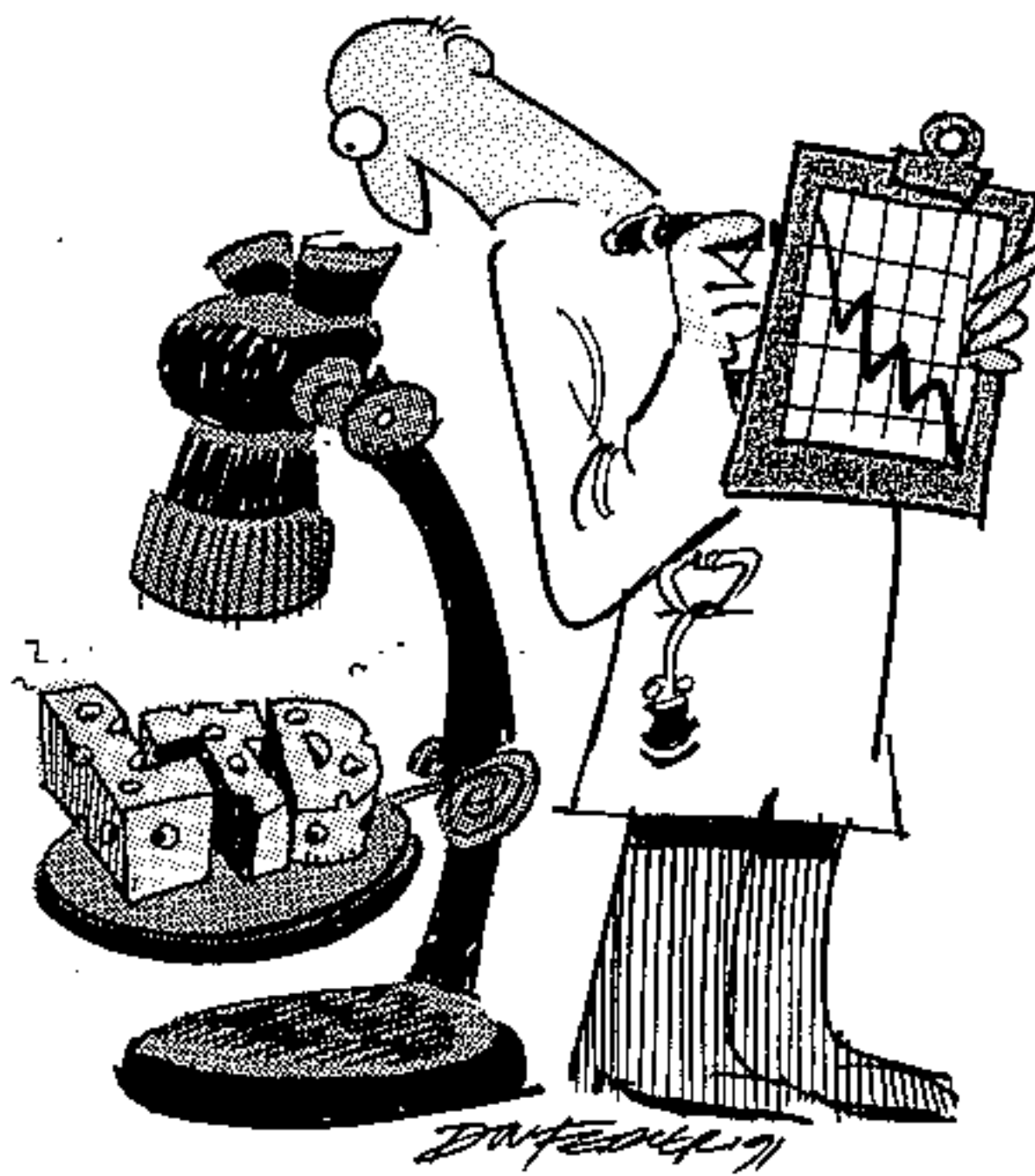
Dominant personalities are often involved. Danger is greater if the dominant individual combines the role of chairman and CE and has a large shareholding. More than 60% of the companies had a combined chairman and CE, or an executive chairman with no separate CE or MD.

Boardroom strife — unexplained departures and public rows — should be taken as a "leading indicator" of trouble.

The report concludes:

USM companies are more likely to fail than fully listed stocks and the closer the company is to its flotation, the more likely it is to go bust. Nineteen of the 45 companies had been quoted for less than five years.

The shortest-lived company was Poly-source Holdings, a manufacturer of injection-moulded plastic parts which joined the Third Market in January 1990 and went into receivership less than six months later, with-



out ever having published a set of accounts.

Accounting standards do not help the investor: "Though the last published report and accounts normally showed signs of impending disaster, the majority of these signs need ferreting out from the notes."

Many of the companies enthusiastically embraced creative accounting techniques which made it easier for them to report higher profits and more difficult for users of accounts to have any idea of what was going on. Techniques included: off-balance sheet finance, acquisition accounting and "reserve accounting", where costs are charged against the balance sheet rather than against profits.

Audit reports are criticised because they seldom give any warning of impending disas-

ter.

The analysts note that some sectors are inherently riskier: the highest failure rate was among property developers.

They also warn not to place too much faith in distinguished non-executive directors: well-known names at some of the collapsed companies included Lord Lever (Authority Investments); Lord Sieff, former chairman of Marks & Spencer (Sock Shop); and Prince Michael of Kent, member of the Royal Family (London United).

Potential investors are advised to look through the company annual report and accounts and ask:

- Is the chairman also the CE or MD?
- Is gearing more than 100%?
- Has gearing increased significantly since last year?
- Are short-term borrowings larger than long-term?
- Has turnover grown at more than 50% annually over the past five years?
- Did turnover more than double in the last year or in the previous year?
- Has the company recently made, or is planning to make, a move of premises?
- Have any directors resigned?
- Is the report and accounts rather lavish and/or of a non-standard, that is, non-A4 size?
- Is the company in a cyclical industry?

County warns that if the answer is yes to more than five of these questions, proceed with caution. If more than eight, "do not invest in the company unless you have checked it out thoroughly."

Big British bank returns

Own Correspondents

LONDON. — Standard Chartered, the £22-billion (about R103bn) British-based international bank, is moving back to South Africa four years after it disinvested by selling its stake in Standard Bank under political pressure.

On August 1, Mr Mel Balloch, 50, head of Stancha's trade finance division, will open the group's representative office in Johannesburg. It will not be a full banking branch of Stancha — unlike Robert Fleming Holdings which is to start up a merchant bank and investment management subsidiary.

Stancha's move will provoke strong protests from the End Loans to SA lobby which has persistently attacked its continuing relationship with SA.

A spokesman for Stancha said: "The office is being set up specifically to deal with trade flows between SA and the rest of Africa.

"We believe that the changes in SA will unlock a flood of trade, not only with Africa, and we want to be there, using our network of branches and offices in Africa, the Middle and Far East."

There is speculation in London that India is on the point of sending a trade mission to SA.

Stancha, with outstanding loans to SA of \$809 million (about R2,4bn) at the end of last year, is one of the country's main international creditors.

It operates in 14 African countries from Zimbabwe to Kenya and Nigeria, Ghana, Sierra Leone and Cameroon.

In the East, Stancha does business in China, Hong Kong, Taiwan, Japan and South Korea as well as Thailand, Malaysia, India, Pakistan, Bahrain and the United Arab Emirates. Stan-cha's biggest shareholder is the Malaysian tycoon Mr Tan Sri Khoo Teck Puat, with 11%, who was one of a posse of "white knights", including Liberty Life, which rescued the group from a hostile bid from Lloyd's Bank in 1986.

Overall its global coverage extends to 554 offices in 53 countries.

Mr Balloch is one of the group's most senior executives. From responsibility for East, Central and Southern Africa in Stancha's economics department, he has headed group trade finance since February last year.

Local banks prepare for 'unfair' battle as Stancha plans its return to SA

LONDON — Standard Chartered, the £22bn British-based international bank, is moving back to SA four years after it disinvested by selling its stake in Standard Bank under political pressure.

The Reserve Bank confirmed at the weekend that the British bank had applied for permission to open an SA office. It is the first major overseas bank that disinvested from SA to return to the country.

On August 1, Stancha trade finance division head Mel Balloch, 50, will open the group's representative office in Johannesburg. It will not be a full banking branch of Stancha — unlike Robert Fleming, which

is to start up a merchant bank and investment management subsidiary.

A spokesman for Stancha said: "The office is being set up specifically to deal with trade flows between SA and the rest of Africa. We believe that the changes in SA will unlock a flood of trade, not only with Africa, and we want to be there, using our network of branches and offices in Africa, the Middle and Far East."

There is speculation in London that India is on the point of sending a trade mission to SA.

A senior Standard Bank source said the bank did not relish the return of its former

parent to the region. He said there was a feeling among local bankers that major banks with representative offices in SA had an unfair competitive advantage.

As they were not fully fledged banks, but only representatives, they did not face the stringent requirements of the Deposit-Taking Institutions Act. The representatives could arrange loans directly between a local company and the overseas bank, taking away business from the SA banks in the highly competitive trade finance market.

GRETA STEVENS and JOHN CAVILL

Deutsche Bank kept a presence in SA through a representative office in Johannesburg, concentrating mainly on deals involving German companies.

Bankers expect the German bank to become more aggressive in the corporate lending market now that the stigma of lending to SA is disappearing.

The Standard Bank source said the bank had every intention of competing with Stancha in the African market. It had major plans of its own to expand into Africa.

Dealers said the return of foreign banks to SA could hasten the development of

more sophisticated financial markets. They expected the fledgling markets for options, futures and other derivatives to benefit from foreign expertise. They also expected foreign banks to give a boost to the financial rand market as a major part of their business was expected to be in brokering investment in SA.

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□ To Page 2

Stancha

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Balloch is one of the group's most senior executives. From responsibility for east, central and southern Africa in Stancha's economics department, he moved to France for three years and then joined the international division as Euro-currency manager. He then headed the group's Scandinavian section, starting a branch in Copenhagen, before being sent to Hong Kong as international manager for the Far East in 1978.

Balloch returned to London in 1980 to

□ From Page 1

join the treasury division and to take responsibility for relationships with multilateral institutions such as the World Bank, IMF and the African Development Bank.

In the bank's sovereign risk department from 1986 (he was made its head in 1989), Balloch has been closely involved with the SA debt moratorium as well as Stancha's other "problem country" debt of \$1.9bn against which it has made overall provisions of 57% — compared with only 5% for its SA exposure.

Balloch has run group trade finance since February last year

Renewed pressure for sanctions

US firms are looking at a return to SA

(61) ~~25~~
B/day 12/7/91

WASHINGTON — Several US companies are studying reengagement in SA, even as sanctions advocates are vowing to step up efforts to negate President George Bush's decision to terminate the Comprehensive Anti-Apartheid Act.

One bank, J.P. Morgan and Company, announced it was "actively" reviewing its no new loans policy.

A number of Wall Street brokerage houses, including Merrill Lynch and American Express, said they were considering reviving SA-related activities.

"The progress made in SA ... that had led president Bush to lift sanctions is also causing us to review our policies," Morgan vice-president Jack Morris said.

However, the prospects for an early return by the largest US firms that have sold out of SA in the past five years remain cloudy, because of activist pressure in the US and market conditions in SA.

Merrill, Amex and others are interested in resuming research and trade in American Depository Receipts — proxy instruments that enable US investors to trade in SA shares.

With the ending of the investment ban, US institutions will now be able to market ADRs in respect of SA shares issued after the passage of the CAAA in October 1986.

"We're definitely going to do it, assuming there isn't a huge outcry," a brokerage executive told the Wall Street Journal.

General Motors, which sold its SA operation to Delta in 1986, said that with the end of sanctions it was taking another look "as we would at any investment opportunity".

Spokesman Ronald Thies said the overcrowded SA car market did not appear

SIMON BARBER

especially hospitable at the moment.

Ford spokesman Ken Brown said "the politics keep getting in the way. Lifting federal sanctions is an important step, but we would probably still feel inhibited by dozens of over kinds of sanctions that exist in the US at other levels".

Mobil spokesman John Lord said the company had no plans to return, even though the principal reason for its 1989 departure, the Rangel double taxation law, had now been rescinded.

Xerox spokesman Thomas Abbot dampened recent speculation that the firm intended to return, citing local sanctions as the reason. Bush's decision "won't alter our no-investment policy as it stands".

IBM spokesman Tom Belz echoed this view.

Coca-Cola's Linda Peck said that while "obviously, the situation has changed", the company planned no immediate change of policy. However, "we are looking at all our options".

State and local sanctions, especially the 51 selective purchasing laws on the books in major cities and counties around the country, remain a serious impediment.

President George Bush's plea that local authorities get in line with federal policy has been widely rejected.

The justice department is studying ways of pre-empting what the US assistant secretary of state for Africa called "local foreign policies", but this may require US companies to initiate action by bringing a lawsuit.

Even as Bush was announcing his deci-

□ To Page 2

US firms

B/day 12/7/91

sion yesterday, New York City was issuing a new financial rating system designed to keep city funds and bond underwriting business away from banks that have not sold their SA loans or which retain any other SA link.

"It is our firm belief that without such measures, the pursuit of democracy in SA

will be stalled," said mayor David Dinkins.

The Rev. Jesse Jackson meanwhile called for a guerrilla-style sanctions campaign, with any company that chose to return to SA being subjected to boycotts. "Bush may have taken the sanctions off, but we don't have to."

● Comment: Page 6
● See Pages 3 and 5

□ From Page 1

BP returns to Nigeria with \$250m

LAGOS — British Petroleum would invest \$250m in oil exploration in Nigeria, a company official said at the weekend. This move ends a 12-year ban linked to sanctions-busting with SA.

BP exploration CE John Browne said survey work and data analysis had started on two blocks the company had been awarded. He gave no details. *B(Day) 15/7/91*

Browne spoke at a news conference with Nigerian Petroleum Minister Jibril Aminu, who said: "BP will return as a fresh company and its new operations will not in any way be linked to its past operations."

In 1979, the government nationalised BP's interests in Nigeria, Africa's biggest oil-producer, after the company's participation in an oil-swap deal that led indirectly to the shipment of Nigerian petroleum to SA.

Latest statistics, for 1985, show that Nigeria was the fifth-largest producer in 13-nation Opec, providing about 3% of world production. — Sapa-AP.

Richemont denies it is eyeing Rothmans

LONDON speculation that Richemont may increase its stake in tobacco and luxury goods company Rothmans International has been all but scotched by Richemont and its brokerage Davis, Borkum, Hare.

Rumours of the bid in London last week caused Rothmans to make the biggest gains on the FTSE 100 on Friday, moving up 26p to a new high of £10.35.

The rise came as word filtered into the market that Richemont was to hold what analysts called an unusual presentation to investors on Wednesday. *Bloway 23/7/91*

Davis, Borkum, Hare's Manny Pohl and Richemont spokesman Dillie Malherbe

BRENT VON MELVILLE

said yesterday the meeting was intended to provide SA investors with the opportunity to query Richemont's annual results with directors of the Swiss-based group.

Richemont holds 63% of the equity in Rothmans and has 68% of the voting rights. Richemont made an offer to minorities in November 1989.

One local analyst discounted the possibility that Richemont might again try to raise its stake in Rothmans, saying it was more likely that Rothmans and Richemont would reorganise their holdings in French luxury goods group Cartier.

Britain's Barclays Bank plans to reinvest

LONDON — Britain's biggest bank, Barclays, expects to reopen in SA when political and economic circumstances are stable, chairman Sir John Quinton said yesterday.

Unveiling first-half 1991 profits, which were down by 37% at £378m — because of bad debt provisions in the UK, Quinton said no firm decision had been taken.

But when circumstances were more stable "we probably would move back into SA", he told a news conference.

Like Standard Chartered, which will open a representative office in Johannes-

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JOHN CAVILL

burg this month, Barclays has no plans for a full retail banking operation. Quinton said it would be an office designed to provide facilities for corporate clients with business and interests in SA.

And in a unique move, Barclays disclosed it had written back £67m of provisions made against its SA loans. Its net loans to SA now stand at £480m, putting it ahead of Standard Chartered.

Barclays disinvested in 1986, by selling its 40% stake in Barclays National Bank.

There had been a long campaign in Britain against the bank over its SA links.

First National Bank (FNB), formerly Barclays in SA, has added its voice to other banks calling on the Reserve Bank to regulate foreign banks opening representative offices. Representatives do not fall under the strict Deposit-Taking Institutions Act.

ANDREW GILL reports that FNB MD Barry Swart said last night he had no problem with the Barclays move apart from the issue of how foreign and local banks would not be operating on a level playing field.

(b) OCT 2/8/91

British manufacturers set for return to SA

By AUDREY D'ANGELO
Business Editor

BRITISH manufacturers will undoubtedly come to SA and provide competition for local firms — which will have the effect of bringing down prices — David McDonnell, managing partner in the UK of international accountants Grant Thornton, said in Cape Town yesterday.

Interviewed at a function to celebrate a new link between Grant Thornton and SA chartered accountants Kessel Feinstein, McDonnell said British firms were impatient for political stability to be achieved here so that they could invest.

He said the initial reaction to "Inkathagate" in British business circles had not been anger but sadness that a political settlement had apparently been delayed.

Malcolm Segal, national chairman of Kessel Feinstein, said there was increas-

ing evidence of foreign investor interest in SA. Kessel Feinstein had established a "foreign desk" at its Johannesburg office to deal with inquiries coming in at the rate of two or three a week.

Meanwhile Corporate Location International, the leading location magazine in Europe, which also sells well in the Far East, is preparing a 50-page special feature on SA. This will include a section on the Western Cape.

David Bridgman, executive director of Wesgro, said: "The magazine, which is in the Euromoney stable, believes there is sufficient investor interest overseas to make it worth while to give a summary of opportunities in SA.

"The publisher was here in May and came to the conclusion that readers thinking ahead would be interested in SA."

Other location magazines had also made inquiries "which means that Europeans

are thinking seriously about SA."

Bridgman pointed out that there had been a noticeable increase in trade missions coming to Cape Town.

Consuls of countries which had done no business with SA for years were now coming to Wesgro to learn about opportunities in the Western Cape.

People making inquiries from overseas were usually planning to use SA as a manufacturing base for exports.

They found the grants for setting up a new business and for exporting attractive.

"And the lifestyle here attracts people with the type of business in which they have to keep their key executives happy.

"The Western Cape is like a less expensive version of California."

Ian Hamilton, investment manager at Syfrets, said contacts in Europe and the UK had asked him about opportunities in SA: "They seem very keen to invest here."

Barclays sets sights on SA operation

61 CT 7/8/91

Own Correspondent

LONDON. — Britain's biggest bank, Barclays, expects to re-open in SA when political and economic circumstances are stable, chairman Sir John Quinton said yesterday.

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But when circumstances were more stable "we probably would move back into SA", he told a news conference.

Like Standard Chartered, which will open a representative office in Johannesburg this month, Barclays

has no plans for a full retail banking operation. Quinton said it would be an office designed to provide facilities for corporate clients with business and interests in SA.

And in a unique move, Barclays disclosed it had written back £67m of provisions made against its SA loans. Its net loans to SA now stand at £480m, putting it ahead of Standard Chartered which saw its exposure drop from £558m to £398m (net of provisions of 5%).

● FNB MD Barry Swart said last night he had no problem with the Barclays move apart from the issue of how foreign and local banks would "not be operating on a level playing field".

Opposition to oil firm's plan

CLIVE SAWYER

Municipal Reporter

(b)
AUG 8/91

WORLDWIDE plans to "re-image" BP petrol stations have fuelled discontent among Cape Town council officials, who say plans include tall gantries which violate municipal regulations.

Affected by the council objection are seven service stations in the municipality.

The petrol company has run an advertising campaign selling the concept of the new livery, including television commercials depicting teams leaping from transport aircraft to change the look of BP stations.

A council report recommended the application to erect new advertising signs should be rejected.

A city planner's report said the proposed gantry signs were "grossly out of scale and if approved would be followed by similar applications by other oil companies".

BP said its new international marketing strategy needed a "clean consistent uncluttered appearance" and signage was limited to the main identification sign and a restricted number of fixed promotion boards.

Representatives of BP will meet the committee on Monday for discussions.

BUSINESS

Stancha keeps an open mind on SA

LONDON — Standard Chartered, the £24.6bn international bank, is keeping an open mind on whether the opening of a representative office in Johannesburg will be followed by establishment of a full branch or subsidiary.

Stancha chairman Rodney Galpin said yesterday the decision to move back into SA, four years after disinvesting from Stanbic, was made at a full board meeting in Zimbabwe earlier this year.

"We believed SA is an important place to be," he said.

Galpin was asked whether Stancha would consider opening a banking branch as opposed to the trade financing office.

He replied that this would depend on developments.

He disclosed that Stancha had had a 25% drop in pre-tax profits to £83m for the first six months of 1991.

He said it had showed an increase of £71m in its gross lending to SA to £490m since the end of December 1990.

In dollar terms, however, its exposure is \$12m down at \$797m.

Both figures are before Stancha's provision against the debt of 5%, the lowest of

any leading UK bank.

Stancha has provided 66% against its loans totalling £1.1bn to less developed countries and 33% against the £618m owed by Mexico and Venezuela.

The interim figures show that Stancha is being sustained against heavy losses — after debt provision — in the UK, Australia and North America by strong growth in the Asia-Pacific region.

Profits

It has also been bolstered by steady business in the Middle East, south Asia and in Africa.

While provisions of £96m against UK loans — mostly to one business — turned British and European trading profits of £18m into a loss of £55m, Asia and the Pacific — led by Hong Kong with £52m — gained 19% to £100m.

And in spite of currency devaluations in many of the 13 African countries in which Stancha operates, the continent produced £19.2m.

This figure was up nearly 5%.

61
B/pam 8/8/91
JOHN CAVILL

UK investment company lifts its bottom-line profit by 15%

81000y 14/8/91
AAF Investment Corporation, the UK-based industrial management arm of W & A Investment Corporation (W & A), has managed to shrug off deteriorating economic and market conditions to record a slight rise in earnings for the half-year to end June.

With the results incorporating the £11m acquisition of Alloy Wheels, turnover more than doubled to £31.1m (£15.1m) while operating profit rose by 175% to £2.8m (£1m).

However, the rapid pace of acquisition has taken its toll on cash resources, resulting in an interest bill of £530 000 for the period versus interest received last year of £1m.

At the bottom line, profit was up 15% to

(61) ~~222~~
BRENT VON MELVILLE

£2m (£1.7m), translating to earnings of 11.4 pence (10.9 pence) a share. The total interim dividend was left unchanged at 5.0 pence.

AAF chairman Jeff Liebesman said the group's system and modular building operations in the UK and the US achieved an acceptable performance over the period while Alloy Wheels International achieved good results in both domestic and export markets.

He said the Alloy Wheels acquisition had now been successfully integrated into the group and other acquisition opportunities continued to be evaluated. He said prospects for the second half looked satisfactory.

HAMILTON
RUSSELL
VINEYARDS



London bank invests in Natal reserve

by Darius Sanai

HAMBROS, a leading London merchant bank, will be investing in a new R80m wildlife reserve in northern Natal.

Hambros director Jonathan Klein, who flew to SA for the official launch of the 14 000ha Phinda Resource Reserve, said yesterday he believed the project would attract worldwide attention as a profitable and ecologically sound investment.

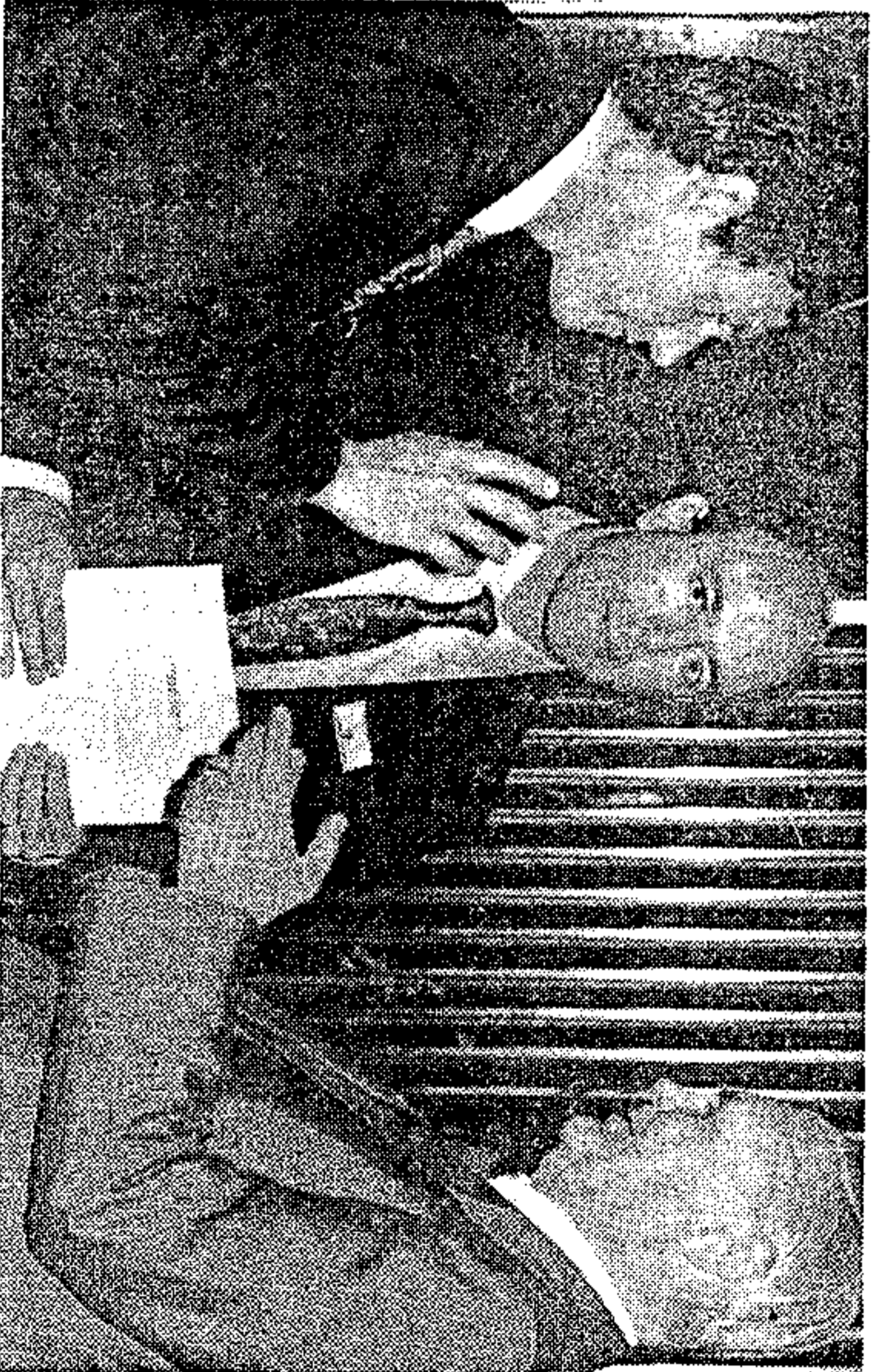
Phinda is in the hilly bushland of the St Lucia nature reserve on the Natal north coast, and has been established by Londolozi Game Reserve and JHI International at an initial investment of R4m, with the support of the Natal Parks Board and the SA Nature Foundation.

The first of four lodges at Phinda opens next month on a scenic hilltop, and lions, rhinos and leopards have already been reintroduced to the area.

Hambros is co-ordinating the effort to attract international investment, and will itself invest in the project.

Londolozi's co-owner said the reserve would appeal to tourists, conserve wildlife and stimulate the local economy.

Initial tariffs would be competitive, he said, starting at around R400 a night, compared with more than R1 000 at Londolozi.



Londolozi co-owner Dave Varty, JHI International's Alan Bernstein and Administrator of Natal Con Botha at the launch of the Phinda Resource Reserve.

Picture: ROBERT BOTHA

Black leader warns UK businessmen

The Argus Foreign Service (61) Aug 21/91

LONDON. — Businessmen here have been warned against resuming business in the new political climate with South African companies labelled as "unprogressive".

The warning was given by Mr Gaby Magamola, chairman of Fabcos Marketing, which represents the informal sector, at a forum arranged by the South African Foundation over the weekend.

Foreign companies, said Mr Magamola, should be seeking out South African companies that had encouraged the growth of black businesses, promoted blacks in their organisations or generally shown sensitivity to black aspirations.

They should also consult black business leaders to ensure new black enterprises were given an opportunity to develop.

"It is not morally acceptable in the new South Africa," he said, "to see new capital coming in and propping up South African companies that have shown no interest in promoting black businesses, the construction of houses for blacks and so forth," he said.

Mr Magamola said black businesses in South Africa should pursue their own identity, separate from that of white businesses, in the near to medium future. Only when they had found their feet could there be talk of black-white business integration or "South Africanism" in business.

Asked about black businesses following the path of Afrikaner nationalism and creating parallel business and political institutions from which others were excluded, Mr Magamola said that if white businessmen gave practical encouragement to black businesses, Fabcos would be the first to acknowledge it.

Progress in the black business sector was "dead slow." Black businessmen had been left so far behind it was necessary to give them a head-start through "affirmative action".

South Africans had fallen into the "trap" of regarding the sophisticated formal sector as being reserved for whites and the informal sector as the terrain of blacks.

Accordingly joint black and white ventures would be welcomed.

UK buyers for SA property reportedly flooding in

GARNER THOMSON (b1) ARG 12/9/91
The Argus Foreign Service

LONDON. — South Africa's property market is set for a revival as apartheid is dismantled, a British newspaper has reported.

According to the London *Daily Express*, the commercial property sector has opened up, with foreign investors pouring money into office blocks and similar investments.

The report, which leads the property pages, quotes South African estate agent Ms Adele Beare, who works for the Seeff Organisation in London.

She said: "There is no specific pattern for British buyers. There are young single people, young marrieds with children, older families and people planning a retirement costing much less than in Britain."

All are attracted by the quality of life, the cost of living and nine months of warm weather.

Property is still dramatically cheaper than in Britain. The article spotlights three-bedroomed houses in Durban or along the Garden Route starting at around £50 000 (R250 000) — less than half the price of a one-bedroomed flat in central London.

Rossing to sack 700 as uranium slides

By Neil Behrmann

LONDON — Rossing Uranium's production will tumble this year and the mine will be forced to lay off around 700 workers.

RTZ, the major shareholder of Rossing, disclosed recently that production, which had already slid to 3250 tons in 1991 from 4100 tons in 1990, would fall to only 2500 tons next year.

"The uranium market is sick," said RTZ chairman Sir Derek Birkin.

Rossing sells its uranium on contract at prices above the free market quote of \$9,75 a pound.

Competitive

But the market is terribly competitive and prices in real inflation-adjusted terms are at their worst ever, said Robert Wilson, RTZ's chief executive.

RTZ holds 46,5 percent of the shares in Rossing Uranium.

Other major shareholders are Gencor, the IDC and the Namibian

government.

The depressed uranium market and contraction of Rossing would have a severe impact on the Namibian economy, said the directors, who were clearly unhappy about coming redundancies.

In 1990 Rossing injected R350 million into the Namibian economy in salaries and taxes.

Income tax

In 1989 mine sales accounted for 26 percent of Namibia's merchandise exports and contributed 10,7 percent of total GDP.

RTZ economists estimate that in the past four years, Rossing paid 35 percent of all income tax collected from the business sector.

There are huge stockpiles of industrial minerals such as titanium and zircon, but employees at Richards Bay have better prospects.

Production of the development, in which RTZ has a 50 percent stake, remains on target.

Star 16/19/91

By 1992 Richards Bay, in which Gencor also has a stake, will be producing 1 million tons of slag a day, said Mr Wilson.

Meanwhile the global metals and minerals recession caused RTZ's pretax profits to slump by 40 percent to \$286 million in the first half of this year.

Turnover

Compared with the same period last year, turnover dipped 14 percent to \$2.3 billion, while net taxed profit fell 43 percent to \$154 million.

Pre-tax profit in the year to December 1990

totalled \$879 million, down from \$1,1 billion in 1989.

"As the world's biggest biggest raw-materials producer, RTZ cannot escape the consequences, if its customers are in the throes of recession," said Mr Wilson.

"There is no point in wringing our hands about circumstances beyond our control.

"While we can do little to avoid declining sales volumes and falling prices, we have intensified efforts to contain costs and improve efficiency."

In the first half of this year the giant mining

group, with interests in the US, Australia, Europe and South Africa laid off 7 000 workers, or 10 percent of its labour force.

There would be further cuts in the second half, Mr Wilson said.

North American operations, notably the US copper mine, experienced the worst fall.

Compared with the first half of 1990, lead prices are down by 29 percent, zinc by 26 percent, silver by 22 percent, copper and aluminium by 7 percent and gold by 5 percent.

"Precious metals are going nowhere," said Mr

Wilson. "Just look at the market."

Base metals had better prospects.

"But it is unlikely that there will be any early recovery in prices.

Reached nadir

"The recession in North America and the UK may have reached its nadir."

However, while some indicators seem promising, there are as yet few signs of recovery in the group's businesses.

"Elsewhere, in Japan and Germany, the rate of economic growth could continue to ease," said Mr Wilson.

THE

PRIEST IN (REV. D.N. M

TEL:

Charter poised for take-off

After a rigorous reorganisation programme, London-based Charter Consolidated is now well placed to benefit from the recovery in markets served by its four principal industrial businesses.

Chief executive Jeffrey Herbert told investment analysts in Johannesburg this week that Charter's cost structure had been reduced in the last few years and that the workforce was down 21 percent from its 1989 level, saving £20 million annually.

A head office building, five times the group's requirements, was sold for £20 million and a new one bought for £4 million.

Low-yielding assets were sold for £105 million and new businesses bought for £109 million.

This had changed Charter from a portfolio investment company into an industrial holdings company with four core businesses: Pandrol, Cast Resources, Cape PLC and Anderson. It also held a passive 38,5 percent stake in Johnson Matthey.

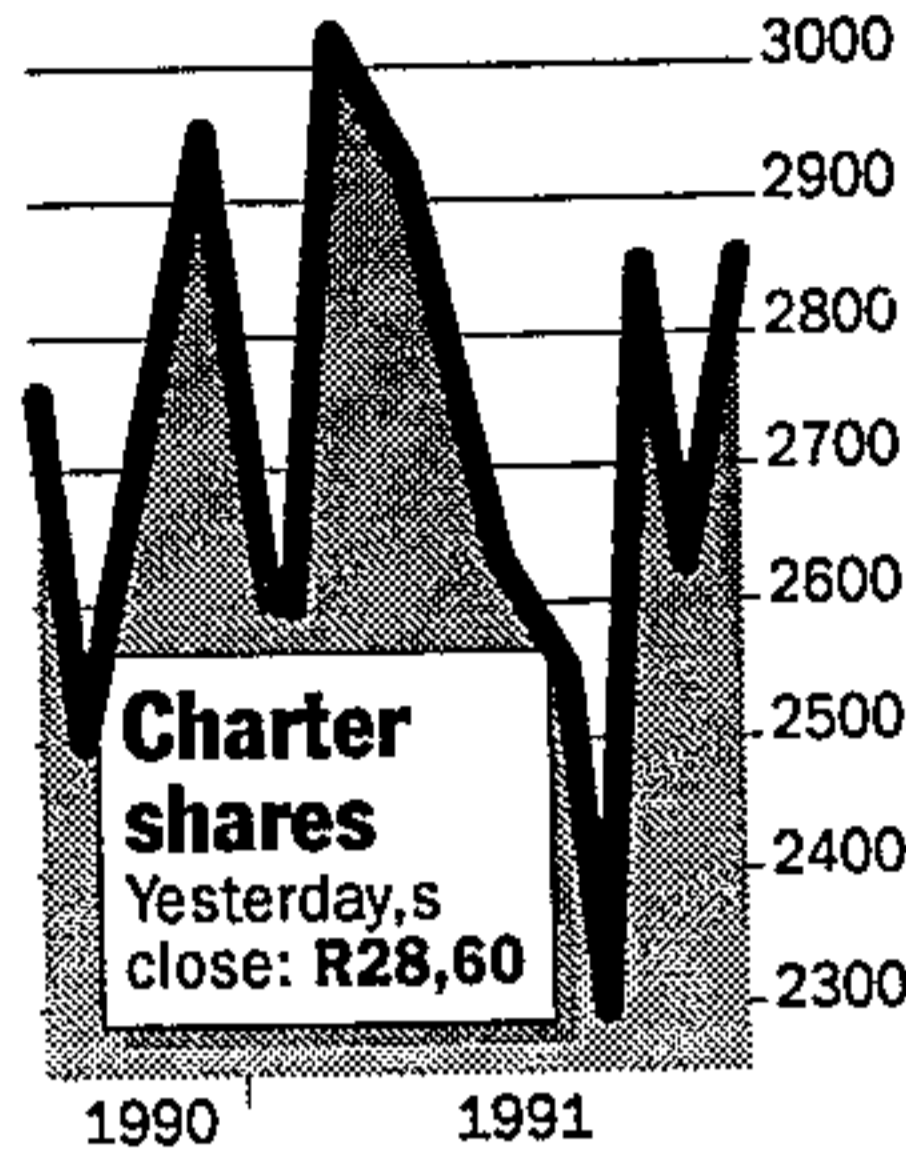
Charter's profitability also improved. In the past five years, pre-tax profit had grown at a compound rate of 22 percent, against five percent compound growth in turnover. (the above figures are based on the rand/sterling rate of R4,85).

Mapping out the future, Mr Herbert said emphasis would be placed on increasing Charter's dependence on managed businesses for a large share of profits.

In financial 1991, managed businesses contributed 41,3 percent of Charter's profits, precious metals (Johnson Matthey) 33 percent and Treasury opera-

Diagonal Street

Jabulani Sikhakhane



tions the balance.

Growth, Mr Herbert said, was expected to come from further penetration of existing markets.

A large part of Charter's net cash balances of £133 million at year-end would be used to develop existing managed businesses.

Acquisitions to extend existing businesses and move into other industrial operations complementing existing businesses would also be pursued.

But the criterion for acquisitions was that they must be market leaders, be UK-based, with a potential to expand into overseas markets and have an industrial customer base.

Mr Herbert said Pandrol, which supplies rail fastenings and track maintenance, was expected to benefit from railway investments in Western Europe.

Railway investment is fore-

Star 19/9/91 -
cast to grow by nine percent a year for the next nine years.

Italian Railways, which has specified Pandrol's rail fasteners, is expected to invest £4 billion a year until the year 2000.

Despite depressed coal markets in the UK and US, Anderson which supplies mining equipment, has been increasing market penetration in the US and Australia.

Of the 11 available orders for longwall coal shearers in the US this year, six were filled by Anderson. New markets had opened up in China, Poland and Russia.

Coal intake by the UK electricity utilities should fall by 12,5 percent this year to 70 million tons, reducing further by 7 percent in 1992 to 65 million tons.

This would have an impact on British Coal's business and on Anderson's. But British Coal would need modern heavy-duty mining equipment to improve productivity. Anderson was well placed to supply these.

Cape PLC, a supplier of fire protection systems to nuclear power stations and off-shore oil and gas stations, had been reducing its dependence on the UK building market.

Mr Herbert said Johnson Matthey (JM), which is a passive investment, would be made less significant in terms of contribution to Charter's profits.

He said that with current low platinum group metal prices, a flat performance by JM would be a "tremendous win".

Overall, Mr Herbert said: "Charter is in the middle of its programme of change and there is still somewhere to go."

DOW close: 3017,09



JEFFREY HERBERT: Shaker

Charter set to deliver goodies — at long last

61
 (Times) 22/9/91
 (Burs)

CHARTER Consolidated has been under several managements in its 26-year history.

But managing director Jeffrey Herbert and his team under the chairmanship of Sir Michael Edwardes look like being the first to deliver the goods.

The British company gave presentations to the Investment Analysts Society this week.

I wondered what was in it for Charter, but many SA companies have shares in it and shareholders are treated with more courtesy in England than they are here.

After the Johannesburg presentation, a Scottish sage told me he wanted to buy a few shares before my article appeared.

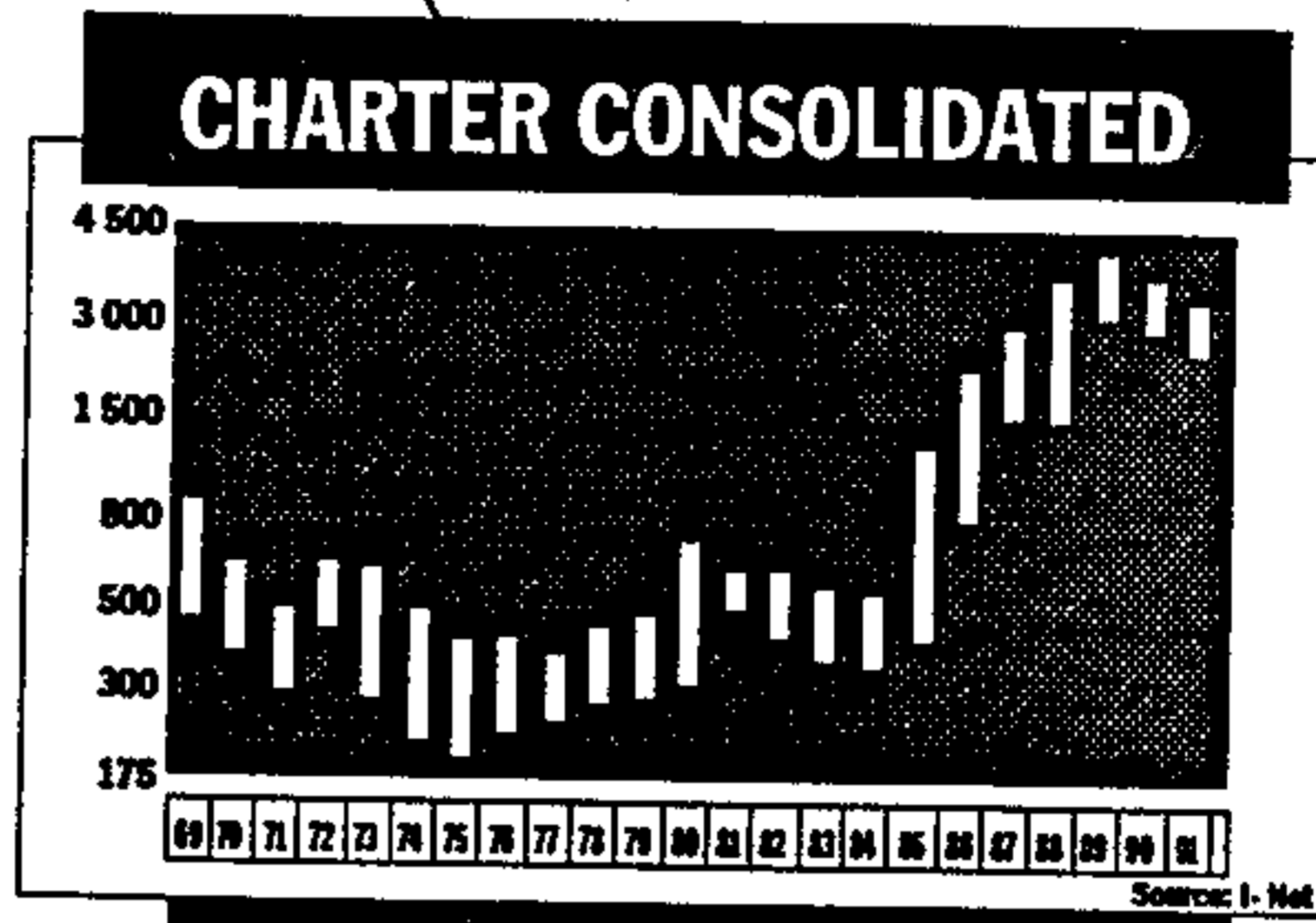
He said: "Let's face it, Charter's been a bum steer for 20 years. But it looks like it's coming right now. Mind you, Herbert's not the first young man who was going to put it on the map."

Mr Herbert is nevertheless the first to show that Charter is capable of sustainable growth. He concedes that Charter is not yet all he wants it to be, but there has been much commercial decision making in the three years he has been there.

So much change has taken place that the group no longer warrants being listed under mining financials. The closest thing to a mining interest is a 38% stake in Johnson Matthey.

Charter sold its 40 000m² premises at Holburn Viaduct for £20-million and bought offices a quarter of the size for £4-million. Head office staff was cut from 280 to 36.

"How could we justify sitting on £16-million of shareholders' funds tied up in prop-



erty we did not need?" asks Mr Herbert.

In the year to March 1991, a quarter of Charter's profits came from cash, a third from Johnson Matthey and the rest from managed investments.

The four managed businesses are Anderson, Pandrol, Cape and Cast.

Anderson is world leader in longwall coal-mining equipment, distribution and services. Longwalling is an efficient mining method accounting for a third of production from America's 2000 mines. Of the 90 faces now being mined, Anderson equipment is on 20.

Mr Herbert says British coal mines face difficulties and Anderson has expanded in other countries. Longwall mining is growing in America, Australia, China, Poland and Russia.

Pandrol's business is rail fastenings and track maintenance. It manufactures in 14 countries and sells to 70, reducing its reliance on British turnover to only 12%.

Mr Herbert says railway investment is expected to

grow by 9% a year in Europe for the rest of the decade at least. Italy alone is to spend £4-billion a year. Pandrol's standards set those for the industry. Its profits grew by 60% in 1990. It has even secured business in Japan against stiff domestic competition.

Cast quarries aggregates in Yorkshire and carries out open-cast coal mining in Indiana, where 50% of the work is on Cast's reserves of high-quality, low-sulphur coal. Quarrying had a difficult year in England where markets fell by 16%, but Mr Herbert says the businesses are the best in their area.

Cape is the British leader in fire-protection building products and industrial contracting services. It has grown well in the past three years, but the intention is to expand outside the UK. Foreign sales rose by 35% last year and Cape is expanding in Europe and the Far East.

Costs have been cut — 1 682 redundancies resulted in a saving of R100-million a year. Financial controls and reporting have been strengthened.

Gone is the 4% cross-holding in Minorco, which owns 36% of Charter. The yield was too low. Other traditional businesses have been sold for £105-million and £109-million has been spent on new businesses.

The disposals and acquisitions have resulted in a compound annual growth rate in

turnover of 5% since 1986 to R5,4-billion (currency conversion) in the year to March 1991. Pre-tax profit rose by 22% a year to R376-million in the same time. Earnings a share grew by 19% and dividends 13%.

The return on capital employed increased by 32% a year since 1986 to 19% at March 1991.

Slightly more than half its profits come from Britain and Mr Herbert does not expect it to drop below 40%. North America chipped in 28% and Europe 10%.

Charter has R645-million in cash and access to R1,5-billion in borrowings if required to follow an industrial strategy. This could be through organic growth, bolt-on acquisitions or new fields.

SA investors have done well from Charter's rand-hedge characteristics. In five years since 1987, taking into account the rand's depreciation against sterling, earnings a share in rand terms have grown at a compound rate of 31% and dividends by 24%.

Mr Herbert expects SA shareholders to continue to benefit by being in Charter because the rand will probably slide further because of different inflation rates.

Mr Herbert is high scornful of analysts who appear to have a fixation with the platinum price, Charter's holding in Johnson Matthey and Minorco's in Charter. He says that cash is critical and he is aware of the lack of control over the dividend policy of Charter's investment in Johnson Matthey.

It seems that the stake will either be boosted, or sold. The status quo is unsatisfactory.

Sanlam has 5% of Charter. No doubt other SA institutions will be looking to get aboard. The current price is R28,60 — off February's high of R30,25, but well above the July low of R23.

A move to industrial holdings might improve its rating.

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Buyout mooted after rise in Coates share

3 | Day 6 | 9 | 91

SEAN VAN ZYL

THE strong rise in printing ink supplier Coates Brothers' share price has sparked market speculation that the company's UK parent might be on the verge of buying out minorities' interests.

Coates's share price has more than doubled to R23 from the R9 it traded at at the beginning of the year. The share climbed by more than 7% this week, which brokers noted had no fundamental support.

They added the share seldom traded or attracted institutional support as the company's issued share capital was tightly held by the UK parent.

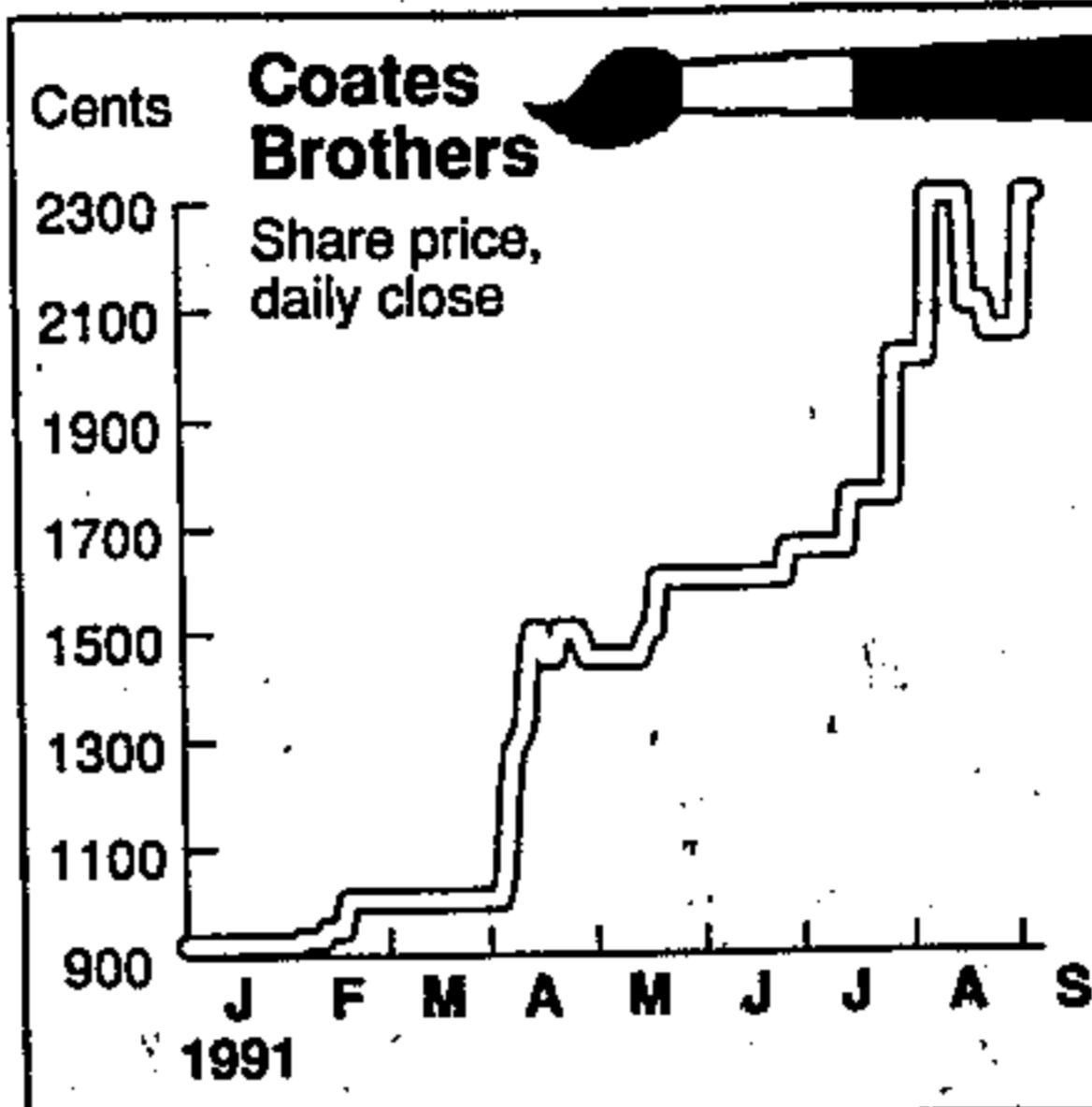
Coates Brothers plc holds roughly a 69% controlling stake in Coates.

Perception

Coates chairman Bill Beck denied market rumours and said there were no "deals" in the pipeline which could affect the share price.

He felt the strong rise in the share price was probably due to market perception that Coates was a good investment based on earnings performance. He added the company had introduced rigid controls over costs and working capital which had significantly improved its bottom line.

Coates's interim results to June reflected a slower 18% growth in taxed earnings to R4,1m (R3,4m) compared with previous years. The directors said that, due to recessionary conditions, growth in earnings for the full trading year would be much in line with the interim figures.



Graphic: FIONA KRISCH Source: I-NET

However, despite the conservative earnings forecast, analysts said the share was running ahead of fundamental buying support. They noted Coates's present share price of R23 was almost double the net asset value of 1276c a share.

One analyst noted the share had improved from an underrated position to overrated over the past nine months. "The share price has risen steadily," he said. "There must be something in the offing."

He added that the UK parent could be priming Coates for local manufacture of goods for export.

From IAN HOBBS

LONDON. — British and continental investors are expected to snap up the chance to invest in SA's private game reserves, starting with the beautiful Phindi Izilwane reserve in northern Natal.

The South African Conservation Corporation (SACC) has started the capital raising drive through Hambros, seeking to raise an initial R80m through Hambros, which is offering units of £21 600 each to selective venture capital funds and wealthy individuals.

SACC's executive chairman is conservationist David Varty, the MD is businessman Alan Bernstein and Hambros deputy chairman Christopher Sporborg will be non-executive director.

The offer of Phindi units is the first private initiative to raise venture capital in Britain and Europe — looped through off-shore companies to minimise tax and currency exposure.

Phindi — Zulu for "return of the wildlife" — will use the new capital to expand to 178 beds and increase present revenue of R5,3m to a projected R60m-plus by 1995.

● Phindi already features on the charter holiday packages announced last week by British Airways and SA Delight Holidays, which together will bring at least 10 000 new long-haul tourists to SA over the next 12 to 14 months.

Out of
Africa
up for
grabs

61
CT 30/9/91

Visiting UK businessmen are hopeful (6)

BRITISH business is quietly optimistic on South Africa's political outlook.

This is the message from David Chambers, leader of the Leicestershire Chamber of Commerce & Industry trade mission currently visiting South Africa.

"I have urged my own colleagues on this mission to develop and maintain local outlets, distributors and connections and not delude themselves by believing they can

serve this market from behind a desk in the UK. Equally, I would ask South African industrialists to recognise that many British companies can bring more efficient and productive ideas to help your industry and economy and to give a fair hearing to the presentation of these ideas."

Star 20/10/91
Mr Chambers says that in addition to expanding trade ties with South Africa, his mission could well pursue invest

ment opportunities here, "though these would take time to come to fruition".

He says several of the mission's members view South Africa as a springboard to markets elsewhere in Africa.

The mission's members are involved in businesses ranging from systems for waste water treatment and industrial dust control equipment through to auto accessories, educational books and textile and knitting machinery.

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Pragmatism will prevail in nationalisation debate

Star 22/10/91
By Sven Lünsche

Nationalisation would obviously be a major disincentive for new investments in South Africa, the chief executive of Burmah Castrol Plc, Lawrence Urquhart, said yesterday.

UK company Burmah Castrol, which last year had worldwide turnover of about R9 billion, is the controlling shareholder in Castrol SA.

"Some of our subsidiaries have been nationalised before, all with lamentable results for the company and the government that took them over," Mr Urquhart said.

"It is self-evident that as businessmen we could hardly view a programme of nationalisation as favourable," he said, adding though that he believed economic pragmatism would prevail.

Mr Urquhart, on his first visit to SA since he took over as CE in July last year, will open Cas-



Lawrence Urquhart . . . hoping to expand operations.

tro's new R30 million upgraded filling plant near Durban tomorrow.

Burmah Castrol's interest in Africa are confined mainly to South Africa, with a smaller interest in Zimbabwe.

In financial 1990, turnover of the African operations increased from \$47,5 million to \$52,1 million on which pre-tax prof-

its of £6,8 million (1989: £5,6 million) were recorded.

Capital expenditure was a mere £1,4 billion, comprising the last phase of the Durban plant.

However, Mr Urquhart said the group was looking at expanding its local operations, although all projects would have to be evaluated on strict financial criteria.

This was made possible when Castrol SA was earlier this year taken off its parent's list of unacceptable investments.

The local subsidiary is also benefiting from Burmah Castrol's acquisition of Foseco, a UK manufacturer of metallurgical and construction chemicals, last year.

Following the re-organisation of the group Castrol has significantly expanded its interests in the local construction chemical market through Foseco's local subsidiary, Fosroc.

on the

Lloyd's sees SA income rise

B (1200) 25/10/91

(61)

SEAN VAN ZYL

LLOYD'S of London's premium income from the SA market was expected to rise by at least 31% to more than £100m in 1991, chairman David Coleridge said in Johannesburg yesterday.

Coleridge is the first Lloyd's chairman to have visited SA since the market's initial involvement in the country 100 years ago. Coleridge's stay in SA includes a dinner appointment with President F W de Klerk.

Coleridge said he was not perturbed regarding the massive £500m loss which the market disclosed earlier this year for its 1988 account. He said the loss was offset by the £500m profit which Lloyd's reported for its 1987 trading period.

He also dispelled speculation sparked in the UK Press that Lloyd's was experiencing problems meeting its underwriting commitments. "Lloyd's has disclosed assets of £17,6bn compared with liabilities of £12,9bn." Furthermore, Lloyd's members' total assets were probably around £88bn, Coleridge noted.

However, he conceded a number of syndicates, mostly in the high risk bracket, had suffered major losses over the past two years, resulting in several Lloyd's

members resigning this year. Of the 30 000 Lloyd's members, Coleridge expected about 4 000 to resign by the end of 1991. However, he said an additional 200 members were expected to come on to the books this year while 6 000 existing members had already indicated their willingness to increase underwriting capacity for 1992.

As a result, Coleridge anticipated a 10% drop in Lloyd's capacity to £10bn for 1992 compared with this year's £11bn.

Lloyd's is currently ranked as the seventh or eighth largest insurer in SA. However, Coleridge said the market had no intentions of launching "an all out attack" on the local market to capture market share from local operators. He noted Lloyd's had maintained roughly a 6% share of the SA market in recent years.

Coleridge said local premium rates, applying to both commercial and personal business, would climb in 1992. However, he expected a major upward correction in industrial and commercial rates worldwide in the coming year due to major catastrophe losses and the extremely low level of rates.

Lloyd's ditches albatross image

Ward 111-111191

*Like one, that on a lonesome road
Doth walk in fear and dread,
And having once turned round
walks on,
And turns no more his head;
Because he knows, a faithful fiend
Doth close behind him tread.*

The Ancient Mariner — Samuel Taylor Coleridge

THE setting could not have been more apt. In the refined and literally exclusive confines of the Rand Club last week the equally refined David Coleridge waxed if not poetical surely quite philosophical about another grand institution — Lloyd's of London.

As the portraits and photos of early colonial figures looked on, Coleridge told a tale of woe which would have been worthy subject matter for his direct ancestor, the poet Samuel Taylor Coleridge.

Coleridge, the first chairman ever to have officially visited South Africa, took over the reins of Lloyd's in 1990 at the tail end (one hopes) of an unlucky time.

A lot of Lloyd's business world-wide is insurance against catastrophes like huge and ruinous storms. Coleridge observed that for three years of catastrophes — from the October windstorm of 1987 through

Ancient and venerable insurance market Lloyd's has been through a bit of a bad patch, according to its chairman. For the sake of the 550 or so wealthy South Africans who put their assets on the line to be members, he had better be right.

REG RUMNEY reports

the Piper Alpha disaster in Britain's North Sea, Hurricane Hugo and severe windstorms of the early 1990s and beyond — the insurance industry had had claims which defied the law of averages.

This year it was Coleridge's duty as chairman to announce for the 1988 year (there is a three-year delay to take account of all claims) that Lloyd's overall made a loss of around £500-million. That there was an overall profit of £500-million the year before was consolation to some members, but not to all.

This is where Lloyd's famous "unlimited liability" comes in. The capital Lloyd's uses to underwrite insurance business comes from individuals who have to pass a means test showing unencumbered assets of a certain amount.

If a member, or "name" is liable for a loss he has to pay. Likewise, any profits made pass to the member for



David Coleridge at the helm in stormy seas

doing little other than providing the capital. Some names would have made a loss in 1987, and in 1988. Others would have made a profit in both years. Members could and should have built up reserves against stormy days in times of high profits. Not all have. As one South African name remarked to me: "We didn't expect the profits to stop."

Average loss worldwide in 1988 would have been around £15 000, but, again, it wasn't spread equally.

Of the 500 names in South Africa, 442 — or 1.7 percent of Lloyd's total active membership — are South African nationals.

To be a name means that you have

to be pretty well off — in South African terms, at any rate. The means test is £250 000 of assets. With the value of the rand fast approaching £1 = R5, this means South African names must be millionaires.

Lloyd's doesn't only get some of its names here — it provides quite a lot of insurance as well.

Lloyd's is the seventh or eighth largest insurer in South Africa, having provided insurance here for around a century. Lloyd's premium income — the actual money Lloyd's gets for providing insurance — from South Africa this year is, on present trends, expected to be around £100-million, or R500-million. This is 33 percent more than last year.

Coleridge reckons Lloyd's business has grown as the South African insurance market has grown and it will keep its market share.

Premium rates on industrial and commercial insurance business, ie insurance for the corporate world, are fairly low, Coleridge remarked, but they are likely to rise. However, of more interest to the consumer, motor vehicle and "personal lines" — eg household insurance rates — have gone up considerably in the past two years, he reckons.

Coleridge believes commercial and

industrial premiums will have to rise. The "lemming-like dash down the premium slope", to use Coleridge's colourful turn of phrase (who says artistic ability isn't inherited), appears to have been halted.

Coleridge glosses over the allegations of corruption by managers of "syndicates" — a number of names who accept insurance as a group — and warnings of doom by no less a magazine than *The Economist*, which cites scandals, frauds, mass resignation by names — and worst of all assault by the legal fraternity.

Coleridge accepts that what he calls a bad press will lead to a number of names dropping out. The number of names dropped from 32 433 in 1988 to 28 770 in 1990. Coleridge expects another 3 000 to 4 000 to resign. Gross insurance capacity will also shrink by about 10 percent, from £11.2-billion at the start of this year to around £10.2-billion.

But he argues that they are leaving at just the wrong time. The market has bottomed, rates are on the increase, and there are profitable times ahead for insurers. Not this year, but in 1992 profits should be good. So the names that do stick it out should no longer have to fear the fearful fiend of large insurance claims and poor premiums.

B/day 6/11/91
Wellcome planning to sell two divisions

PAUL ASH

BRITISH drug group Wellcome and France-based chemical company Roussel-Uclaf SA had entered into negotiations for Roussel Uclaf to acquire Wellcome's Environmental Health business, the company said in a statement yesterday.

The operations are focused on insecticides. Wellcome said the planned sale fitted into its plan to refocus on its core pharmaceutical operations.

Wellcome Environmental Health SA GM Martin Bezuidenhout said business would continue as normal while negotiations were in progress. Wellcome staff would become Roussel-Uclaf employees. Finan-

cial details of the sale were not divulged.

Canada-based International Murex Technologies is negotiating the purchase of Wellcome's diagnostic kit design and manufacture division. *(61)*

Wellcome said Murex sought to acquire Wellcome Diagnostics as an element of its overall corporate strategy to build a diversified diagnostics company capable of competing effectively in global markets.

Wellcome SA GM Brian Stratton said yesterday the company's SA operation would not be affected by the sale.

If your pension fund performance

R7m battle over sports shoe deal

PRETORIA — A top international sports shoe manufacturer, which succumbed to the sanctions campaign against SA and cancelled a distribution agreement with a local company, is being sued for R7,5m damages. *Blair 6/11/91*

Jokari, of Bramley in Johannesburg, is claiming R7 410 161 from Reebok International, a British registered company, in the Pretoria Supreme Court.

The hearing, which started before Mr Justice Joffe yesterday, is expected to last about 10 days.

In papers before the court, Jokari says that on August 6 1982 it concluded an agreement with Reebok for local distribution rights of their popular sports shoes. A second agreement to this effect was concluded on July 24 1987.

An implied term of this agreement was that all orders placed with Reebok would be executed within three months or a reasonable time thereafter.

It was also within the contemplation of the parties that shoes ordered from Reebok were required for purposes of resale at a profit, and that Jokari would lose sales and suffer damages because of a loss of profits if Reebok failed to execute these orders, Jokari says.

It says orders for several thousand pairs of shoes were placed in 1987, but the shoes were never delivered.

In a September 1987 letter from Reebok to Jokari, "the impact of SA's racial policies on public opinion within the USA" was given as the reason for the cancellation of the agreement.

The hearing continues today. — Sapa.

Lotus looking to establish 15-man operation in SA

B(Pay) 14/11/91

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Reports by
MELANIE SERGEANT

SA CAN look forward to being a "test-site" for some innovative services from Lotus Development Corp.

This was said by group marketing manager of Lotus in the UK, Roy Abrahams, who addressed the first public meeting on Lotus at this week's Lotus Expo at Businessland in Rosebank.

As the eighth largest region in Lotus's portfolio, he said SA was an important market for the corporation, and it expects to establish a number of innovative marketing or support programmes within the next five months. "Depending on their success, they will be introduced internationally later."

He says SA will eventually have its own Lotus subsidiary. For now, the products are being distributed by Computer Horizons and HNR. "Within a year, we plan to have a 15-man operation which will provide support to the two distributors."

Apart from R1m a year which will be spent by the Lotus affirmative action group on social causes, Abrahams says around R400 000 will be spent on educating the SA user on Lotus and its various products.

He points out that in SA, pirating of software has become "a national sport". But Lotus has corporate lawyers worldwide, and investigations are carried out where corporations pirating software are raided and tak-

en to court.

"We plan to spend around R200 000 in SA speaking to large users and educating them about piracy," he says.

In the meantime, it's reported that both Apple and Microsoft are "hovering" and could soon announce their plans for SA.

Sources explain that there are two schools of thought when it comes to Apple's re-entry.

"One school believes Apple Southern Africa will fall under the AMME - Africa, Mediterranean and Middle East division, and not directly under head office."

However, the second school points out that some personnel in Apple's head office are still influenced by US anti-apartheid lobbyists.

"Nevertheless, the group is still keen on coming back to SA, and has a good grasp of the local market, the political ramifications and other aspects pertaining to its return."

Another source says the AMME lobbyists could win the argument in the next few months; especially if they see Lotus and Microsoft back in SA with no repercussions in their home market.

Contenders for the Apple distributorship include Altech through FutureWave, the Siltek Group, and the Strider Group.

It's believed that Apple is keen to choose a single distributor, with the option of direct representation later.

Although Apple's products have been easily available in SA even though the company pulled out of this country, it's clear that its market share is nowhere near that in the US.

One source says the corporation needs a full corporate marketing strategy to increase market share in SA.

He says Apple's imminent return would make sense following the alliance which now exists between itself and IBM, whose products are distributed in SA through ISM.

The first products emerging from this alliance are due for shipping early next year. They allow IBM Risc machines to run Apple software products. Also due next year are a host of Apple connectivity products for IBM minicomputers and mainframes.

Up to now, products have been sourced for SA from Apple resellers in the US, as well as through the grey market in Europe and Hong Kong, depending on exchange rates in the various countries.

It's believed machines have also been imported from Pan African Computers in Botswana, although this was not allowed by Apple.

"One point clearly in favour of Apple in SA is the fact that its prices have become far more competitive over recent months," he adds.

Askin latches on to fasteners

The UK buy should boost earnings.

When Julian Askin led his UK-based consortium into a R92m investment by buying control of ailing, debt-ridden, loss-making Tollgate Holdings (TGH), it was as much an act of faith as an acquisition of assets.

The faith aspect of the transaction had two arms. First, having lived, on and off, in SA for more than 20 years, Askin continues to hold an unswerving belief in the country's potential to sort out political and economic problems and then prosper. Second, other members of the consortium, having seen Askin in action when he bought and built up the small Thompson T-Line Plc in 1986, believe in his judgment and ability to cure TGH of its ills and turn it into a healthy profit-earner.

As the past two years show, the TGH assets were in the process of being watered down by serious losses in most of the listed companies it controlled. Askin, however, saw the opportunity that the sound underlying assets and businesses provided. The takeover was anything but riskless, and he and his colleagues knew it.

Askin had to act fast to stop the haemorrhaging. At the outset he stated that his intention was to clean out the organisation, get rid of loss-makers or turn them around as quickly as possible, then inject foreign assets

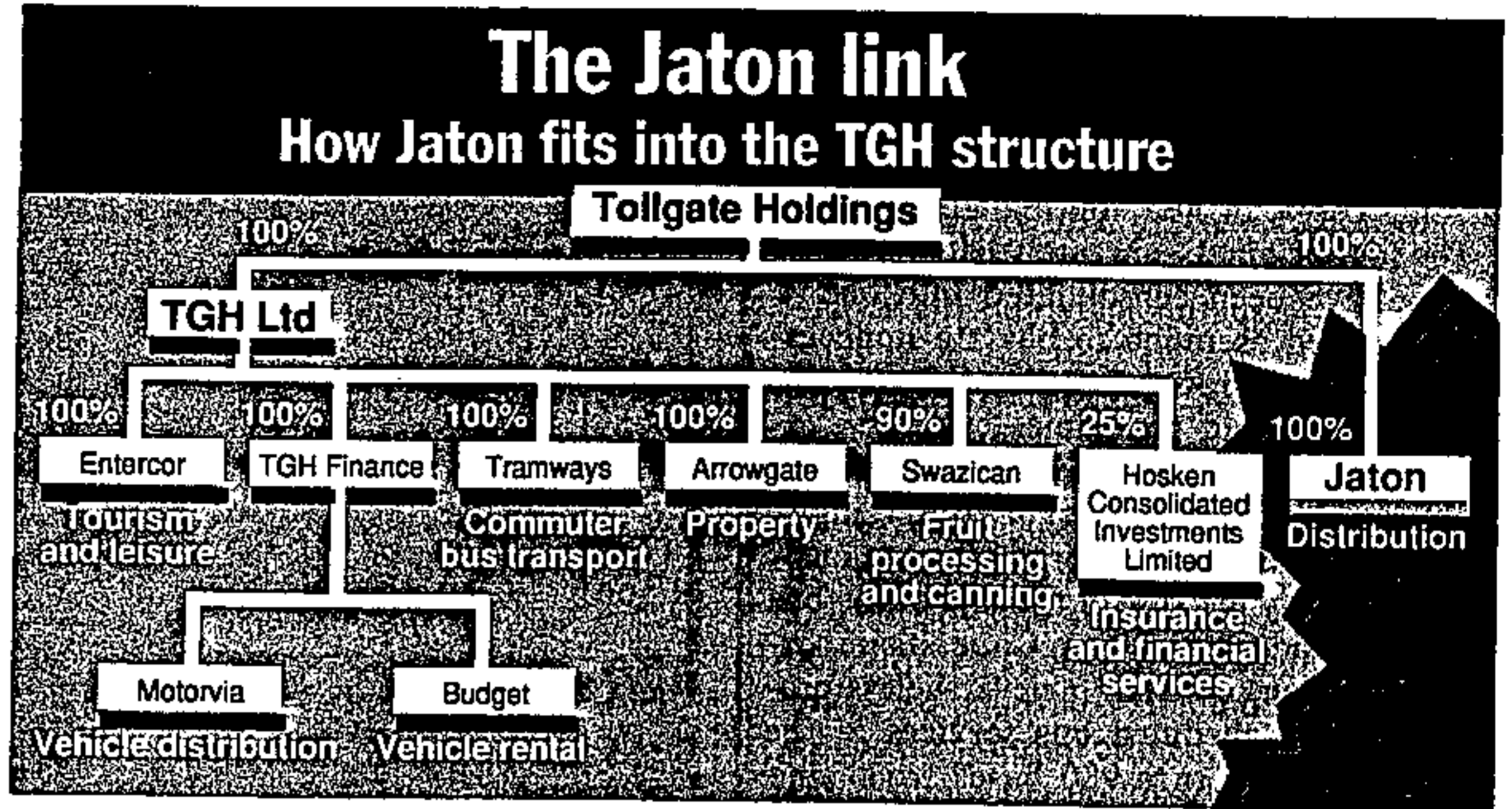
to give local investors a hedge element by bolstering local earnings against inflation and currency depreciation.

TGH is now on the point of concluding the purchase of its first foreign company, Jatón

(Handwritten initials)

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continue - P

Holdings in the UK, for £11,5m (about R58m).

Initially, the transaction engenders a degree of suspicion because Jatón is owned by Chelsworth, a company controlled by Askin, and Guy Sangster, also a TGH director. Jatón was acquired by Chelsworth from Thompson T-Line in 1990 for £11,8m; an additional £600 000m has since been injected, taking Chelsworth's total investment to £12,4m. So Chelsworth will realise a loss on the sale. But a closer look at the rationale for the deal confirms that it makes good sense for both TGH shareholders and the sellers.

Jatón, founded in the 1880s, wholesales industrial fasteners and wire mesh products. With sales of more than £20m it is the largest independent distributor of industrial fasteners to the wholesale merchant trade in the UK. It also makes and distributes electrical installation components and fittings. The joint MDs have 42 years' service between them — evidence of stable and enduring management.

When Askin bought Jatón from Thompson T-Line for Chelsworth, he did so because he knew the business well, he fancied its potential and it fitted with a primary aim of his to avoid capital-intensive enterprises. As a distribution company Jatón is not capital-hungry but, because it was well established, with a stable customer base, the price in 1990 included goodwill of £6,9m.

The latest valuation of £11,5m was independently determined by a London firm of accountants to comply with stock exchange regulations. The sale is thus a kind of Peter-and-Paul transaction because, in little more than a year, Chelsworth will lose £900 000. But since the Chelsworth shareholders have a substantial stake in TGH (about 20%), what they lose on the swings they will gain on the roundabouts.

Jatón is to be introduced into a substantially different TGH from what it was 17 months ago when the Askin consortium took over. Since then, most of the loss-leaders have been disposed of.

Arwa, Norths Industries, most of Gants, a number of small, superfluous operations, and the northern Natal, Transvaal and eastern Cape bus companies have been sold. Group debt has been almost halved to about R180m from R390m. The remaining organisations have been revitalised and remotivated both by Askin's innovations and the introduction, in some cases, of new top management.

The four original, separately listed organisations have been consolidated into one, a step intended as much to obviate unnecessary costs as to recognise the JSE's strong dislike of pyramid companies.

TGH still has many divisions, of which Tramways Holdings has arguably the highest profile. This was the original core business but, partly because of the sale of the bus services outside the western Cape, its importance has been reduced. It nevertheless provides all the scheduled bus services in the western Cape. It runs 980 buses from nine depots on 900 routes. It owns extensive prop-



Askin ... avoiding capital-intensive enterprises

erties and employs 2 600 people. It is profitable, with a healthy cash flow, but is indirectly subsidised and heavily regulated by the State, which recognises it as a social service. The high replacement cost of buses will draw heavily on future capex.

Askin reasons that in these circumstances he can't justify the retention of Tramways because shareholder returns cannot be optimised. Negotiations to sell it are proceeding; Askin is optimistic that it will be sold by the first quarter of next year.

A study by stockbroker Davis Borkum Hare (DBH) estimates Tramways' underlying value at about R120m — including properties of around R50m. Selling Tramways will reduce TGH debt to R60m; interest payments will fall by R24m per annum, says DBH. Given the profit potential of the remaining major operations, TGH assumes a different perspective as an investment medium.

For the six months to June, TGH showed a pre-tax profit swing of almost R33m — from a loss of R30m for the year ended December

to a small but nonetheless positive R2,9m — largely thanks to the substantial interest saved after the sale of entities that were burdening the group with debt.

This profit trend is expected to continue for the rest of 1991, with annual pre-tax profit predicted in the DBH study to reach R13,5m. Attributable earnings for the year, after interest on compulsorily convertible debentures and pref share dividends, are estimated to reach R8,4m, against a R21,8m loss for the whole of 1990. This breaks down to EPS of roughly 30c on the current equity but, fully diluted by the conversion of compulsorily convertible debentures, EPS actually rises to almost 47c to give the share a prospective p:e of 12,3 on the current 580c (the pref shares will be redeemed at end-June 1992 and the debentures are compulsorily convertible on June 30 1993).

The 1992 DBH forecast of EPS improves to 54,5c, or 64,7c fully diluted, for a prospective p:e multiple of 9. Jatón is to be bought on a 9,9 times multiple, based on estimated 1992 earnings.

After Askin bought Jatón for Thompson T-Line in 1987 he moved its attributable earnings from £400 000 to more than £1m in 1989. UK recession then took its toll: attributable dipped to £800 000 in 1990 and is expected to fall further to about £550 000 in 1991. But Askin is confident that the UK recession has bottomed. DBH estimates that Jatón's 1992 attributable will recover to £1,17m as sales improve following certain internal rationalisations.

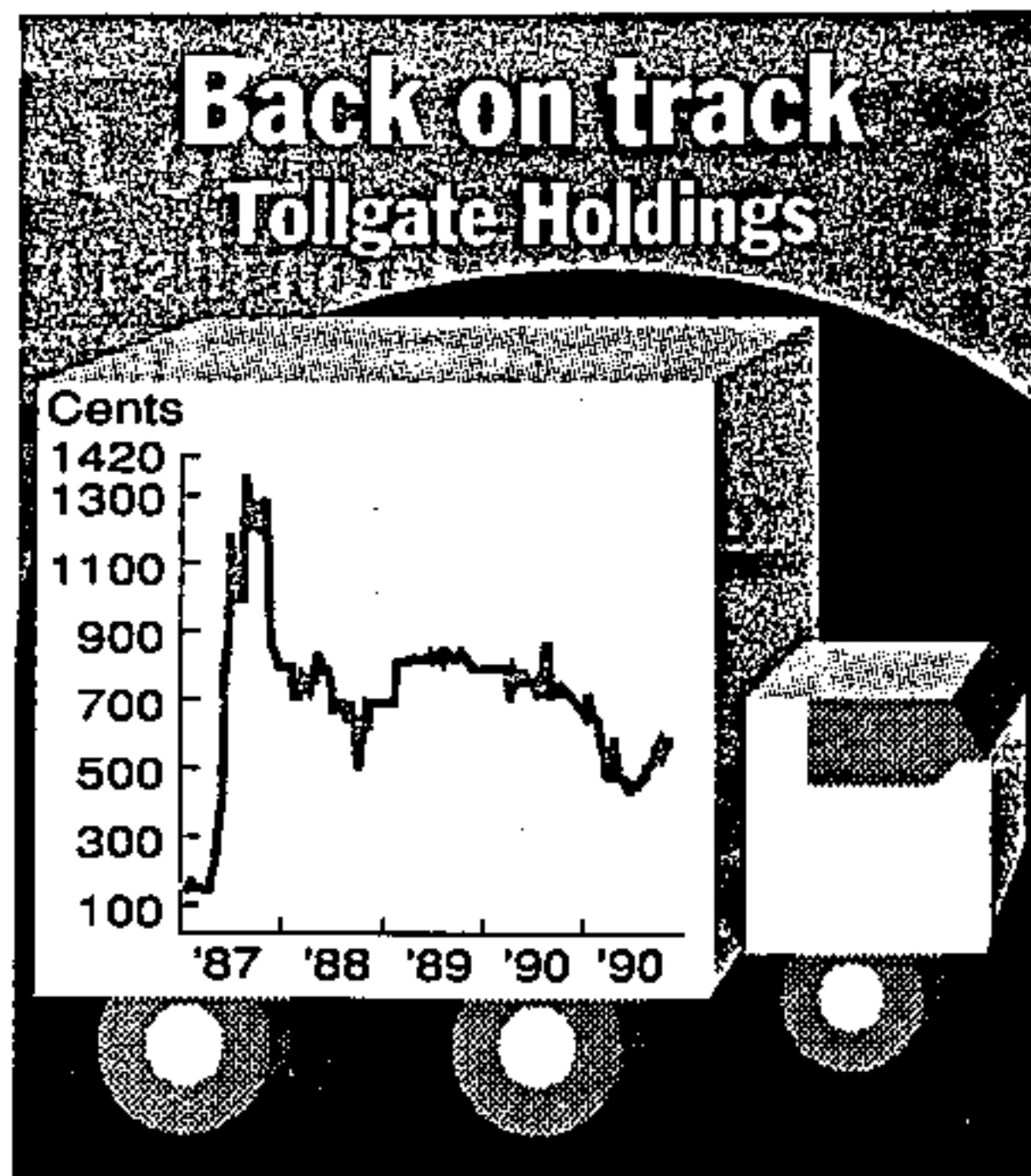
If these figures are correct, consolidating Jatón will push TGH's attributable earnings up by R7,7m to R23m in 1992. The question is: how will the purchase be funded? Askin is not ready to disclose details but logically the price will be met by issuing new TGH shares priced marginally below the present ruling price. Until these details are known it is not feasible to try to forecast 1992 EPS.

But, if TGH increases profits in accordance with the DBH study (Askin feels the estimates are optimistic), EPS in 1992 will push the p:e to well over 10, based on the current price of TGH. TGH paper to be used to pay for Jatón will therefore be rated similarly to the p:e used to value Jatón.

In the end, it is a subjective matter to decide whether Jatón will be the sweetener for TGH shareholders that the forecasts suggest. But what is very evident is that Askin has achieved a lot in the short time since he led his consortium into TGH, at a time when the recession had not begun to be felt.

He stands to lose as much if not more than most if TGH does not grow. Though the sale of Jatón by Chelsworth may provide him with some insurance, it is small cover when the extent of his exposure through TGH is assessed. In the final analysis, it is important to realise that it is not only his judgment and ability that TGH shareholders are backing. Sound businesses, managed by competent experts in their field, remain in the group and Jatón's inclusion is expected to complement these.

Gerald Hirshon

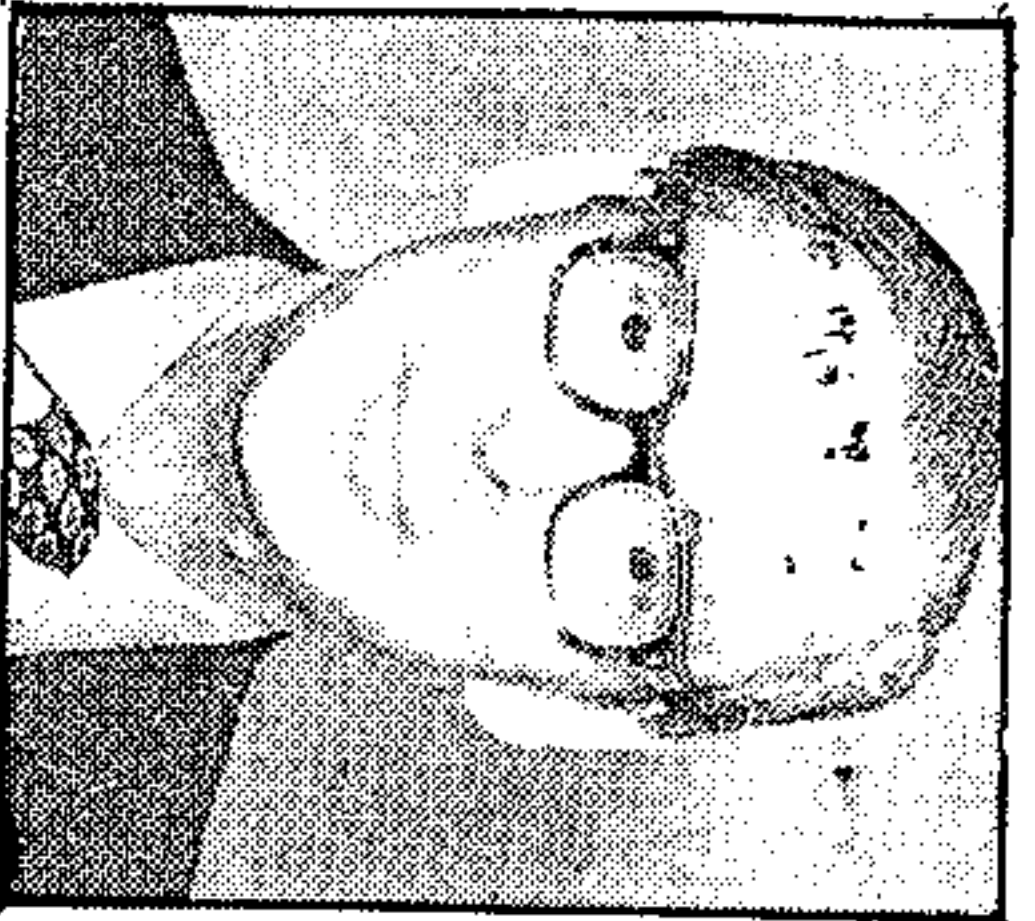


Source: I - NET

Spur 15/11/79

UK trade minister offers words of encouragement

By Frank Jeans



Timothy Sainsbury . . . return to mainstream without delay

Export credit for British businessmen looking to the South African market would soon be cheaper, the UK Minister of Trade, Timothy Sainsbury, said on arrival in Johannesburg, yesterday.

At a luncheon of the SA Britain Trade Association (Sabrita), he gave encouraging pointers to renewal of trade and investment links between the two countries.

"SA must return to the mainstream of world trade without delay. Planning for the future cannot wait for a political settlement."

Mr Sainsbury, the first British trade minister to visit SA in 21 years, has come to explore new opportunities for trade and investment. He assured businessmen of a further surge of interest in the SA market. "Here as in Britain, business has a heavy responsibility to help develop imaginative schemes and

all other ways of realising the rich potential of South Africa's young people," said Mr Sainsbury.

While emphasising that SA had a sound economic infrastructure on which to build and that in some sectors its industry was fully competitive internationally, he criticised some areas of local business practice.

"In some sectors your technology has become dated, your manufacturing methods need reappraisal and training systems need overhaul," he said.

Major new UK investment 'in the pipeline'

CAPE TOWN — Substantial new investment by UK firms in SA is in the pipeline, UK Trade Minister Tim Sainsbury told a Cape Town Chamber of Commerce function yesterday.

Sainsbury said UK firms in SA were planning to expand their holdings and interests in the country.

8/22/11
LINDA ENSOR (61)

He said there had been a recent surge of interest by UK companies in possible investment, trade and joint ventures with SA. However, the ANC's conflicting statements about nationalisation were creating an element of uncertainty.

The British Overseas Trade Board had identified SA as a target market for UK exports, he said.

Sainsbury expressed the hope that local political developments would facilitate the opening up of negotiations between the EC and SA over membership of the Lomé Convention.



New British ambassador to SA Anthony Reeve addresses the SA Institute of International Affairs in Johannesburg yesterday.

Picture: CATHERINE ROSS

Reeve calls for new UK investment

8/10 am
28/11/91
(61)
DARIUS SANAI

NEWLY appointed British ambassador Anthony Reeve last night urged British and other foreign firms to invest in SA to ensure economic growth and political stability.

Reeve, speaking to the SA Institute of International Affairs, said he believed the reforms of the past two years were irreversible. But a transition to democracy was not enough for SA, he said.

Without economic growth, the number of unemployed and homeless would continue to increase. There would be no solution to the problem of violent crime.

"The urgent need, therefore, is for the economy to grow, to provide jobs and an income for the millions who have neither," he said.

"This is why we in Britain have tried to get away from outdated talk about punishing ordinary South Africans through sanctions, and have instead encouraged our companies to invest in the country's future."

There was no time to lose in planning for a new SA, he said. *8/10 am*

"I have to say that I have been struck by the enormity of the task SA faces." *28/11/91*

He was concerned that the economic figures "simply do not add up" for the future.

Implementing a negotiated agreement on the country's future would be far more difficult without economic growth.