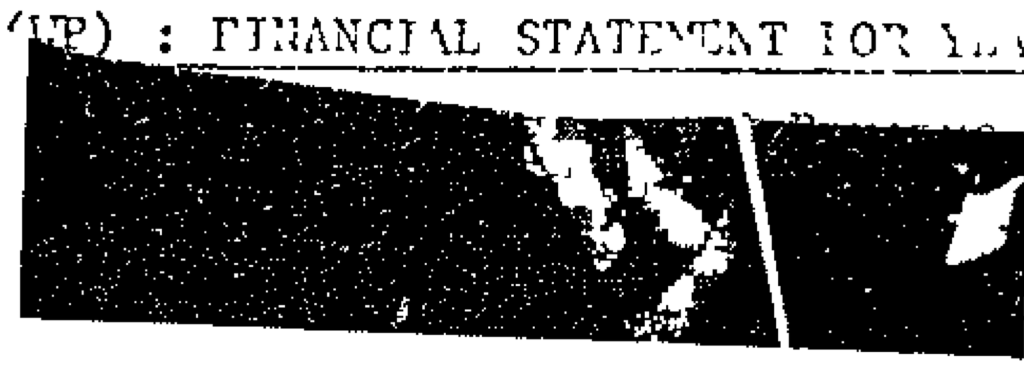
MANUFACTURING
TOBACCO.
DEC 76.
JULY – DEC. 77.
FEB. – DEC. 78.

(WP) : FINANCIAL STATEMENT FOR YEAR SEPT 1977 - SEPT 197

FM 9/12/78 (198)

REMBRANDT

Preparing to fight



Anton Rupert . . . what is he planning?

Remgro's results for the six months to September 30 reflect the generally uninspiring trading scenes in most of its operations. It was a period, however, of considerable reshuffling of group interests, in what can be regarded as a prelude to the beer war with SAB and to possible further diversification within SA.

While pre-tax profit rose marginally from R33,04m to R33,81m, earnings increased by 4,4% to 68c (65,1c). Shareholders, to their surprise, are to get an uncharacteristically large 13,6% rise in the interim dividend to 12,5c

These earnings have been revised to reflect the new group structure, but the attributable surplus and exchange rate profit from the sale of Rothmans of Pall Mall (Canada) to Rothmans International (RI) have not been taken into account. These are to be treated as "movement in reserves" and will not materially affect earnings or assets.

During the period, Remgro also realised its investment in US cigarette marketer Ligget & Myers for US$28,7m On the other hand, it pumped R43,3m into taking out the minorities in Intercontinental Breweries and the Oude Meester Group and into acquiring a strategic 49% stake in W&A Gilbey.

The net result of these manoeuvres has been to substantially increase group liquidity for future "investments and general group financing." In addition, advantage was taken of the market to enhance working capital through a R40m debenture issue in October

The surplus cash is in short-term deposits, and it will probably not be long before it is more usefully employed In view of the group's traditional secrecy, particularly when it comes to its SA operations, just how the money is to be used could provide one of the few clues as to Remgro's future direction.

It is more than possible that these funds will be required to finance the conflict with SAB and, perhaps, also to build up its SA interests generally in a move to restore the balance lost following RI's dramatic profit improvement

Remgro's SA interests probably account for some 30% of group profits Presumably Dr Anton Rupert would like to see this increase, especially since he has a firm commitment to southern Africa and since the buying opportunities here are relatively better than overseas. Given Remgro's recent precedents in acquiring 25% of Federale Mynbou, 20% of Volkskas and 97% of IL Back, the stage seems set for further local investment.

In more traditional fields, there is still scope for growth in SA cigarette sales and Remgro should have little trouble holding onto its commanding 70% cut of the tobacco market. While there are some rosy prospects in the African beer market, the real problem in liquor is SAB's 90% stranglehold on the beer market

ICB has already taken the plunge by spending R16m on new brewing and distribution facilities These should shortly lead to installed capacity sufficient to satisfy 20% of the market So a protracted battle is inevitable since Remgro must justify this expenditure and, in the end, its own faith in its ability to do in the beer market what it has already accomplished in tobacco

The effect on profitability of this marketing expenditure is unpredictable Suffice to say that it could be significant In context, however, it is worth noting that ICB's losses last year are estimated at R1m Which is small beer in relation to the attributable loss of R3m from Carling O'Keefe in Canada (where all is peaceful) and to approximately R5m lost last year in IL Back

Overall, the outlook for Remgro's SA prospects is for modest growth as a result of an easier pricing policy in cigarettes, the elimination of Oude Meester minorities the reduction of losses from IL Back and some modest growth from Fedmyn There is also the prospect that, for a relatively small outlay, the 20% Volkskas holding could be topped up sufficiently to allow for consolidation of earnings as well as dividends This could do wonders for Remgro's bottom line -- and disguise the bruises of the brewery brawl

John White

R137.42

Statement of Assets and Liabilities

	Accumulated Fund	R301.15	77/78	Current Assets		
	Balance Sept. '77		Savings a/c		R300.26	(43.89)
	Savings a/c	43.89	Petty cash		.89	(1.04)
	Petty cash	1.04				
		44.93				
	Surplus for the period					
(-5.25)	Sept '77-Sept'78	256.22				
		R301.15			R301.15	

Note:

Of our current assets a very large portion is reserved for specific purposes: R200, being the balance in the Stellenbosch Farmers Winery a/c, is destined for the purchase of Asterix books which will be presented to various schools in the Western Cape and R28.50 is held in trust for the purchase of prizes. Thus a sum of R72.65 remains for routine expenses ('77-78 = R65 - see starred items in Exp. and Rev. a/c). This excludes the cost of prizes and of the commentaries project. As we have already received our grant for '78/79 from CASA it is clear that we shall have to call on outside sources for help when, as is likely, the expenses connected with the above, recur this coming financial year.

J.C. SANG.
Sec./Treas., CASA (W.P.)
12.9.78.

CHAIRMAN'S ADDRESS

FM 15/9/78 198

Rembrandt Group

1978

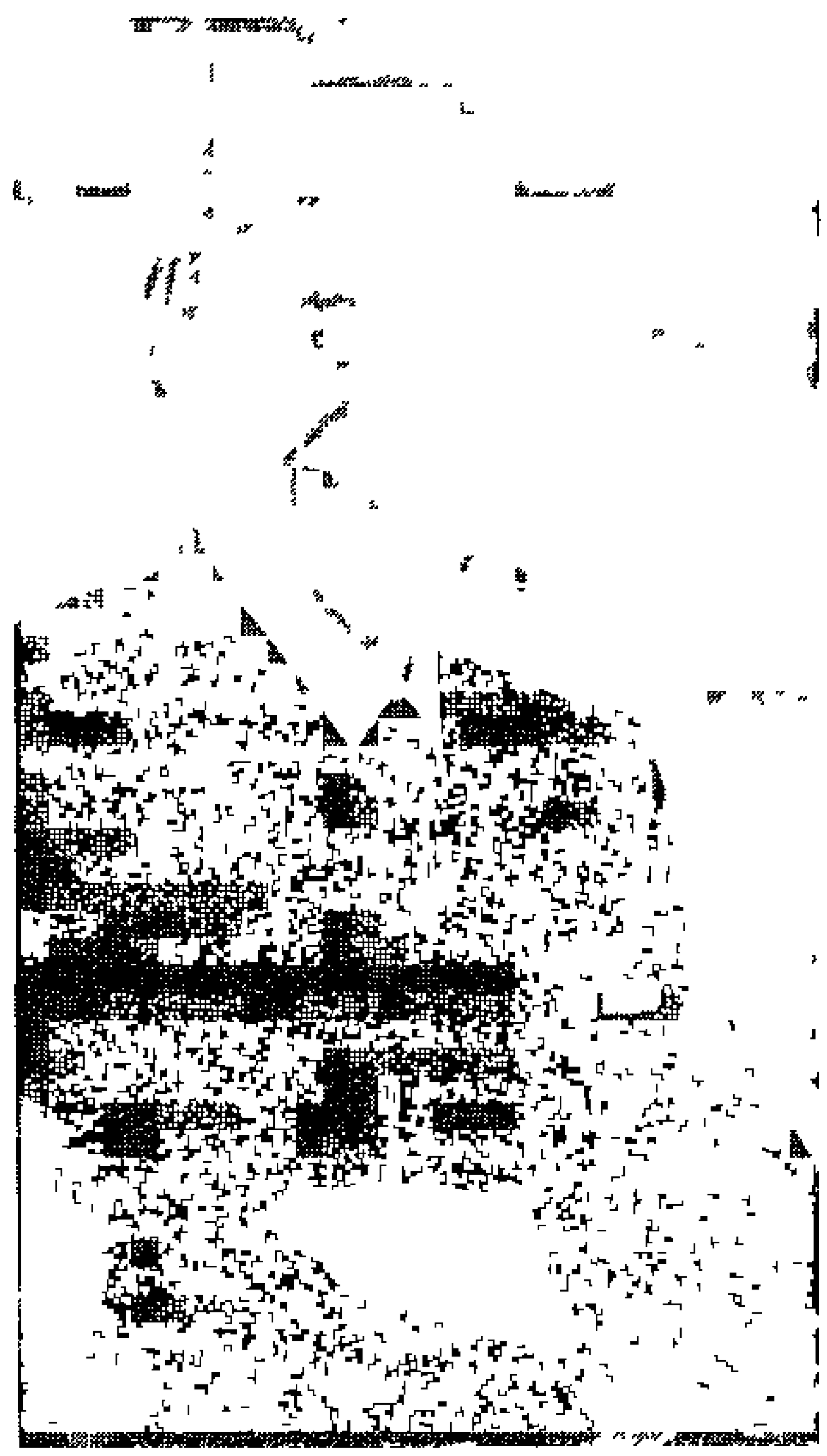
Thirty Years of Growth and Prosperity

It is my special privilege to welcome you all — shareholders as well as proxy-holders — to the 30th Annual General Meeting of Rembrandt Group Ltd

The past year has in more than one respect been an exceptional one Your Group has not only, once again, done well, but we have reached an important milestone — 30 years of cigarette manufacture in South Africa More will be reported in this regard at a later stage

The annual report containing the financial statements and reports of your directors and the auditors for the financial year ended 31 March 1978, has been with you for some time A comparative consolidated review covering the results of the last five years was also included With your permission I shall take these as read and confine my comments to supplementary remarks

Profits and reserves of companies in which an interest of between 25% and 50% is held, are accounted for by the equity method The company's share of the profit of Volkskas Ltd in which an interest of 20% is held, has therefore been excluded and only the dividend received has been taken into account



Dr Anton Rupert

OWN ACCOUNTS

The income of your company consists mainly of dividends received from subsidiaries Profits after tax for the year under review amounted to R18,3 million Of this amount R11,7 million, representing 22,5c per share, was paid in dividends The retained profit — R6,6 million — has been added to profits retained in previous years, resulting in unappropriated profits of R31,9 million being carried forward to the following year

An interim dividend of 12,5c per share has just been declared from profits of the current financial year, compared with an interim dividend of 11,0c per share declared during the previous financial year

CONSOLIDATED ACCOUNTS

The consolidated accounts of your company and its subsidiaries reflect a net profit before tax of R92,7 million After allowing for own members' interests in profits retained by associated companies (R28,5 million) and after provision for taxation (R33,5 million) and the interest of outside shareholders (R11,0 million), net consolidated profits attributable to you as shareholders of this company amount to R78,0 million Earnings per 10c share were thus 149,3c

The larger part of the profits of your company accrues mainly from foreign sources Despite persistent inflation and the climate of recession in the economy the chief industries of your Group, namely tobacco and liquor, showed moderate profit increases in comparison with the previous financial year The market share has also been raised

In the past financial year the consolidated assets of your company have passed the R1 000 million mark and are currently R1 075 million After allowing for total liabilities of R432,3 million, the total shareholders' interests amounted to R642,7 million, while the interest of own members at 31 March 1978, totalled R483,0 million or 925c per share

The increase of more than R101 million in the interest of own share-

(Continued on next page)

(Continued from previous page)

holders derives mainly from improvements in reserves (R37,7 million), the net interest in profits retained by associated companies (R30 million) and fluctuations in the exchange rate (R27,3 million)

REVIEW OF GROUP OPERATIONS

The total assets of your Group, including associated companies with whom partnership is practised, but excluding mining, increased during the financial year to more than R2 800 million, while turnover increased to beyond the R5 000 million mark

Your Group is still the fourth largest cigarette manufacturer in the free world and is also amongst the ten largest brewery groups and distillers It has a 25% interest in one of the world's largest mining houses and has also acquired a 20% interest in one of South Africa's best known banks Investment in the latter group yielded its first contribution to the dividend income of your Group in the period under review

Foreign interests

As regards the cigarette industry, there was a strong trend to formation of larger groups on the international scene Thus, for example, the Liggett Group of America sold its foreign cigarette interests to Philip Morris, while B A T gained the international interests of the Lorilland Department of the Loews Corporation

In view of the former transaction it was decided to relinquish the interest of your Group in Liggett Group Inc Liggett itself repurchased the interest of our Group

In Canada a re-arranagement of the interests of the Group could possibly lead to the incorporation of the Canadian interests of the Rothmans Group into Rothmans International Ltd Seeing that the latter transaction is still subject to the approval of the shareholders of the above-mentioned company, it is not at present desirable to indicate what the possible result of this will be The amount expected to be available for investment is almost 96 million Canadian dollars

This amount, together with about 28 million U S A dollars, which was realised in the Liggett Group investment, will be used for the procurement of other investments and for group financing Since new investments and finance arrangements are usually attended by delicate negotiations, the details concerning these will naturally be made available at the appropriate time

It has always been and remains the policy of your Group to make known to shareholders all relevant information at a time when it can be done without detriment to your interests as shareholders and without being detrimental to the interests of shareholders of other companies in our Group

Tobacco Industry

Locally, the most important events in the cigarette activities of your Group were the commencement of production at the new factory in Heidelberg, Transvaal, and in June the celebration of the 30th year of cigarette manufacture in Paarl

The Heidelberg factory, erected at a cost of more than R30 million, commenced with production in January At present there is already a double shift with the purpose of ensuring the maximum utilisation of production means The factory employs more than 600 workers A trade school offers industrially-orientated training and our other factories will also benefit from this

As regards the industry itself, there are strong indications of a surplus tobacco harvest this year The estimated harvest will be about 20% more than the previous year and 50% more than the 1976 harvest Considering that the total tobacco consumption shows only a marginal increase, there will of necessity be a surplus It can be exported, but at far lower prices than are effective locally It is also expected that with the introduction of the general sales tax consumption will be adversely affected in the short term

Since June last year, excise stamps have not been in use This has been replaced by an embossed diamond-shaped motif on the bottom of the cigarette packet The abolition of excise stamps has been welcomed by industry, since it not only lowers costs but also raises production efficiency

Rise in costs occurred throughout the industry This resulted in necessary price rises to maintain the same level of profitability As examples of rise in costs I can mention that the price of leaf-tobacco has risen by 13% since April/May last year, packaging material by 10%, aluminium foil by 16,9% printing costs by 15%, distribution costs (excluding railage) by 19,3% and advertising tariffs in newspapers by an average of 16,5%

With a rate of inflation which has persistently remained above 10%, it was inevitable that costs would rise The rise in cigarette prices during the past year was nevertheless only 7,3%, which was appreciably lower than the rate of inflation

Liquor Industry

Despite a reduction in business of the majority of departments of the liquor industry and very strong competition, the Oude Meester Group has in the past year not only augmented its share in a diminishing market, but slightly increased its consolidated net profit from R10,7 to R10,8 million

On the export side the Oude Meester Group had considerable success In the first year since a distribution agreement for the products of the Group was made with Henry C Collison & Sons Ltd of London, exports have exceeded all expectations This export bid has advantages not only for the Group but for the whole S A liquor industry

Bergkelder wines recently achieved great success by winning 16 medals, 7 of which were gold medals, at an international wine and spirits competition at Bristol, England In addition, Oude Meester won the only gold medal for brandy It was an excellent achievement in select company — more than 400 entries from 19 countries competed

As you are aware, your company and the Oude Meester Group indirectly has an interest of 43% in Intercontinental Brewery Ltd The products of the company are backed up by the competence arising from close ties with leading brewery groups abroad Since March this year, all Intercontinental Brewery products are available country-wide

Earlier this month details were released concerning the offer of the Rembrandt Group to the minority shareholders of Oude Meester Group and Intercontinental Brewery for the procurement of all ordinary shares This rationalisation of liquor interests under the control of your Group is aimed at increasing our market share in beer so that we can compete more effectively in the total liquor market

This will demand great expense and investment in market development and capital projects The extent of such expenses will depend on factors such as rate of growth in market share, competition in the market and economic conditions in general It can nevertheless be accepted that the amount will be considerable Intercontinental Brewery and Oude Meester do not have the financial resources for such action

Rembrandt Group is prepared to make the necessary funds available, but then it is imperative that all the shares of the two companies are acquired by Rembrandt in order to have sufficient flexibility through strategic planning and extension of Group policy

If the transaction is carried through, it will not affect the profits, assets or interest of shareholders of Rembrandt Group in any significant way

(Continued on next page)

(Continued from previous page)

Meanwhile Intercontinental Brewery is engaged in expanding its production capacities When the expansion programme of almost R16 million has been completed, ICB will be able to provide about 20% of the needs of the national beer market

This investment of almost R16 million includes extensions to existing breweries, the completion of the Natal Brewery, which is expected to be in full production in October this year, and the establishment of a brewery in the Western Cape

Clothing Industry

The interest of your Group in I L Back & Co Ltd, the oldest company in the clothing industry, which has over the years become known for its high quality products, has in the past year not produced the desired results

The losses of the company which practically neutralised last year's injection of capital, represented more than 50% of the involvement of your group in losses of associated companies The problems in the company were investigated and the necessary adjustments are being made The emphasis falls strongly on maximum efficiency with maintainance of quality Since the end of the last financial year, the company has experienced an increase in orders at more profitable prices

Mr Peter Brink was appointed as the managing director of I L Back & Co Ltd at the beginning of August and we wish him every success

Tea and Coffee Industries

At the 24th annual meeting of the company at Stellenbosch recently, Mrs P K Morkel, chairlady, was able to announce that the consolidated profit after tax had risen to R291 000 in the year ending 31 March 1978 The turnover had also risen, despite the price war which had come about in the instant coffee market to check the drop in consumption

As regards the tea market, on the other hand, the Association reports that sales have dropped by 10% in the period under review In this market, we succeeded not only in retaining our market share, but also in strengthening it

THE FIRST THIRTY YEARS

This year, we look back with great thankfulness to our Group's first thirty years of cigarette manufacture in South Africa It is good that there are such landmarks along the way — times when, with a sense of quiet pride and appreciation, one can recall where and how one first began, and developed Indeed, Rembrandt has come a long way since the first cigarette was made in 1948, and our first sales representatives did their rounds carrying cartons of cigarettes on their shoulders

And as the business pioneer Dr M S Louw, who took the first packet of cigarettes from our machines in Paarl, recently celebrated his 90th birthday, I should like to take this opportunity of wishing him strength and prosperity

The beginning was a modest one — a true act of faith With the slogan "Every Cigarette a Masterpiece" success did not stay away By 1961 your Group was the leading manufacturer in South Africa We have always believed in miracles because we are realists and this faith paid off!

Guided by belief in "Leadership through Research and "Industrial Partnership', Rembrandt grew from a small enterprise to a worldwide organisation — the world's first industrial commonwealth of nations

Today your Group is the fourth largest cigarette manufacturer in the free world, with altogether 59 cigarette and tobacco factories in 27 countries on all 6 continents Our products are sold in more than 180 countries, and of all the cigarettes smoked in the Free World today, one out of every 16 is produced by this group of companies Fifteen years ago, in 1963 we produced only one out of every 50 cigarettes smoked in the Free World

Growth

As shareholders you were witnesses to our growth But one soon forgets how small the beginning really was For this reason the following statistics are illuminating

The total assets of your Group increased from just over one million Rand in 1949 to more than one thousand million Rand in 1978, your interest as shareholders of Rembrandt Group Ltd increased in the same period from more than half a million Rand to nearly five hundred million Rand, while the net asset value per share rose from 8c to 925c From an earning of nil cent per share in 1949 your Group's earnings rose to 149c per share in 1978, while a dividend of 22,5c per 10c share was declared and paid in the latest financial year compared with 6c per 50c share in 1950/1 — the first year of dividend payment

It is interesting to note that the average price of South African leaf-tobacco rose from about 44c per kilogram in 1948 to an estimated 243c per kilogram in 1978 On the other hand, the price of a packet of 20 cigarettes increased from 10c in 1948 to 46c (including 2c sales tax) in 1978

The rise of liquor prices is equally illuminating where a hectolitre of good wine cost the producer R3,81 in 1948, the price in 1978 stood at R22 The comparative figures for a hectolitre of distilling wine are R3,30 and R16,77, respectively

In the retail trade fifteen years ago, in 1963, a bottle of brandy cost R1,55, and a bottle of wine in the lower price range (vin ordinaire) 21c Today the prices are R4,94 and 72c, respectively

In the highly competitive world of today a company can only stay in front by thinking and acting creatively, by taking and retaining the initiative, by being the architect and not the victim of change and renovation

The longer the race, the greater the importance of the last few metres Never may we rest on our laurels, the challenges and demands of the times are too great This is why we spend so many days and nights on aeroplanes, and live out of suitcases Time waits for no man

In an article entitled "To Live is to Grow", the American business magazine "Forbes" said recently "A company is easier to manage when it is growing A stable company becomes a personnel nightmare Its executives seeing no chance for advancement, settle into what they have and cling to it Old friendships mellow, old feuds fester and the company gently, politely drifts into a glacial somnolence Instead of initiating things, the company merely reacts to change and response is slow and cautious It is twilight

"Rather bet on growth It is frenetic, erratic and often messy, but stability does not work well in business and a good balance sheet is no substitute for competent management that wants to go somewhere"

You will agree with me that there can be no talk of a choice Growth and progress are infectious They create prosperity which can, if it is shared, lead to greater prosperity South Africa has too many mouths to feed to be able to afford **not** to let enterprises grow

Partnership

You are well aware of the fact that your company's policy is based on partnership in industry It remains my conviction that this is the only policy that can be morally justified It remains the only way by which the great advantages of free enterprise can be retained in a world which tends to become increasingly socialistic

What is at stake here is confidence, because it begets more confidence. How can anybody make use of a country's public services, its markets, and

(Continued on next page)

(Continued from previous page)

the goodwill of its population, without making that country's inhabitants its partners? How can you win confidence without showing confidence? To trust is indeed a risk, but to mistrust is a much greater risk, which can lead to disaster Your Group's belief in the philosophy of industrial partnership being the only practical answer to accusations of economic colonialisation and exploitation springs from the fact that we have applied this policy within our own Group, and have seen it work

It is especially heartening that the principle of local participation or partnership is being implemented on a greater scale in the black homelands of South Africa, as a replacement for the so-called agency system, whereby local inhabitants have no share in white enterprises According to the tripartite company system 25% of the share capital of enterprises which establish themselves in the homelands is made available to the local population The entrepreneur retains 50% while the economic development corporation holds the other 25% in trust for homeland citizens until the enterprise is well established

One homeland leader summed it up as follows "The position is dangerous if blacks have nothing to lose They will definitely not burn down something in which they have an interest, but they will destroy that which is to them a symbol of oppression and exploitation"

Industrial partnership has been described as the only new and feasible idea which has made its appearance in the field of international trade and industrial development this century Your Group can today feel proud that it first and with great success implemented this idea

Leadership through Research

Since the first years it was our Group's aspiration to be and remain at the forefront of the technological field Our factories are amongst the most modern in the world, and in Paarl alone, the cradle of the Group's progress, more than R41 million has been invested in production facilities up to this point

Through constant research, the Group has in the past 30 years achieved world-wide recognition for a variety of new developments in the cigarette industry As example of this, we were the first in the world with the King size cigarette, the King size filter cigarette and the King size cigarette with Multi-filter, as well as with menthol cigarettes, super-porous cigarette paper, and the ultra-modern gold band filter

The success of the Group's products is based on research and dedication to quality A significant milestone in the field of research was the erection of the modern technical centre in Stellenbosch in 1968 It is probably appropriate to use this opportunity to express your and our thanks to the men and women who, literally behind the scenes, must work often until late at night to ensure that we maintain our advantage

BUSINESS RESPONSIBILITY

Over the years we have consistently maintained that a company has a three-fold responsibility towards its shareholders, towards its staff and towards the community within which it exists and from which it derives its success

Shareholders

In the preceding section I have already indicated how we have tried to fulfil our obligation to you through sustained research, creative action, the utilisation of opportunities, and by ensuring that only products of the highest quality are marketed along the most efficient lines

Personnel

Our personnel always remains for us a source of modest pride They — the human building-material of our organisation — are our greatest asset Without the faithful co-operation, sacrifice and support of our officials world-wide over the past three decades, we would not have progressed to where we are today It is these human catalysts in our organisation — those who give more than they receive, who do more than is asked of them — who receive our tribute today The inspiration, energy and conscientiousness of our employees ensures success

There is indeed much truth in the saying, "An ounce of loyalty is worth a pound of cleverness"

As proof of the value which your Group attaches to its human assets, I may mention that, in 1963, when the prescribed wage of the Wage Board was still only 85c per day, we took the lead in South Africa by introducing a minimum basic wage of R2 per day for all our employees

Through the years we have kept pace with the rising cost of living, making the necessary adjustments Thus, Rembrandt Group has displayed its confidence not only in the future of South Africa but also in its employees

Service to the Community

From the beginning, we realised that the confidence and goodwill of the public is one of the most important foundations on which a healthy enterprise should be based Thus, it has always been a matter of honour for us to fulfil to the best of our ability, our obligations to the community as a whole

A telling example of the yeast-like action of your Group's involvement in the community is visible here in Stellenbosch Heidelberg in the Transvaal, too, has begun to show signs of our policy of neighbourliness, with mutual benefit

A Future for our Past

You have probably heard the saying that a town or city without a museum is like a man without a memory When we came to Stellenbosch there were no museums By the way, this very Burgher House in which we have gathered this morning, was the first cultural-historical museum in the Eikestad and we were privileged to contribute to its establishment in a unique way

When, in 1959, the town council decided to restore the Burgher House at considerable cost, Rembrandt undertook to rent the building at an amount equal to the interest and redemption of the loan Thus, the restoration placed no additional burden on the ratepayers of Stellenbosch

With the exception of two rooms — the one on your left in the corner and the one immediately to my left, which serve as offices for the company of Historical Homes of S A Ltd — the whole of the building is furnished with a collection of old Cape furniture, glassware, copperware and V O C (Dutch East India Company) pieces

Today Stellenbosch has at its disposal no less than 8 museums, and we are proud of the fact that we were actively involved in the establishment of five of these During the past two decades, through the actions of your Group and Historical Homes, 32 Stellenbosch buildings have been restored and preserved for posterity This is almost a third of all the buildings which have been preserved in this period

At Heidelberg, the first capital of Transvaal, at the foot of the Suikerbosrand where transport routes from the earliest times crossed, Rembrandt planted a cultural-historical landmark in 1975 before the Group's new cigarette factory had taken shape This is the Heidelberg Transport Museum, housed in the old railway station which played an important role in the early history of the Transvaal

As you know, our Group has completed its restoration and given it a useful and practical purpose It is very appropriate that this old station should now be used to preserve transport

(Continued on next page)

(Continued from previous page)
vehicles of earlier times and put them on display for the public

This Transport Museum houses, amongst other things, the largest bicycle collection in the Southern Hemisphere It is interesting that the British Cycling Federation and Cycling Tourist Club commemorate the 100th year of their existence this year For this occasion a special stamp has been issued which depicts the penny-farthing The bicycle itself has been in existence since 1839

With its interesting collection of vehicles, the transport museum has already become one of Heidelberg's most popular attractions Since its opening in November 1975, it has already been visited by nearly 30 000 people

Your Group made a further contribution to the preservation of this Transvaal town, when the historical A G Visser house wes obtained in 1973 This building has been renovated and the intention is to preserve it as a lasting monument to one of our great poets

In addition, on the more material level, Heidelberg is reaping the benefits of the Group's activities and progress In the 1978/9 financial year, for example, our new factory will contribute about a third of the local authority's estimated income of R1,2 million from the sale of electricity

In addition, the remuneration of approximately R3 million which our factory employees will receive in Heidelberg this year, will strengthen the local buying power considerably and will serve as an important stimulus to enterprise Property development was decidedly benefited by the 30 houses which have already been built by the Group for its staff, as well as by the sale of an additional 50 building plots which senior officials are developing for themselves

Art for the Masses

Our Group of companies is based on the principle of progress through partnership Accordingly, it is our policy to use a portion of our earnings for the benefit of the communities within which we operate

This is done by means of partnership between Capital and Art, Capital and Culture, and Capital and Sport As part of this service programme, we have brought art to the masses by means of 19 international collections and, so far, more than 30 million people world-wide have viewed these art collections

The Rembrandt van Rijn Art Foundation, since its establishment in 1964, has presented 315 exhibitions in the Republic and neighbouring countries Approximately, 2,6 million people have visited these exhibitions

This year, a new exhibition has been introduced to South Africa THE ANIMAL IN ART The first exhibition of this collection — which includes the unique sculptures of Francesca Messina, examples of Eskimo art and Chinese ivory edges — was held in our Rembrandt Art Centre, Milner Park, Johannesburg, during this year s Rand Show More than 100 000 people have viewed the collection there

It is not often that art plays a role in bringing together different countries of the world However, THE ANIMAL IN ART has achieved this Since the end of last year, 30 major art institutions in 10 countries — including South Africa — have been co-operating in a world-wide series of exhibitions devoted to this one theme

Most of the items being exhibited in the Republic have been drawn from South African collections, public and private Additional exhibits have been obtained from as far afield as Canada and Australia The aim in assembling the exhibition has been to demonstrate the varied use of the animal motif in different cultures and at different periods of history Many valuable pieces are on public display in this country for the first time

Preservation of Historical Buildings

It is the duty and responsibility of every generation to preserve and pass on to future generations the foundations on which its civilisation is built — we must not cover our tracks We have good reason to feel proud of what we as a nation have achieved in just over 300 years here at the southern tip of Africa Thus, we must protect our cultural heritage — this will serve as proof that we are of Africa, and have a right to be here

Through the years, the economic development of our country has taken place at a cost This cost was the destruction of many of the title deeds of the country we love Our organisation could not shut its eyes to the urgent need to preserve our architectural treasures for posterity

The growing need to rescue what could still be saved resulted, through the initiative of your Group, in the foundation of the company **Historical Homes of South Africa Ltd** in 1966 The objective of this company is to buy historical buildings, and buildings of historical interest, to restore them and then lease them — that is, to reinstate them in a meaningful way in the service of the community

Of the 136 founder-members of Historical Homes, 36 were public companies From the beginning it was destined to be a remarkable venture

In the 12 years of its existence this company has rescued more than 50 historical buildings from demolition, and 40 of these have already been fully restored

To date, Historical Homes has been involved in the restoration of a total of 150 historical buildings This includes those in Church Street, Tulbagh — the largest restoration project yet undertaken in South Africa

In the past year, in co-operation with the Oude Meester Group, the personnel of Historical Homes has been involved in the fine restoration of the historical Drostdy Hotel in Graaff-Reinet The restored main building houses all the usual hotel facilities, whilst Drostdyhof restored earlier, offers sleeping accommodation The management of the hotel is under the personal supervision of the well-known hotelier Mr David Rawdon It was a special privilege for us that the State President, the late Dr N Diederichs, could officiate at the opening of this magnificent complex on the 26th October 1977 His sudden death left us without a father, a friend He was a noble, great South African who served the Republic with dedication and unwavering patriotism

The Nature Foundation

Our natural environment, with its rich variety, is a special asset and offers another reason why we must be conservation conscious

In 1968, the S A Nature Foundation came into being to act as a catalyst in the conservation of our natural heritage Companies in South Africa contributed spontaneously to the activities of the Foundation, which is affiliated to the World Wildlife Fund

In June this year the Nature Foundation celebrated its 10th birthday In addition to a financial contribution for the establishment of full-time chairs in Nature Management at the Universities of Pretoria and Stellenbosch, and financial aid to various nature projects by other universities, the Foundation has in the past decade collected more than R2,5 million, thus providing the life-blood for 40 nature conservation projects in 10 countries in Southern Africa All told, 154 companies have been enrolled as members

This led, amongst other things, to the establishment of 11 national parks and nature reserves — including the Karoo parks — the saving and translocation of several rare animal species, and the university education of 165 expert nature managers By involving approximately 300 000 schoolchildren in a fund-raising campaign, the Nature Foundation has collected nearly a

(Continued on next page)

(Continued from previous page)

quarter million Rand In total, more than R700 000 has been raised to purchase land for the establishment of two parks in the Great Karoo

However, the sphere of influence of nature conservation extends much further and embraces more than simply establishing an unspoilt home for our plant and animal kingdom Like art and music, nature is not limited by political and national boundaries Thus, the S A Nature Foundation, for example, in close co-operation with 26 countries, has in the past 10 years contributed to the launching of 1 800 projects in 131 countries at a cost of 30 million dollars

As the population figures increase, coupled with an attendant increase in development, the task of the South African Nature Foundation will become harder before it becomes easier — the demands and the challenges will become greater Hence, the planning, for example, of a new campaign which will have as its aim the protection of our sea life, has already begun We have seen in the not-so-distant past how vulnerable our beautiful South African sea coast is to oil pollution

The S A Nature Foundation is the unique creation of commerce and industry And I believe the success to date of this important Foundation has again proved the willingness of the private sector to build towards a meaningful future for everyone

The Sport Foundation

It is also our belief that a healthy body incorporates a healthy spirit, and for this reason a partnership between capital and sport was created in 1964, with the establishment of the S A Sport Foundation This foundation is aimed at promoting amateur sport at all levels, and for all race groups by the implementation of specialised coaching and teaching

Despite increasing isolation in the area of sport, South Africa has achieved outstanding success both locally and abroad

In large measure, these excellent achievements can be attributed to the specialised teaching and coaching offered by the personnel of the Sport Foundation Above all, the mammoth task done for non-white sport deserves mention

All well-known black athletes have already received coaching through the Sport Foundation courses Among the best-known names are Josef Leserwani, William Mogoregi, Matthew Batswadi, Edward Sinani, Sydney Maree and Humphrey Khosi

During the past 14 years 180 000 people have attended the more than 2 000 courses organised by the Sport Foundation Your Group's contribution to this was almost R2 million

Good neighbourliness

We are our brother's keeper — it is a responsibility we cannot escape Therefore help for our neighbouring states is bread cast onto the water — insurance premiums for peace, prosperity and progress

Ten years ago, a gesture of compassion marked the beginning of the **Medical Aid Service**, which provides free medical services to the needy inhabitants of Lesotho and other neighbouring states

In February this year, the tenth year of the existance of the Medical Aid Services was commemorated in Maseru Various prominent medical leaders, as well as representatives of different medical societies in South Africa, were present

And for those of you who still do not believe in miracles, I should like to mention the following facts since the inception of the Medical Aid Service, 535 specialists assisted by 520 theatre sisters have conducted 10 478 consultations, and have carried out more than 3 600 operations — and this without a single death on the operating table

Medical students from the University of Stellenbosch, who joined the medical exchange service voluntarily, have — in the recent July vacation — once again provided a service to their fellow-man in Lesotho and Swaziland More than 400 students from this university have in the past sacrificed all their vacations to work at hospitals in Lesotho, Botswana, Swaziland, Malawi, Transkei and other areas

Urban Foundation

In 1976, in order to promote the quality of life in our urban areas, the business sector took the initiative in establishing the Urban Foundation As a founder member, your company will contribute R1 million over a period of five years to the activities of this organisation

The Foundation has investigated a very broad spectrum of the needs of urban communities, the most urgent being the provision of sufficient housing

According to a conservative estimate, to meet this need 1,6 million houses require to be built before the year 2000 This will require an investment of more than R4 000 million by the year 2000

Thanks to the role that the Urban Foundation is playing as catalyst, the Government has recently announced a new dispensation in regard to housing This will enable building societies to provide finance for the construction of houses by black people and it is expected that up to R100 million per annum will be made available by the private sector in this manner

The Urban Foundation began with the aim of collecting R25 million In the first year, donations and promises totalling R13 million were received A recent report stated that 95 projects, amounting to R3,6 million, have already been approved by the Foundation

Your company is well aware of the fact that job security and sufficient housing have priority over the many other needs of its employees For that reason a unique housing scheme, known as Paarlita Park, was completed in 1974 for the brown workers of our Paarl factory The development includes, inter alia, a community centre as well as playgrounds for the children

A similar scheme, Stellita Park, is currently under construction for the brown employees of Oude Meester in Stellenbosch The scheme is to be completed by the end of the year

ACKNOWLEDGEMENTS

In conclusion I also wish to address a word of thanks to

- you, our shareholders, for your continued confidence,
- the many communities within which our Group operates, for their valued support,
- our suppliers and distributors, for ready co-operation,
- the tobacco farmers, for the high quality tobacco they supply to us,
- the shipping lines, airlines, railways, postal and telecommunication services and other government departments, for their efficient and friendly services,
- our bankers, for their co-operation, and
- our auditors, for the conscientious execution of their duties

To all my colleagues on the boards of the various companies in the Group I extend my sincere thanks for their loyal co-operation and support

A word of welcome to Mr M J Oosthuizen who was co-opted as director on 26th April 1978

The loyal service, co-operativeness and initiative of the Managing Director, Mr D M Hoogenhout, and of the Directors and employees of our Group form the basis of our success To them all, our sincere thanks — also to their families, who often have to make sacrifices

I now propose that the directors' report and audited accounts for the financial year ended 31st March, 1978, be accepted and approved and that all matters undertaken by the directors on behalf of the company be approved and ratified

I L BACK (198)

Still needing help

FM 11/8/78

Activities: *Holding company with subsidiaries manufacturing clothing for men, women and children. Rembrandt group holds 67,9% of the equity.*

Chairman: *S R Back, managing director: J D Jones*

Capital structure: *24,2m ordinaries of no par value, 100 000 6% cum prefs of R2, 150 000 2nd 6% cum prefs of R2 Market capitalisation R7,3m*

Financial: *Year to March 31 1978 Borrowings. long and medium term, R1,6m, net short term, R7,6m Debt.equity ratio 283% Current ratio 1,3 Net cash outflow: R3,4m. Capital commitments R101 000.*

Share market: *Price 27c (1977-78 high, 43c, low, 15c, trading volume last quarter, 33 000 shares)*

Without last year's R5,5m capital injection the group would at best have been in a sorry state Now the balance sheet is hardly any better than before the rights issue and a further funds infusion could be necessary

Despite chairman Ruby Back's prediction last year that improved productivity would lead the group was "into a period of steady growth," the taxed loss grew to R5,1m from R1,7m This was due to "the depressed state of the economy," says Back in the annual report

Although last year's figure includes a R1,4m abnormal provision against stocks and debtors, the rest is still more than twice the previous loss

Rembrandt seems to be prepared to stick to the group through thick and thin no matter how its losses play havoc with Remgro's results Last year the group's loss was partly responsible for the 11% drop in Remgro's profit.

Back, however, points out "our major shareholder demonstrated its continuing support by underwriting the very substantial rights issue of R5,5m "

The capital injection was intended to improve balance sheet ratios and reduce the heavy interest burden of around R1,2m But with escalating losses the debt equity ratio was only reduced from 313% to 283%

	'75	'76	'77	'78
Return on cap %	Nil	17 2	Nil	Nil
Turnover (Rm)	16 6	17 7	18 8	20 3
Trading profit (loss) (R 000)	(133)	1 763	(183)	(5 075)
Gross margin %	—	17 2	—	—
Earnings (c)	—	29 8	—	—
Dividends (c)	—	—	—	—
Net asset value (c)	276	321	115	11

So it looks as though Remgro will again have to come to the rescue Even if it does, minority shareholders may not be so keen to help despite the chairman's statement that order books are full

Without additional capital it is difficult to see the group returning to profitability for some time Short-term borrowings alone are still more than twice total shareholders' funds of R3,2m In the last eight years the best performance was recorded in 1975 when pre-tax profit reached R529 000 Since then the annual interest payments have increased by about R1m

Despite what appears to be a desperate situation, Back again manages to strike an optimistic note "Our whole situation has improved" to the extent that "we now have a full order book in most division," he says, adding "These (orders) have been booked at more profitable prices "

However he does not predict the group's future, saying only that the improved situation was achieved through the beefed up sales force The successful launching of the new "Carducci" range of clothing aimed at the upper end of the market also may have contributed to the improvement

It is doubtful whether this improvement alone will pull the group out of the red Further losses seem likely, dividends are not in sight and the shares have little attraction

Peter Pittendrigh

DATES TO REMEMBER

Last day to register for dividends:
Friday August 18: Amcoal 24c, F S Devels 8c, Nat Ants 17c, Tavistock 125c, Un & London 12c, Vierfontein 3,5c, Vryheid 6c, W&A 11c
Meetings:
Monday August 14: Finhold
Tuesday August 15: Grinaker (S) (Braamfontein), Huletts (Durban), Sterns
Wednesday August 16: Edworks (S), C G Smith Inv (Durban)
Thursday August 17: Lion Match (Natal).
Friday August 18: Anglo

All meetings in Johannesburg unless otherwise indicated S=Special meeting

(198) FM 4/8/78

REMBRANDT GROUP

Evaluating the offshore earnings

Activities: *International tobacco and liquor group controlling Rothmans International Owns 58% of Oude Meester, 67% of I L Back, 50% of Aloe Minerals, 25% of Fed Mynbou and 20% of Volkskas Rembrandt Beherend has 51% of the equity and is itself 40% owned by Technical Investments, which is 60% owned by Technical & Industrial Investments, which also has an 8% direct stake in Beherend*

Chairman: *Dr A E Rupert, managing director D M Hoogenhout.*

Capital structure: *52,2m ordinaries of 10c. Market capitalisation: R190,5m*

Financial: *Year to March 31 1978 Borrowings: long and medium term, R105,4m; net short term, R113,4m Debt-equity ratio. 36,9% Current ratio 1,7. Group cash flow· R100m Capital commitments. R45,5m*

Share market: *Price· 365c (1977-78. high, 390c; low, 235c, trading volume last quarter, 302 000 shares) Yields 41% on earnings; 6,2% on dividend Cover 6,6 PE ratio 2,4*

	'75	'76	'77	'78
Return on cap%	17 3	16,4	14 9	13 0
Turnover index (1974=100)	113 6	138,4	165 5	180,4
Gross profit (Rm)	59,5	122 0	119,0	116,1
Earnings (c)	62,5	122 9	134,8	149,6
Dividends (c)	16,0	17,6	20 0	22 5
Net asset value (c)	461	664	728	902

Since the prelim, Remgro has changed the way it presents its income statements Associates' profit were then lumped together with pre-tax profits As the *FM* pointed out at the time, this tended to mask the fact that pre-tax profits of the company and its subsidiaries had actually declined

Prelim pre-tax profits were shown to have grown 3% from R117,2m to R121,2m but, thanks largely to a boost from Rothman's International, associate profits had improved 47% from R19,4m to R28,5m This meant pre-tax profits without associates had slipped 6% from R97,8m to R92,7m In the annual report, profits of associates have been moved lower down and the R5,1m pre-tax reverse in the company and its subsidiaries is spelled out plainly

The report also reveals a currency profit of R2,6m in 1978, compared to a R2,7m loss in 1977 If these are adjusted out, pre-tax profits of Remgro without its associates declined 10,4% to R90,1m Although this gives a better idea of trading performance, we have not adjusted for foreign currency profits and losses in the earnings calculations and tables, as one of the attractions of the stock is that it serves as a hedge against a weak dollar and rand

Because of Rembrandt's reticence about the sources of profits and losses, investors buy the stock largely blind They must therefore view the decline with some concern — especially since it took place despite the apparent retention of R55,4m of group profits last year These retentions are effectively earning a nil return Return on capital at 13% is not much higher than the low 9,5% average rate of interest paid on total borrowings of R237m The R22m interest bill is covered 5,2 times by gross profits

Rembrandt derives 89% of its income from tobacco and liquor, 8,2% from mining and 1,2% from banking The 20% Volkskas holding is not equity accounted as Remgro has only 1% of the voting power in Volkskas Only R905 000 of dividend income is taken into account

The sterling performance of 44%-owned associate, Rothmans International, which pushed up pre-tax profits from £66,4m to £80,6m and attributable profits from £24,9m to £35m, will have contributed roughly R23m (R16,4m) and provided the main boost to associate profits Market sources say Rothmans bonds will have yielded about R20m but it's possible not all of this is brought to account.

Rothmans Canada, 84% owned, is the biggest foreign subsidiary and is estimated to have contributed between R18m-R20m in attributable profits Negotiations are currently taking place for the sale of this to Rothmans International for about R64m This should make Remgro more liquid and facilitate diversification away from tobacco and cigarettes. Oude Meester's taxed profits level pegged at R11m, of which R6,4m is attributable to Remgro, while Remgro's share of Fedmyn's profits will have risen from R6,1m to R6,9m The Oude Meester dividend will have brought in R1,6m and Fedmyn's R2,6m

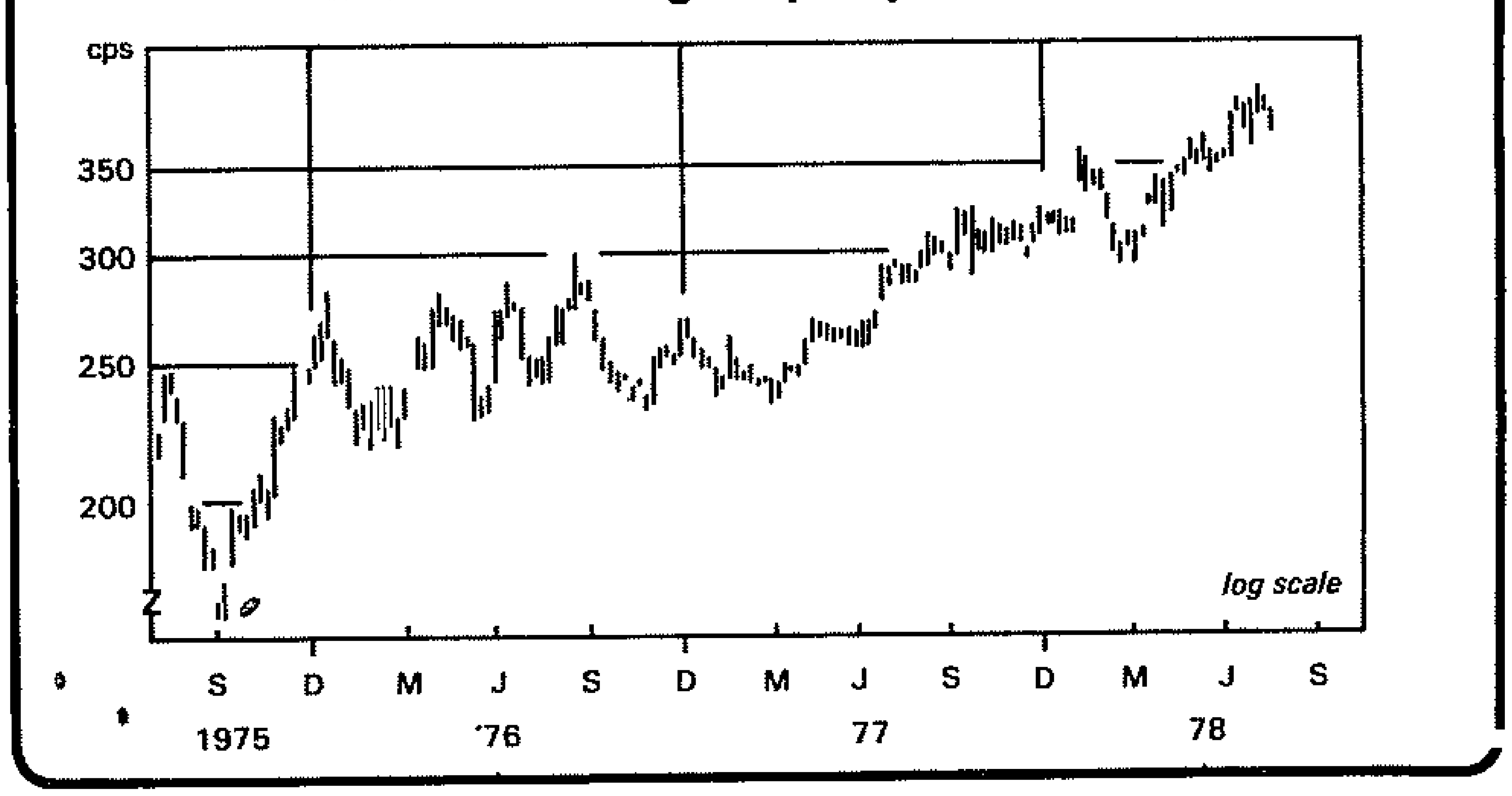
Losses in Remgro totalled R9,3m of which I L Back will have contributed R5,3m This virtually wiped out the R5,5m capital injection of a year ago and raises the question of another. Oude Meester's aggregate losses were R1m odd The remaining R3m of losses are unexplained Intercontinental Breweries is breaking even. Cavalla, normally a guide to conditions in the local tobacco and cigarette market, improved pre-tax profits from R4m to R4,3m but profits from the other domestic cigarette and tobacco interests declined slightly.

At last year's agm, Rembrandt's turnover was revealed to be R4 400m. The 9% improvement in turnover reported here means turnover is now R4 800m and that gross margins have dropped from 2,8% to 2,4% Slimmer margins seem to have moved stocks faster, however, for stock-turnover improved from 13,3 to 13,9 Stocks, debtors and creditors all grew far less than turnover.

The tax rate increased from 32,1% to 36,1, presumably because of losses in subsidiaries It was only because of a lower minorities figure (down from R14,9m to R11m) and the upturn in associates that earnings improved from 134,8c to 148,7

Dividends received grew from R15,9m to R17,2m, easily covering dividends

REMGRO: strong despite profit setback



paid out of R11,7m (R10,4m) Cover of 6,6 enables a large part of foreign earnings to be kept abroad, which enhances the shares for those with reservations about SA politics or the strength of the rand. About 70% of Remgro's earnings are estimated to be foreign.

The earnings yield of 41% suggests that the market partly disregards earnings and pays more heed to dividend income and outgo. The dividend certainly looks secure but the state of some of the companies mentioned above and the threat of renewed recession in the west puts a question mark over medium term earnings. Today's premium rating does not look justified in view of sluggish and slowing returns being earned and the many imponderables

Remgro yields 6,2% and RemBeh 6,4%. The latter comprises only a 51% stake in Remgro and distributes nearly all the dividend income it receives from Remgro Remgro is at a 44,5% discount to assets and RemBeh at 71%, but arbitrage between the two stocks ensures that one is not cheap relative to the other Tegkor and TIB both yield 6,8% and both improved profits and dividends Apart from their Rembrandt holding, the contents of their portfolio are unknown but consistent. All are fully valued in the light of prospects for Remgro and the many unknowns

David Carte

REMBRANDT GROUP (198)

Not what it seems

FM 21/7/78

The Rembrandt Group results for the year ended March must be considered disappointing. Though the prelim attempts to portray the figures in the most favourable light there is no disguising a setback in consolidated earnings. The only growth came from associates, principally the 13% interest in Rothmans International and the 25% stake in Federale Mynbou.

Stripping out the retained portion of earnings in associates reveals that after tax profits (before minorities) declined 11% from R66,4m to R59,3m. The ghastly R5,3m loss at LL Back was largely responsible for this, though there is another R2m setback to account for. When one considers that the ploughback at the consolidated level is around R45m a year, which alone ensures a 15% rate of growth in net assets, then the figures are even more disappointing.

One way of looking at it is that the new investment from ploughback is earning a nil return. While this is, of course, a simplistic argument when applied to a widely diversified group which has some bits doing well and others badly, it is the overall package that counts. And as investors have never been allowed a detailed inspection of what the package contains, Rembrandt must be judged on the overview.

Indeed, it is difficult to get excited by the immediate prospects, except for the possibility of reduced losses at LL Back. The SA cigarette market is not showing any growth and nor is the domestic liquor market. Oude Meester looks as if it will have difficulty maintaining profits this year while Intercontinental Breweries, which is consolidated at the group level, is still not profitable and needs to nearly double market penetration before reasonable returns can be achieved.

In LL Back Rembrandt has got itself involved in a far worse situation than it could ever have imagined. The loss virtually wipes out the R5,5m of fresh equity injected only seven months ago and raises the question of a second attempt at reconstructing its finances. The company is said to be enjoying more profitable prices and a much improved order book at present, so hopefully, as the economy improves, Rembrandt will be able to ride it back to profitability.

Attributable net assets of Rembrandt are now put at R483m (925c a share) against R381m a year ago. As R66m of this increase came from retained earnings, the R35m balance derives from favourable exchange adjustments. This is equivalent to an 8% boost to net assets just from the way currencies moved over the year.

But whether the results are disappointing or not, when evaluating Rembrandt as an investment one always returns to the extraordinarily conservative dividend policy which allows for continual steady growth in the income stream that shareholders receive. The final dividend of 11,5c, which was declared way back in February, meant that the annual distribution of 22,5c was 12,5% up on the previous year. It is still covered 6,6 times by earnings, including those retained in associates.

The yield on Rembrandt Group at the current price of 378c is 6%. It is a third up over the year, a little less than the industrial index. On a 12-month view, I would expect it again to under-perform the index.

Richard Stuart

of one of the present rooms, which means that the lighting and ventilation will be inadequate and contrary to regulations.

Pos ... vercome, ho
the ... work. Th
for ... the Buildi
Bla ... t belong to
r ... hese houses
r ... onth for wh

This imposed insecurity of both tenure and e
the Government's policy of Coloured preferen
against the Black man who seeks a loan from
employer.

Insurmountable as these many obstacles may se
the townships of the will to improve. When
for improving a house which they cannot own,
considered this their home and had no other p
tablish a family home and put down roots appears strong and these Urban Blacks are not prepared to wait for changes in legislation which could take a long time.

balance," he says.

Rutter admits tobacco and cigarette sales are static, though Rembrandt claims "Our cigarettes sales show an upward tendency. The price hike of only one cent is not expected to affect sales."

CIGARETTE PRICES (198)

Another puff

FM 23/6/78

Cigarette and pipe tobacco prices are up by 2,5%, or 1c per 20, and 3c per 100 gram pack respectively.

The increases, claims Rembrandt, are the result of double digit hikes during the past year in the cost of packaging material, leaf tobacco, aluminium foil, printing, distribution, including railage and newspaper advertising.

Argues a Rembrandt spokesman: "With an annual inflation rate of more than 10%, it's obvious that increases had to take place. The 7,3% increase in cigarette prices over the last year is lower than the inflation rate."

United Tobacco financial director Denis Rutter observes that in the past year the industry had absorbed most of its cost increases. "The 1c increase will be divided between the manufacturers (who will get roughly 80%) and the wholesalers and retailers who share the

As one of its current projects, The Urban Problems Research Unit, established at the University of Cape Town in 1975, has - with the co-operation of BAAB - been conducting research into housing conditions in the Peninsula's Black townships, with a view to isolating the major problems encountered by both residents and authorities and seeking practical solutions. A report of its findings is presently being prepared but already some of the more urgent problems have become apparent and, it is felt, might be lessened by changes in the following areas :

i) the design and preparation of plans for house alterations that are inexpensive and meet with the requirements of the local authorities,

ii) a streamlining of the approval process,

iii) methods of making finance available for both home improvements and the building of new family houses,

iv) the possibility for the Blacks to own their own homes in the urban area.

The report of this research project will deal with these and other recommendations in detail. It is felt, however, that in the present climate of urban unrest much could be gained through practical and positive steps being taken in the areas mentioned above by persons, organisations or authorities who are able to contribute.

RUPERT GROUP 198

Offshore liquidity

FM 9/6/78

The proposed reshuffling of Anton Rupert's international interests could have important implications for shareholders The side effect is that the Rupert Group will be going liquid and that liquidity will be offshore.

The proposals, which will take time to implement and will be subject to careful scrutiny as Rupert interests are involved on both sides of the transaction, envisage the injection of Rothmans of Pall Mall Canada (RPMC) into Rothmans International for cash. RPMC is currently owned from Luxembourg and its injection into International for cash means that International is being geared up and the Rupert group is going liquid

The sums involved are not yet clear, but the RPMC interest is probably worth about R70m The designated vehicle for the acquisition is the German subsidiary of International, cigarette manufacturer Martin Brinkman.

In preparation for the deal, RPMC has been cleaned up. The loss making part of RPMC's 51% subsidiary Carling O'Keefe has been taken out and is being warehoused in a Rupert Group company called R&R Holdings

RPMC is the second largest tobacco group in Canada, with about 28% of the cigarette market, and Rupert's equity interest in it will automatically reduce from 86% to less than 50% when existing debentures convert into equity at the end of 1979 This is in line with the group's "partnership" policy of reducing its equity participation to 50% or less.

Crucial to the success of the whole deal is the price. For while Rupert effectively controls International there is a large body of outside shareholders to convince Negotiations of the terms will be handled by Chase Manhattan, for RPMC, and Rothchild and Orion for International.

New investments

In the year just ended in March RPMC earned R19m. If these earnings are valued on a PE of five, which is about the PE that tobacco earnings are being accorded overseas, the Rupert Group is going to have difficulty replacing them Which brings us to the possibilities available to Rupert

In recent years the group has made substantial new investments here First there was the 25% stake in Federale Mynbou and then the 20% of Volkskas bought from Sanlam. At the time of the Volkskas acquisition, it also showed a willingness to take on 20% of Bankorp

There is no dearth of suitable foreign holders of SA assets who would entertain the idea of disinvesting. And because of exchange control restrictions, offshore funds can buy substantially more SA assets than onshore funds can.

Rupert's preoccupations with energy resources could find an outlet in General Mining's coal and uranium prospects. If Rupert manages to pull off the RPMC deal and go liquid in the process, he will have accumulated the reserves that could turn these prospects into reality

CIGARETTES (?)
It's a drag

FM 7/4/78

South Africans currently puff away an average 22 800m fags a year but, says the industry, volume sales fell by 8,5% in the year ending October 1977

However rand turnover increased by an estimated 4% to top R30m for the same period reflecting the almost 8% price hikes during 1977 which were introduced by the industry "to offset the general cost increases," according to Rembrandt

The outlook for SA's cigarette industry is poor Rembrandt says "SA's total cigarette and tobacco maket showed a reduction in 1977 compared to 1976 This was largely due to speculative buying at the end of 1976 1976 sales reflected 12,5 months business compared to 11,5 months in 1977 We expect 1978 sales will be in line with the general economic climate"

United Tobacco's marketing director, Dieter Kustner, says the tobacco industry is currently experiencing "a static no growth situation" Growth in previous years averaged an annual 3%

He ascribes the current plateau to "unemployment and people's shifting financial needs," and expects the situation to normalise "once the economy is reactivated"

12/2/78 (198) Sunday Times

Tobacco companies burn their fingers over those new cigarettes

JOHN CAVILL in LONDON

IT WAS a product launch which had the drama of a D-Day invasion.

At 2355 hours on June 30 last year, in a score of cities from Aberdeen to Bristol lorry crews climbed into their cabs and the sleeping summer night was shattered as a thousand engines burst into life

Depot gates swung open And precisely at zero hour midnight, the first trucks lumbered out

Their cargo was 1 000 million cigarettes containing 75 percent tobacco and 25 percent of a cellulose, wood-pulp based material.

Their mission. to get the cigarettes on to the shelves of thousands of retail outlets all over Britain in time for the first customers that morning of July 1.

Britain's big three tobacco groups, Imperial Tobacco Gallaghers and Rothmans-Carrerras, hit the market with 11 new brands containing the tobacco substitute that day

It was the biggest and costliest launch since king-size filter-tipped cigarettes in the early 1960s

The tobacco companies lashed out almost R7-million in July alone on a massive advertising campaign

And this was on top of an estimated R67-million spent on development, research and new plant to produce the new cigarettes

Imperial Tobacco in a joint project with Imperial Chemical Industries had developed its own "new smoking material" — Gallaghers and Rothmans-Carreras eventually settled for an American product "Cytril" — after Courtaulds, the textile group, dropped its own research into a tobacco substitute

The motivation was the drop in cigarette sales since the health scare campaign started and — more effectively — since the Chancellor of the Exchequer, Denis Healey, started to increase excise duty on tobacco in 1974.

Since 1974 the price of cigarettes in Britain has doubled and cigarette sales have fallen from a peak of 137 000 million to only 130 000 million

No slouch when it comes to market research, the tobacco industry got 30 000 of Britain's 20-million smokers to try 40 of the new cigarettes. Their verdict was "acceptable".

And on launch day the cigarette companies were confidently talking of a 4 to 5 percent market share being grabbed by the new product — and clearly hoping for a little growth as well.

Yet within three months of zero hour on July 1, Imperial ruefully admitted it was burning 600-million of the "new smoking material" cigarettes, rather than try to dump them at cut prices

But as some R4,5-million (at cost) went up in smoke, Imperial's marketing director bravely averred. "It took eight years for filter tipped cigarettes to catch on and take three percent of the market."

Initial sales he said, had reached "a satisfactorily high" level of 3 percent.

This week Imperial, bitterly blaming the Government for its troubles, came very close to admitting the whole exercise had been a flop

Reporting a 16 percent drop in tobacco profits last year, Imperial said the closure of its new smoking material factory — built at a cost of R25-million in Scotland — was an open option

The new cigarettes had only held 0,6 percent of the market — or 780-million on an annual basis, rather less than the 1 000-million packed into those lorries on D-day

And while Gallaghers and Rothmans-Carrerras said they plan to continue they could only claim the market share was "slightly larger" than Imperial's estimate.

The whole affair looks very much like a colossal commercial blunder — perhaps not the biggest but certainly one of the best researched

Yet marketing experts in Britain are already saying the tobacco giants were naive in their confidence from the very beginning for two main reasons.

- They knew they would not be allowed to claim the 25 percent non-tobacco content made the cigarettes "safe" or indeed "safer".
- They knew the Government would not reduce excise duty so there was no price bait to consumers

It was a point unmercifully and effectively rammed home by the Health Education Council

When an advertising campaign costing a mere R168 000 (against the cigarette groups' R7-million launch publicity) the council killed any inference that the new smokers might be less harmful to health

Its caption to a cartoon of a man laughing as he jumps from London's Post Office Tower read "Switching to a cigarette with a tobacco substitute is like jumping from the 36th floor instead of the 39th"

To all intents and purposes the tobacco groups have lost.

They are carrying on with the new cigarettes in the hope that the next British budget in April will produce a reduction in excise duty on the product

But this is a forlorn hope Tax on smoking produces R3 700-million for the British Exchequer, equal to the amount spent on housing With income tax cuts in the pipeline and the government still firmly opposed to the encouragement of smoking little relief can be expected from the Treasury.

There has been some wild talk about "flavouring" the tobacco-substitute cigarettes — which will be allowed by European Economic Community rules

The flavours range from whisky and rum to cloves and (yes) even tobacco essence.

Against this the anti-smoking lobby, which has the Government's sympathy, is firmly opposed to anything which makes the dreaded weed more desirable

And it also overlooks the fact that the habitual smoker is addicted to nicotine not flavourings

Water (jaarlikse koste aan boer)

Koste van [illegible] dienste b.v. saad, gebruik van plaasmasjinerie

(f) Klere: artikels verskaf deur boer (jaarliks)

Koste aan boer:

(g) Bonus (jaarliks)

(h) Geskenke (jaarliks: artikels

[illegible] boer

Rembrandt well up

RDM 3/12/77 (198)

THE Rembrandt group companies have done well in the first six months of the year, with profit rises averaging around 18%

Rembrandt Group's (Remgro) taxed profit for the six months to September, 1977, is an estimated R39 670 000 against R33 730 000 in the same time in 1976

Its share of income of associated companies is R11 790 000 (R8 160 000)

Capital commitments for the group are almost R27-million (R28-million)

Rembrandts Controlling Investments (Rem Beheer) taxed profit is R20 190 000 (R17 160 000) and, as with Remgro, the greater part of its income is derived from foreign sources

Taxed profits of Technical Investment Corporation (Tegkor) and Technical & Industrial Investments (TIB) are R8 140 000 (R6 890 000) and R6 710 000 (R5 700 000) respectively

(198) FM 16/9/77

REMBRANDT GROUP LIMITED

Business responsibility

The Rembrandt Group with its associates is a unique world wide enterprise of equal partners
The assets of the group exceed R2 400 million and turnover approximates R4 400 million

CHAIRMAN'S ADDRESS — 1977

I am privileged and pleased to welcome you all shareholders as well as proxy-holders to the 29th Annual General Meeting of Rembrandt Group Limited

The annual report containing the financial statements and reports of your directors and the auditors for the financial year ended 31st March 1977 was released some time ago A consolidated financial review covering the five most recent financial years was included With your approval I will take these as read and confine my comment to supplementary remarks

Earnings and reserves of companies in which an interest of between 25% and 50% is held are accounted for by the equity method The most recent recommendation of the Accounting Practices Committee is that the earnings and reserves of companies in which an interest of between 20% and 50% is held be accounted for by the equity method The application of this recommendation would have had no effect on the earnings of your company for the past year

OWN ACCOUNTS

The income of your company consists mainly of dividends received from subsidiaries Profit after tax for the year under review amounted to R16 2 million Of this amount R10 4 million, representing 20c per share was paid in dividends The profit retained R5,8 million — has been added to profits retained in previous years, resulting in retained earnings of R25,3 million being carried forward to the following year

An interim dividend of 11 0c per share has just been declared from profits of the current financial year compared to an interim dividend of 10,0c per share declared during the past financial year

CONSOLIDATED ACCOUNTS

The consolidated accounts of your company and its subsidiaries reflect a net profit before tax of R97,8 million After provision for taxation (R31,4 million) and the deduction of the interests of outside shareholders (R14,9 million), net consolidated profits attributable to you as shareholders of this company amount to R70,8 million Earnings per 10c share were thus 135,7c.

The profits of your company accrue mainly from foreign sources In contrast with the previous year when the rand was devalued by 21 9%, there were no exchange rate fluctuations of any comparable magnitude this year so that profits were not affected to the same extent

Because of inadequate price adjustments your group s principal lines of business in South Africa viz tobacco and liquor made lower profits than in

Dr Anton Rupert

the previous year despite increases in market share

The consolidated assets of your company increased to R966 5 million After allowing for total liabilities of R419,7 million, total shareholders' interest amounted to R546,8 million, and the interest of own members at 31st March, 1977, totalled R381 6 million, or 731c per share

REVIEW OF GROUP OPERATIONS

The total assets of your group, including associated companies with whom industrial partnership in practised, but excluding mining, increased during the financial year to more than R2 400 million while turnover increased to almost R4 400 million

Your group is at present the fourth largest cigarette manufacturer in the free world and is also amongst the ten largest brewery groups and distillers It also has a 25% interest in one of the world s largest mining houses and recently acquired a 20% interest in one of South Africa s best-known banks

Since 1971 I have been pointing out the dangers to which our society is exposed as a result of inflation Cost increases are still prevalent in those industries in which we operate I wish briefly to mention one aspect namely the price of basic raw materials

When the company entered the industry in 1941 the average price of tobacco was 27,8c per kilogram The estimated average price for 1977 is 251,8c per kilogram, which represents an increase of 806%. Since 1970 alone the price of tobacco in South Africa has increased by 181%

The same pattern is found in the wine industry. In 1943, when we entered the industry, the average price of distilling wine and good wine was 2,2c per litre, this year the average price was 18,2c per litre, which represents an increase of 727% Since 1970 alone the basic price of good wine has increased by 140%.

These increased costs have obviously created a need for additional capital The continuous rise in the prices of raw materials makes it necessary to use a large portion of profits to replace stocks at such increased prices

But it is also important to remember that should prices increase by too much not only may turnover decrease but exports may be adversely affected The entry of the United Kingdom into the European Common Market meant that the Republic not only lost the preferential treatment it had previously enjoyed but in addition now has to contend with E E C trade protectionism

Tobacco Industry

Last year I mentioned the first phase of the new factory being erected for your South African tobacco subsidiary at Heidelberg in the Transvaal. Work on this phase is now nearing completion and production will begin shortly

We welcome the announcement made earlier in the year that Parliament has authorised the Minister of Finance to increase excise during the course of the year In the past such increases were announced when the Budget was presented which resulted in the trade investing in abnormally high stocks in anticipation of increases in excise In the months following the Budget stock levels were adjusted by reducing wholesale purchases This build-up of stocks disrupted the normal distribution pattern in the trade and upset the normal production programme without benefiting the consumer

(Continued on next page)

In the past I have pointed out that free enterprise cannot function properly under price and profit control and that this form of control does not provide the long-term solution to a fundamental imbalance in the economy Encouragement of investment in industry and higher productivity remain the best remedies We therefore welcome the decision taken by the authorities towards the end of last year, to lift price control from the tobacco industry

Liquor Industry

The results of the Oude Meester Group for the past year may be regarded as satisfactory As a result of the continued effect of inflation, higher excise and the unfavourable economic climate, the liquor industry has been under heavy pressure during the past year, with the total market for wines and spirits lower than in the previous year Although the group s consolidated profits after tax for the year ended 31 March, 1977, were slightly lower than for the previous year, it increased its share in most sectors of this declining market The group is thus well poised to benefit from the expected revival in the economy

Since March of this year Henry C Collison & Sons have handled the marketing and distribution of Mountain Cellar wines, estate wines, Oude Meester brandy and other group products From their store in St James, in the heart of London's wine trading district, these products are distributed along with similar quality products from other wine-producing countries

As you are already aware your company and Oude Meester Group have a controlling interest in Intercontinental Breweries Limited Because this company is associated with leading overseas breweries skill in the brewing of beer and the quality of its products are assured Its products are in demand, and during the past year it has succeeded in increasing its share of the market

In accordance with Intercontinental Breweries' goal of eventually marketing its products throughout South Africa, it has been decided to proceed with the erection of a new brewery in Durban, the company s sales in Natal having reached a level which makes this expansion necessary Excluding the cost of the land, the estimated cost of the brewery will be R5 million Certain features of the new brewery, such as the highly efficient Huppmann brew-house, the first in South Africa, will help to make it the most modern brewery in the Republic Construction has already begun and production at this new installation is expected to begin during the second half of next year

Mining

As previously announced your group acquired an interest of 25% in Federale Mynbou Beperk last year This group has had a successful year and particularly good progress was made in expanding coal mining activities during the financial year ended 31 December 1976 At an estimated cost of R200 million it is planned to expand production from 24 million tons per year to 40 million tons per year by 1985

The Federale Mynbou group produces various other minerals and metals besides coal The group s main contributions to South African production are gold 18%, uranium oxide 26%, platinum 35%, coal 38%, asbestos 42%, fluorspar 50%, chrome ore 35% and electrolytic manganese 50%

Banking

Since the end of the financial year your group has acquired an interest of 20% in Volkskas Limited at a cost of R2,40 per share The total investment amounts to R10,5 million The current yield on the investment is satisfactory and we believe that the investment has growth potential This investment carries no right to nominate directors

Your group will receive dividends on this investment only during the 1977-78 financial year As the 20% investment does not represent 20% of the voting rights, earnings will not be accounted for by the equity method

In the previous statement reference was made to the possibility of negotiations on the acquisition of a similar interest in Bank Holding Corporation of South Africa Limited Such negotiations will be possible only when the capital reconstruction of Bank Holding Corporation has been finalised

Women's Company

Long before Women s Lib created so much controversy in the USA, we already appreciated that our ladies also had the right to involvement in business First National Tea and Coffee Factories Limited a company with a female board and mainly woman shareholders (apart from your Group), was established through our assistance nearly a quarter of a century ago At the twenty-third annual general meeting held recently in Bloemfontein the chairlady, Mrs P K Morkel, announced a profit after tax for the year of R283 000 on an issued share capital of slightly over R800 000

Action rather than reaction

The guiding principle of your group's progress, to which we have referred with gratitude in the financial review, is the appreciation throughout the organisation of the need for innovatory action as opposed to defensive reaction

In the execution of all responsibilities and exploitation of challenges the dynamic company must act and not simply react. We view the partnership policy, which we have propounded since 1950, as an example of such action. We believe that true partnership is the only way to preserve the great values of private initiative, especially at an international level

Your company is involved in highly competitive industries both at home and abroad A position of leadership has been achieved through the innovative and prompt action of numerous colleagues to whom we are deeply indebted

Permit me to mention a number of our best known firsts"

- The world s first King Size cigarette
- The world s first King Size filter cigarette
- The world's first menthol filter cigarette
- The world's first King Size cigarette with a multi-filter
- The world's first cigarette with super-porous cigarette paper
- The world s first cigarette with the ultra-modern gold band filter
- The world s first cigarette packaged in the modern hinge-lid box

Your company cannot afford to rest on its laurels sustained growth and progress, both locally and abroad, will be possible only if our staff make constant innovations and act promptly

WORLD ECONOMY

In planning the future expansion of your company the current economic problems of the Western world cannot be ignored The duration and magnitude of the expected upturn in the Western economy after the serious recession have been disappointing and current indications give no reason for great optimism Unemployment coupled with inflation remains the crucial problem

As far back as the Middle Ages, the Arabian writer Ibn Khaldun pointed out that high taxes, state ownership, socialisation, contempt for entrepreneurial achievements and inflation were typical signs of the decadence of civilisations

In North America stimulation of the economy is being hampered by a serious deficit in the balance of trade, arising mainly from the increased cost of oil imports Apart from Germany, Switzerland and Holland most European countries are experiencing trade deficits and unemployment is rising everywhere. Uncertainty surrounding future wage increases and labour problems makes it even more difficult to predict developments in the European economy. The absence of population growth in Europe north of the Alps and the Pyrenees indicates that the Western economy may be entering a period of stagnation.

In the light of current international economic conditions your company is thoroughly aware of the need to be highly selective in making new investments.

The recent world recession and political developments in Southern Africa have created serious economic problems locally. We are grateful for the progress which has been made in curbing inflation and improving our trade balance. The major problem at present is an inadequate inflow of long term foreign capital.

Confidence begets confidence — domestically as well as abroad. Your company's confidence is reflected in its investments to which we have already referred, as well as the considerable investments in the new cigarette factory at Heidelberg and the brewery in Durban.

I plead with the authorities as well as my colleagues in the private sector that we meet the challenge of change in Southern Africa by innovatory action and not merely by reaction. Positive proof of confidence is essential, not only in the economy but also in the loyalty and responsibility of all population groups. In this regard I think particularly of the need for urgent action towards the creation of greater opportunities. The redistribution of wealth leads to a temporary illusion of well-being, whereas the redistribution of opportunity creates long-term prosperity.

BUSINESS RESPONSIBILITY

Over the years we have consistently maintained that a company has a three fold responsibility towards its shareholders, towards its staff and towards the community within which it exists and from which it derives its success. Our Programme of Service to the Community is founded on our business philosophy of partnership in industry and is based on the dictum that 'he who covets all will lose all'. In other words that self-interest does not imply selfishness.

Recently corporate social responsibility has come strongly into prominence owing to criticism received in certain circles. The gist of the arguments used in such criticism is that the only responsibility of business should be to make the maximum profits for shareholders and that social responsibility is solely the function of Government since companies are already paying such large sums in taxes.

Some of you present here today may recall that at our annual general meeting in 1962 I brought a newsletter of The Shareholders Association of South Africa to your attention. They referred to our grant of R250 000 to South African universities and university colleges and a remark was made implying that your Board and I were too generous with your assets.

Although we have annually informed you, as shareholders, of our programme of service to the community, I consider it my duty to deal with this important responsibility in more detail today. A possible reason why misunderstandings might have arisen in certain circles through the years can be that shareholders had not always been adequately briefed.

Any discussion of the free enterprise system must begin with Adam Smith who in 1776 published The Wealth of Nations. This book for the first time, elucidated the economic laws which explain how and why free markets create the greatest amount of wealth for the greatest number of people. Smith argued *inter alia* that a person pursuing self-interest in business would be guided 'as by an invisible hand' to do more good for society than if he consciously set out to do so. Adam Smith had faith in the individual in competition and in the profit motive.

I have often expressed my views on the free enterprise system and the profit motive and should briefly like to re-emphasise certain aspects. Without free enterprise, development gets bogged down in over-centralisation and bureaucracy. One of the bulwarks of the free enterprise system is its reliance on the profit motive which is a powerful force towards human advancement. Profits may be considered the yardstick by which efficiency is measured. Taxes thereon, which accrue to the state, finance the numerous services on which all depend and of which all make use. Part of the balance is ploughed back into industry for technological developments and to maintain the factors of production. A product or service which is sold at production cost cannot provide for wage increases, the purchase of new equipment or the research needed for the development of new products. These can be financed only from profits.

In our Group we are thoroughly aware of this primary responsibility of business. At the same time we realise that continued growth is just as important. Responsibility and profitability are inseparable.

But we also believe that in modern times business has responsibilities beyond merely making the best product and selling it at a fair profit. At one extreme we have those who hold to the basic principles which Adam Smith laid down 200 years ago and who believe that the sole responsibility of business is to make maximum profits regardless of factors outside the business environment. The other extreme is maintained by a radical element which blames business for all the ills of society. They argue that because of its constant focus on profits business cannot be trusted to do what is right and just and that the private sector should therefore be subjected to state control. These are extremes. We believe that business should work within the framework of the free enterprise system to improve and expand it. We believe that the contract between business and society should be extended to include social responsibility as an added function of business.

Business has always operated within society and is necessarily affected by changes in society. Clearly it is a myth that business concerned primarily with profit is free to treat social responsibility as an optional extra. Business has always been obliged to adapt itself to the changing expectations of the community in order to survive. Less than a hundred years ago as late as 1889 young children worked from 4.15 am to 7.45 pm in the textile mills in England while steel workers toiled at a ten or twelve-hour day seven days a week for pittance. Such conditions were as normal then as they are unthinkable today. The notion of the Industrial Revolution that dirty smoke-stacks, pollution of air and environment and the accumulation of garbage could be justified by the employment they represented has become untenable.

The leading conservative American business periodical Forbes is in its 60th year of publication. More than a quarter of a century ago its founder wrote the following in a preface: 'The moving motive in establishing Forbes Magazine in 1917 was ardent desire to promulgate humaneness in business, then woefully lacking. Too many individual and corporate employers were merely mercenarily-minded, obsessed only with determination to roll up profits regardless of the suicidal consequences of their short sighted conduct. They were without con-

(Continued on next page)

sciousness of their civic social, patriotic responsibilities This writer warned a third-of a century ago that unless employers altered their tactics

the time would come when Politicians will step in and do the job in a way that employers will not like That has happened with a vengeance!

The free enterprise system is being attacked not because it is inefficient or mismanaged but because business is regarded as cynical We believe that the best way of doing business in the long run is to fulfil our responsibility in gratitude towards the community, so that a climate may be created in which profitable business can be done in the future Failing this, nobody can expect to make a profit or have any meaningful use for profits.

A further question arises who is to support the numerous communal institutions, education, science, the arts, etc if business does not? As a result of present tax structures we no longer have individuals like Andrew Carnegie, John Rockefeller or Henry Ford and Foundations created by such persons cannot solve the problem on their own There is the possibility of government support, but in a free enterprise system it is unacceptable that government should do everything

Adam Smith also said "Once you ask the State to do something **for** you, you must then expect the State to do something **to** you" A basis for constructive collaboration could be found for the good of the whole community and to the advantage of both state and private sector

We are aware of the fact that our universities autonomy is founded mainly on their possessing funds of their own apart from government subsidies If we adopted the attitude that universities should be financed entirely by government, they would have to lose their extremely important independence One of the problems of our Non-White universities may well be that they lack sufficient support from the private sector and that the State alone has to do too much

To summarise I should like to quote from an address which the late economist W L Mackenzie King, onetime Prime Minister of Canada, delivered in 1919 at the Canadian Club in Montreal "Labour can do nothing without Capital, Capital nothing without Labour and neither Labour nor Capital can do anything without the genius of Management and Management, however wise its genius may be, can do nothing without the privileges which the community affords Hence the best definition of business I have heard is **"Honourably serving the public at a profit"** Note the three elements business is an honourable profession the public (including shareholders and staff) needs to be served and this must be done at a profit

During the year under review our group continued to fulfil its self-imposed responsibilities towards the community in which it exists and from which it derives its success This has been done through grants to universities and colleges for advanced technical education, as well as in various other fields As in the past, I should like to bring you up to date on the activities of the Foundations established under this programme for promoting culture art, conservation of the environment sport and neighbourly relations

Preservation of our heritage

In the eleven years of its existence **Historical Homes of South Africa Limited** has achieved its goal of proving that conservation can be successfully undertaken on purely business principles In each year of its existence this company has made a net profit and over the past two years an annual dividend of 3 % has been declared from the net profit

The company now owns 48 historical buildings of which 36 have been restored or thoroughly renovated and the rest leased until restoration can be undertaken To date the company and its personnel have been directly involved in the preservation of more than one hundred buildings

During the past year the company completed the restoration of two of its properties known as the 'Herbert Baker Cottages in Stellenbosch These very attractive cottages were designed by Sir Herbert Baker and originally housed labourers of Rhodes Fruit Farms The one complex is being let as a restaurant known as the Volkskombuis, and the other is being converted into a museum, to be known as the SA Distillers Brandy Museum

The conservation of our heritage naturally includes nature conservation side by side with cultural conservation

The S.A Nature Foundation was founded on 14th June, 1968, for the purpose of channelling the potential existing in the private sector for nature conservation Since then our group, as a founder member, and other prominent companies have made annual contributions enabling the Foundation to grant more than one million rand for the conservation of our natural heritage

The S A Nature Foundation acts on behalf of the World Wildlife Fund in several African countries Apart from its work in South and South-West Africa the Foundation has helped to launch and finance conservation projects in various countries, including Botswana Malawi, Rhodesia Lesotho and Swaziland

A significant contribution to the conservation of our natural heritage was the Karoo Parks campaign An amount of R300 000 was collected and this, together with a further R255 000 of the Foundation s own funds will be used to acquire land around Graaff-Reinet and at Beaufort West for the establishment of Karoo parks At Graaff-Reinet almost the whole of the town commonage of 15 000 ha was acquired including the spectacular Valley of Desolation This park is to be administrered and developed by the Department of Nature Conservation of the Cape Province and forms part of a unique project involving the complete restoration of this historic village in its natural environment

At Beaufort West the farm 'Stolshoek was bought and added to land donated by the municipality to make a total of 15 000 ha This will be administered by the National Parks Board as South Africa s eleventh National Park

Since last year the S A Nature Foundation has also been engaged in the cultivation and marketing of proteas The well-known farm 'Protea Heights near Stellenbosch was bequeathed to the Foundation by the late Mr Frank Batchelor, who is generally considered to be the father of protea cultivation in the world The proceeds will be used primarily for the conservation of proteas Recently the farm 'Mymering' near Ladismith (Cape) was also bequeathed to the Foundation by Dr A J Bruwer

Rembrandt van Rijn Art Foundation

During the year the Foundation's collection "Rodin and his Contemporaries made a highly successful tour of South Africa Exhibited in six main centres it was seen by some 65 000 visitors

The exhibition of our collection 'Art of the Space Age' at the King George VI Art Gallery in Port Elizabeth has ended after two years, with a record attendance of more than 27 000 visitors According to the director of this art gallery our exhibition has greatly contributed to the general revival of an appreciation of art in Port Elizabeth

Our group's latest travelling collec-

(Continued from previous page)

tion that of kinetic works by the international artist Yaacov Agam has been exhibited four times in South Africa and was seen by 120 000 visitors Agam is currently held to be the leading exponent of this art form Earlier this year, when he visited South Africa as a guest of the Art Foundation he gave several radio talks and granted press interviews on his work and philosophy of art

The Sport Foundation of Southern Africa

The Sport Foundation of Southern Africa will, in the near future be able to extend considerably the service it has been rendering to all groups of the community since 1964 This has been made possible by the Gold Division of the Anglo American Corporation, which has appointed two coaches whose services will be made available to the Foundation

The Chairman of the Gold Division, Mr D A Etheredge said that this contribution was made in appreciation of the service and co-operation received from the Foundation during the past 13 years

This step could not have come at a better time because it coincides with the rapidly growing interest displayed by Non-Whites, especially Blacks in specialised coaching This interest is of such a nature that the Sport Foundation has conducted 199 projects in the first eight months of this year, compared with the annual average of 126 for the first ten years of its existence and last year s record of 251

The Urban Foundation

The Urban Foundation is a nonprofitmaking association, incorporated in terms of the Companies Act It was established in December last year after some of South Africa s leading businessmen had met in Johannesburg to discuss the critical situation in our urban communities It was decided that your group should contribute R1 million over five years

As a first step towards achieving its objective, the Foundation s priority is to raise R25 million over the next five years In its brief existence more than 20 different nation wide projects have been launched

Aid to Neighbouring Countries

More than ten years ago I said that we could not sleep if our neighbours did not eat When the King and the Prime Minister of Lesotho approached me shortly after their country s independence in 1966 to become honorary industrial adviser to Lesotho I felt I could not refuse It was therefore with great appreciation that we learnt of Chief Jonathan s remarks during the tenth anniversary celebrations of the Lesotho National Development Corporation about our group s pioneering work On behalf of the group I should particularly like to pay tribute to Mr Wynand van Graan for the work he did as Managing Director of the Development Corporation during the first six years of its existence

We are grateful to the many medical specialists and theatre sisters who sacrifice their weekends to provide a service to the people of Lesotho without remuneration Since the inception of this Medical Aid Service nine years ago, 514 specialists assisted by 504 theatre sisters, have conducted 9 874 consultations and 3 434 operations during 234 visits Senior medical students of the University of Stellenbosch also make a contribution by working in neighbouring countries during the mid year vacation

But because there are other countries that also need assistance, we took the initiative some years ago in establishing a development corporation for Southern and Equatorial Africa With Mr Bruno Saager of the Union Bank of Switzerland I shared the rewarding task of inviting companies to become shareholders Nearly $11 million was contributed by 22 members mainly in Europe and North America

Although the development corporation has not yet declared a dividend, no losses have been experienced as is the case with many other development banks, and a reserve fund has been established Twenty-two investments have been made and development aid granted to 11 countries in Africa

ACKNOWLEDGEMENTS

In conclusion I also wish to address a word of thanks to

- You our shareholders for your continued confidence,
- the many communities within which our group operates for their valued support
- our suppliers and distributors for their ready co-operation
- the tobacco farmers, for the high quality tobacco they supply to us,
- the shipping lines, airlines, railways postal and telecommunication services and other government departments, for their efficient and friendly services
- our bankers for their co-operation and
- our auditors, for the conscientious execution of their duties

To all my colleagues on the boards of the various companies in the group I extend my sincere thanks for their loyal co-operation and support

In view of our world-wide policy of partnership we are connected with many leading people of various nationalities on numerous Group Company Boards It is therefore inevitable that death should from time to time deprive us of prominent directors and retired directors I should like to pay tribute to Mr Renault St Laurent Mr Clinton Hart Mr Jurgen Ponto, Mr Edmond Wouters, Mr Chris Niemann and Mr H A Wenhold who passed away during the year The shocking murder of Mr Ponto deprived not only Europe but also the world of one of its foremost bankers

A word of welcome to Mr P J Erasmus and Dr H Muller who were co-opted as directors on 9th March 1977 and on 13th April 1977, respectively

The loyal service co-operativeness and initiative of the Managing Director, Mr D M Hoogenhout and of the Directors and employees of our group form the basis of our success To them all, our sincere thanks — also to their families, who often have to make sacrifices

I now propose that the directors report and audited accounts for the financial year ended 31st March 1977, be accepted and approved and that all matters undertaken by the directors on behalf of the company be approved and ratified

REMBRANDT ~~78~~ (198) FM 5/8/77

Ploughback assures growth

Activities: *International tobacco group controlling Rothmans International. Owns 58% of Oude Meester, 67% of H Back, 50% of Aloe Minerals and 25% of Federale Mynbou. Since the year end has acquired 20% of Volkskas.*

Chairman: *A E Rupert, Managing Director D M Hoogenhout.*

Capital structure: *52,2 ordinaries of 10c. Market capitalisation R149m.*

Financial: *Year to March 31 1977. Borrowings long and medium term R94m, net short term R128m. Debt equity ratio 43%. Current ratio 1,6. Group cash flow R105m. Capital commitments R49m.*

Share market: *Price 285c (1976/77) high, 300c, low, 220c. trading volume, last quarter, 351 000 shares). Yields 47% on earnings, 7% on dividend. Cover 6,7. PE ratio 2,1.*

	'75	'76	'77
Return on cap %	17 5	17 1	15 0
Turnover index	114	139	166
Pre-tax profit (Rm)	56 9	118 2	117 2
Earnings (c)	69	125	135
Dividends (c)	16	17 6	20
Net asset value (c)	461	664	728

Over 60% of the attributable net assets of each Remgro share is represented by investments, mostly in associates in which it owns between 25% and 50% of the equity. The 25% holding in Federale Mynbou, which is the only one of these investments that is identified, represents about 15% of the R239m total. The bulk is generally believed to be in Rothmans International.

The share price of 285c approximates the attributable net assets of the consolidated interests. The investments represent an additional 460c and are mostly in at cost or directors valuation. Stripping out these investments, the debt equity ratio is quite high at 73%. This is perhaps an unfair way of looking at the group as some of the borrowings could have been raised to purchase investments. But these investments also have there own gearing, though this is impossible to quantify.

However, judging on yield considerations, the investments appear to be fairly valued. The average dividend yield of associates is up from 9 9% to 10,9% and the dividend is covered 1,8 times. The dividend yield on non equity accounted investments is 11,5% so those too seem fairly valued.

It is the consolidated portion of the group that has done least well. The attributable portion of after tax return on equity declining from 13,4% to 7,8%. Loss-makers such as H Back, and breakeven situations such as Inter-Continental Breweries, must be mainly responsible for this poor performance, though judging from the accounts of Cavalla, which recorded a 14% profit decline, the local cigarette business didn't do too well either.

After the big devaluation boost last year, earnings remained on a plateau. Before equity accounting, earnings were down 5% to 98,6c while, on an equity basis, earnings were up 7% to 135c. But exact comparisons don't carry much weight, especially as depreciation policy seems to be somewhat flexible and the basis of stock valuation is not consistent.

As an investment, Remgro has two great strengths. First is that the greater portion of its profits are earned externally and thus provide a hedge against any weakness in the rand. The second is its low dividend payout. The 20c dividend is covered nearly 7 times, which, based on last year's profits, allows for close to a 20% annual increase in net assets just from ploughback. Though the return it is earning on retained funds might not be exciting, this does mean that the capital value of Remgro shares should have built in growth.

The dividends received from investments alone are 2,5 times that paid out, so funds are being built up for diversification. The asset value is now 2,5 times the share price.

Since the year end a 20% interest has been acquired in Volkskas, but there is no indication whether Remgro has also bought the 20% of Bankorp it said it was negotiating to buy from Sanlam. But these investments should be looked at purely as an accommodation for Sanlam, for whom Rembrandt is acting as warehouse. As the Volkskas stake does not bestow 20% of the voting rights, it will not be equity accounted this year.

Anton Rupert . . . is Rembrandt diversifying or warehousing?

Remgro shelters behind section 310 in not disclosing either the names, holding or status of subsidiaries, associates and investments. While there is some argument for this coyness in Remgro's case, what possible rationale can there be in the case of the two pyramid companies, TIB and Tegkor? Neither of these details their holdings, which are confined exclusively to JSE listed companies.

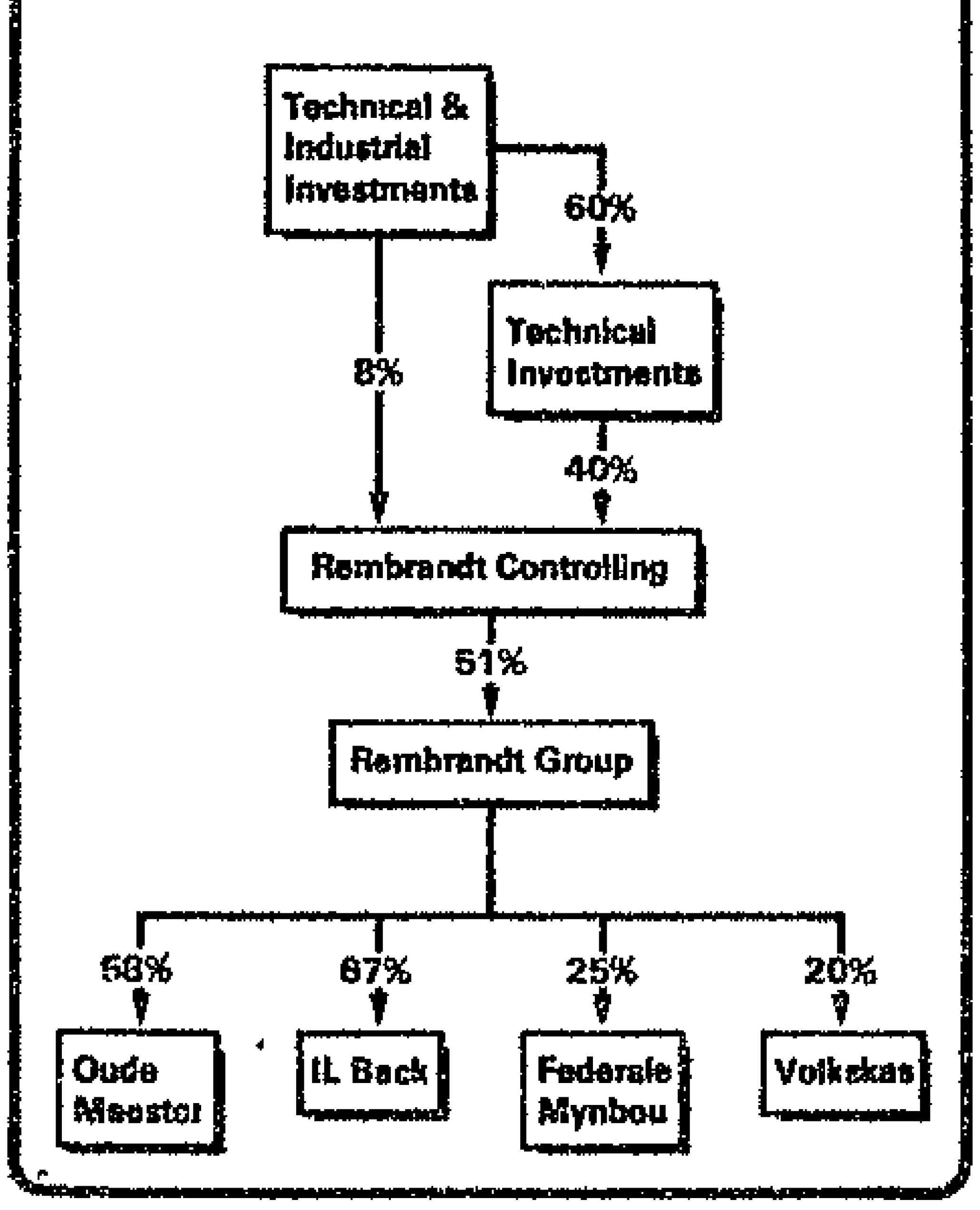
The relationship between the listed companies is shown in the accompanying chart. Rembrandt Controlling is worth 74% of a Remgro, so at 195c it is standing at a 7% discount. There is a fairly healthy arbitrage between the two which keeps the discount narrow — the slightly better marketability of Remgro, ensuring it a modest premium.

Technical Investments is worth 85% of a Controlling which means that the current price of 165c is the equivalent of the market value of its underlying Controlling shares. Technical and Industrial Investments is worth the sum of 76% of a Technical Investments and 23% of a Controlling so it is worth 170c and the current price of 160c is a 10c discount.

Over the past five years, dividends have doubled and there seems little reason why the trend should not continue. The low 7% yield now is the price that must be paid for future capital growth.

Richard Stuart

RUPERT'S LISTED COMPANIES



Rembrandt again gives little away

RDM 29/7/77

198

By MICHAEL COULSON

THE ANNUAL reports of the four listed Rembrandt group companies are, as usual, less than informative But, again as usual, they expose the skeleton of another reasonably satisfactory year.

Key company is Rembrandt Group, whose pre-tax profit eased marginally to R117 198 000 (1976, R118 163 000) Thanks to a lighter tax charge, net advanced to R70 843 000 (R65 244 000), equivalent to earnings of 135,7c a share (125c) Dividends absorbed 20c (17,6c)

The directors' report says that profits were mainly earned outside South Africa, so exchange rate fluctuations did not have the same beneficial effect as in the year to March 31, 1976, when the rand was devalued South African interests earned lower profits than in 1976

Group turnover is not quantified, but rose by 19,6% against 21,8% the previous year Earnings benefited to the extent of R1 106 000, or 2,1c a share, from changes in the basis of accounting of various subsidiaries Earnings also include attributable earnings from the interest in Federale Mynbou, which at 25% is the minimum needed by the company to be equity accounted as an associate

The report makes no attempt to break down either turnover or earnings between the major areas of liquor, tobacco and mining, or geographically The new 20% interest in Volkskas will not be equity-accounted, as it does not carry 20% voting rights

Higher up the control chain, Rembrandt Controlling Investmets (owns 51% of Remgro) showed earnings of 100,1c a share (92,2c), dividends of 14,6c (12,8c) and net worth of 540c

Technical & Industrial Investments reports attributable earnings of 91,4c a share (81,3c) and dividends of 12,4c (10,4c), and Technical Investment Corporation earnings of 87,8c a share (78,1c) and dividends of 12,4c (10,4c)

COMMENT: Assessment of the group's performance is not made any easier by the fact that the interim figures, published last December, were not entirely comparable with the previous year. But we were told then that earnings per share were comparable; and as these rose 13,6% at the halfway stage, against only 8,5% for the full year, it can only be assumed that there was a distinct slackening of growth in the second half.

It is a pity that the group has still not adopted the almost universal practice of giving an indication of earnings when the final dividend is declared around April. The annual reports, almost four months after the end of the financial year, appear to be the first intimation of results.

With its dividends covered about seven times by attributable earnings (much in line with the normal trend for this group) at 287c Remgro combines a below-average 7% yield with an amazing PE ratio of 2,1. It is close to its high for the past 18 months. As one of the few mediums for South African investors to spread their risks geographically, it will no doubt continue to command a premium rating in spite of the perenially below-par reporting standards.

Similar assessments apply to the trio of listed companies higher up the Rembrandt control chain.

Page

Introduction 1

Growth of the Labour F 3

Growth of Non-Farm Emp 9

Growth of Farm Employ 16

Unemployment, Underemp 23

Competition for Labou 40

(1) 198

~~(2) 339~~

FIN MAIL 3/12/76

BLACK WAGES

Tobacco sets the pace

At long last a minimum wage decision for unskilled factory workers has pierced the Poverty Datum Line (PDL)

An amended industrial agreement, which has just come into effect, provides that workers in cigarette factories should get a minimum of R32,10 a week This works out at R139,10 a month, against the latest Johannesburg PDL of R134,67

The agreement is between the National Union of Cigarette and Tobacco Workers and the Tobacco Employers' Organisation, representing United Tobacco and Rembrandt

Union general secretary Christine du Preez says this is the highest minimum for unskilled workers in the manufacturing sector. Although they are not signatories to it, the agreement also covers Van Erkoms in Pretoria and Dinglers in Benoni A total of about 2 500 workers in various job categories will benefit from wage increases in the agreement About 250 of them are Whites, 100 Coloureds, and the rest Africans

Du Preez represents the registered union in the industry However, Nicholas Hlongwane, organiser of the (unregistered) African Tobacco Workers' Union, which has 300 members, told the *FM* Du Preez had consulted him before entering negotiations with the employers Du Preez is also secretary of the 100-member Tobacco Workers' Union of African Women

Cigarette manufacturers were among the first to introduce labour-saving technology In the last two years employment on the Reef has increased, however, and the wage agreement now covers 2 500 as opposed to 2 000 workers

It's good to see one industry which is not reeling under redundancies Comments Du Preez "Whatever the economic climate, people always smoke When things are bad, they smoke even more "

It's an ill wind

Manuj

(KC)

7. 10 79

(198) RAPPORT 4/3/79

Rembrandt help klein man

'N ONTWIKKELINGSKORPORASIE vir klein sakeondernemings is gestig deur die Rembrandt-Groep en die Rupert-gesin. Die Kleinsake-Ontwikkelingskorporasie sal 'n nominale kapitaal van R1 miljoen hê, lui die aankondiging.

Finansiering sal geskied deur aandele in die ondernemings op te neem of lenings beskikbaar te stel — of 'n kombinasie van die twee. Lenings sal beperk wees tot sowat R10 000 en beskikbaar wees aan verdienstelike ondernemers wat nie op ander maniere geholpe kan raak nie.

Kleinsakekor sal toeganklik wees vir alle bevolkingsgroepe, hoewel hy nie in mededinging sal staan met staatskorporasies wat klaar hulp verleen met tuislandontwikkeling, of met die Kleurling-Ontwikkelingskorporasie of die Indier-Ontwikkelingskorporasie nie

Naas die geldelike hulp wat klein ondernemers sal kan ontvang (dit geld vir manne in die handel, nywerheid of dienste) word terselfdertyd advies oor die bedryf van hul sake aan hulpsoekers beskikbaar gestel

Vir dié doel het Kleinsakekor die hulp betrek van die Adviesburo vir Klein Sakeondernemings van Potchefstroom, dieselfde instansie wat RAPPORT se sakekursusse vir ons aanbied

Die ABKS sal hulp aanbied met lewensvatbaarheidstudies Dié instansie beskik oor die nodige masjinerie om 'n advies- en ontledingsdiens te lewer Hy beskik naas sy hoofkantoor op Potchefstroom oor takkantore in Kaapstad en Durban.

Rembrandt sê in sy verklaring konsentrasie van ekonomiese mag, die neiging tot groepvorming, het die neiging om die stigting van nuwe ondernemings te verhinder „En indien ons die persoonlikheidselement wil behou en menswaardige gemeenskappe wil bou, moet die belangrikheid van die klein onderneming herbevestig word"

Waar ontwikkelingsprobleme voorkom, is die antwoord nie noodwendig groter besteding nie, sê Rembrandt Die blywende oplossing is meer werkgeleenthede — werk wat inskakel en aanpas by die kundigheidsvlakke van 'n betrokke gemeenskap — en gevolglik, groter deelname an welvaart

Rapport 13/5/79

~~216~~ 198

‚Hou jul geld uit SA politiek'

Deur THINUS PRINSLOO

DR. ANTON RUPERT het in 'n onderhoud met RAPPORT ingeklim onder die Oppenheimer-empire. Hy sê organisasies soos dié van mnr. Harry Oppenheimer behoort nie deel te neem aan die stigting en finansiering van politieke partye nie. Dis nie in die landsbelang nie.

Rupert klim in onder Harry-hulle

ONDANKS alles, nog steeds vriende Dr Anton Rupert praat en mnr Harry Oppenheimer luister (foto Nato Barnard)

Maar, sê hy, die dinge wat hy vroeer dié week by die kongres van die Afrikaanse Handelsinstituut gesê het, moet nie beskou word as 'n aanval op mnr. Oppenheimer self nie

Sy eie organisaise — dr Rupert is baas van die wêreldwye Rembrandt-groep — gee nooit geld aan enige politieke party nie, sê hy In mnr Oppenheimer se groep is dit egter ‚tradisie . . om 'n direkte verteenwoordiging in die Parlement te hê, benewens hul groot persbelange deur filiale soos JCI en Charter".

Dr Rupert het op die AHI-kongres 'n mosie van waardering aan sen. Owen Horwood, Minister van Finansies, ingestel en gesê hy word aangeval deur die logiese opvolgers van Cecil John Rhodes Diegene wat Suid-Afrika probeer beheer deur politieke partye en koerante te finansier

Vrydag in sy smaakvolle hoofkantoor op Stellenbosch met rye kunsboeke op sy groot boekrak, praat dr Rupert ferm oor sy harde woorde wat dreig om 'n onstuimigheid tussen die twee sakereuse in Suid-Afrika te veroorsaak

„Daar is twee soorte mense Mense van waarde, en suksesvolle mense Aangesien dit wat ek by die AHI gesê het, deur sekere koerante beskou word as 'n persoonlike aanval op mnr Oppenheimer, wil ek dit duidelik stel dat ek mnr Oppenheimer beskou as 'n man van groot waarde en ewe suksesvol

„Ek werk onder meer met waardering saam met hom in die Stedelinge Stigting, en is bewus van baie dinge wat hy (dikwels onbekend en onderwaardeer) in die landsbelange doen "

Dr Rupert, in swart pak, spierwit hemp en swart das met rooi kringetjies, steek rustig 'n Rembrandt met 'n silwer aansteker op en gaan voort

„Ek glo, egter dat organisasies van wêreldformaat soos syne nie behoort deel te neem aan die stigting en finansiering van politieke partye nie

„My organisasie gee nooit geld aan enige politieke party in enige land nie Die tradisie van sy groep, daarenteen is om direkte verteenwoordiging in die Parlement te hê, benewens hul groot persbelange deur filiale soos JCI en Charter

„Ek dink nie dat bogemelde in landsbelang is nie en het trouens self die beleid gevolg om, wanneer een van ons vroeere direkteure in die Kabinet opgeneem is, nooit verder met hom enige kontak te hê solank hy in die Kabinet dien nie — in so 'n mate dat hulle my dit dikwels verkwalik het

„Net voor my mosie van waardering aan die Minister van Finansies vir sy waardering van die private ondernemer het 'n bestuurder van JCI op die AHI-kongres 'n striemende aanval gedoen op die amptenary van die Departement van Handel en Nywerheid

„Dit omdat hulle aan petrolmaatskappye soos BP en Shell wat vir Suid-Afrika van lewensbelang is, en in die buiteland daaroor onder skoot kom, sou bevoorreg het met uitvoerkwotas vir steenkool"

Dr Rupert bestel tee, en dan boor sy grys oe weer

„Hoewel ek die grootste waardering het vir die bestuurder van JCI se standpunt in sy maatskappybelang, glo ek weer nie dat dié soort optrede in die landsbelang is nie, en sekerlik nie op so 'n kongres tuis behoort het nie

„Die senior amptenare van die staat is reeds oorwerk en onderbetaal. Hulle verdien lof vir goeie werk, en nie onbillike kritiek nie "

Cont'd from previous page

[illegible] union [illegible] presently registered union [illegible] would not have to re-register ... but that African unions seeking registration for the first time would have to pass stringent tests (FM March 2)

Another source believes that there will be new restrictions on unions which fail to pass the tests. It will be an offence, the source says, for an employer to enter into a written agreement with an unregistered union or to deduct members' union dues on its behalf.

Agreements like the unique one reached between Pinetown firm Smith & Nephew and the (unregistered) National Union of Textile Workers would then be illegal unless the union succeeded in passing the registration tests.

0 6 APR 1979

AFRICAN EDUCATION
Financial Mail

Building on the future

One of the most important but little remarked features of last week's budget was the allocation of R[illegible]m for the building of schools in African townships in the "white" areas. This is the first time the central government has allocated funds for this purpose, enabling the Department of Education and Training to make good its promises to build schools in the white areas (FM December 15 1978).

Until now most urban schools have been built by administration boards, using loans from the Department of Community Development which township householders have then had to repay. In Soweto, for example, 38c is collected from each household each month on a school levy in addition to home and site rent. White schools, on the other hand, are paid for by the State.

Education and Training's total budget is up 20% this year to R[illegible]m. This is the second highest percentage increase permitted by Finance Minister Owen Horwood (the Department of Statistics is the highest). Most of the rise goes on capital spending. And it is surely needed.

There is a backlog of 7 000 classrooms in the urban areas alone, Joubert Rousseau, Secretary for Education and Training, tells the FM that a new classroom costs about R7 000, so the backlog will cost R49m to wipe out at current prices. Providing classrooms for the increasing school population will swell the sum even more, Rousseau points out.

Of the R10m for 1979-80, R6m is earmarked for secondary, community schools and the rest for primaries. A further R250 000 is allocated as a fund for land grant for schools in the new Ndebele homeland.

The new schools will help the Department phase out the "platoon" system in which the same buildings house two distinct schools — one in the morning and one in the afternoon.

Teacher training also gets a financial boost. The 1979-80 allocation is up R3,2m (89%) on last year's budget. Three new teachers training colleges, at Mabopane, Imbali and Fort Beaufort, are among the main projects.

Union assets 'seized by angry workers'

Rand Daily Mail

80 [illegible]

By RIAAN [illegible] PHILLIPS
Labour Correspondent

MRS MAGGIE M[illegible], general secretary of the [illegible] Workers' Union, had a complaint [illegible] Vorster Square [illegible] in an effort to recover union assets which have disappeared under mysterious circumstances [illegible]

[illegible]

Union Officials Accused

Cape Herald 7 April 1979
Herald reporters

MR Brian Williams, an electrician and a member of the South African Electrical and Allied Workers' Union, said at the weekend that the wage promise made at last week's meeting of the union at [illegible] Cape was unrealistic and seemed to him to be aimed at keeping the present officials and executive members in their positions after the next election due to be held some time in July.

At the meeting, the secretary, Mr C Shield, had said that a new wage agreement was due to be signed in September and that there was every hope that the minimum wage would rise from R2,35 an hour to R3 an hour.

Mr Williams, who was present at the meeting, said that in the present economic conditions he could not see how such hopes could be held out.

He told Cape Herald that the officials were merely taking steps to entrench themselves in power for another three years by getting votes from hopeful union members.

SITTING PRETTY

"What do we do if in September, the new wage is not R3? We will just have to accept what our union does for us — but the executive will be sitting pretty for another three years."

Mr Williams was critical of the failure of the union's officials to inform the members that an executive member, Mr T Whittle, had resigned more than two general meetings ago.

"Even now we don't know what steps are being taken to replace Mr Whittle.

"A man resigns after 22 years service and we don't know about it. We don't know why he resigned. But we elected him in the first place."

CONFERENCE

Mr Williams also slammed the union officials for spending nearly R2 000 of members' money to attend a three-day conference at Mafeking during August last year — and then not bothering to report what had happened there.

"The time has come for the members of the union [illegible] to make the present [illegible] we have [illegible]," said Mr Williams.

Another point which Mr Williams was concerned about was that the minutes of the previous meeting were incomplete in that what he regarded as an important question and its answer were excluded. This matter was about the fact that plasterers, bricklayers, carpenters and painters in the building trade were all on a higher minimum wage rate than electricians.

Mr Williams was involved in a dispute with the union last year after he claimed that the union was not representing him properly in a dispute with his employer. The matter was subsequently settled to the general agreement of all the parties. Recently Mr Williams injured his back in a fall from a temporary stand at the [illegible] and is bedridden. He [illegible] until the day before last week's meeting.

Asked on Monday to comment about the proposed R2,35 to R3 wage increase, Mr Shield retorted: "That's rubbish."

He declined to comment on any of the other statements, saying that all union meetings were private, that the Press was never invited and that he did not want to make any other comments.

0 6 APR 1979

TRADE UNIONS
Financial Mail

Principle and practice

When is a mixed trade union not a racial trade union? When it is for whites (or other non-African workers) only. Or that it seems is the attitude of Assocom and a growing number of industrial employers.

Replying to a Tucsa letter asking for it to [illegible] of trade union recognition, Assocom says its long standing policy is that industrial procedures should be restructured on non-racial lines. It adds that many employers are reluctant to [illegible] formal agreements with unregistered unions on the grounds that such agreements could carry no [illegible].

According to [illegible] commercial distributive trade [illegible] reportedly told the union it will not recommend African recognition to members because it prefers a multiracial union. The [illegible] have been trying to get recognition for the (unregistered) African Commercial Catering and Allied Workers Union (CCAWUSA) from the stores, some of whom have "non racial union" arguments for withholding recognition.

Yet the unionists point out that members in the commercial trade have been dealing with white and coloureds and Asians for over three decades.

Says shopworker union [illegible] Kagan: "When they came [illegible] non racial policy a few years [illegible] missed it as a tactic. Non[illegible] can't be registered and this [illegible]tude is a convenient way of [illegible] issue."

The situation in the shop[illegible] raises another issue. What [illegible] don't want to belong to [illegible] unions? The coloured shop[illegible] union wants complete integ[illegible] the Wiehahn commission allo[illegible] the African and the white [illegible] want to maintain their separa[illegible] while co-operating on specific [illegible] federation.

Says CCAWUSA general [illegible] Emma Mashinini: "Are emp[illegible] going to insist that we [illegible] domestic affairs of the unions [illegible] their business."

It is also difficult to see [illegible] despite their claims that the [illegible] uni-racial unions [illegible] break[illegible] tions with whites only union[illegible] provides for mixed unions.

How does Assocom reac[illegible] of a contradiction between p[illegible] practice? It won't say. [illegible] the FM with queries [illegible] ter to Tucsa [illegible] which the Jo[illegible] Chamber of Commerce itself [illegible] Assocom would prefer [illegible] development in this field [illegible] private [illegible] and from the [illegible] report. [illegible] comments on its letter to Tucsa [illegible] confirm the [illegible] publication of [illegible] Wiehahn commission.

Lab[illegible]

TOBACCO

FM 8/6/79

Smoke, but no fire

The latest anti-smoking campaigns have not yet dampened the fires of SA tobacco growers. But recession and drought have.

Production in the 1979-80 season, which ends next March, is expected to reach 43 200 t, a mere 700 t higher than the crop just collected. Industry experts reckon even this estimate could turn out between 10% and 15% too high. Prices for the season are also only slightly above last year, because of low demand and a carry-over of stocks.

Early indications of farmers' earnings both for the season just ended and for the year to next March are, therefore, only slightly higher than the R70m handed out in 1977-78.

However, it seems unlikely that there will be a withdrawal from the industry's R27m stabilisation fund. Levies are being maintained at high levels. Farmers pay between 20% and 30% of the gross producer price in levies, insurance and a co-operative "farmers' reserve". Tobacco experts say these contributions are cutting returns on investment to marginal levels.

Exports may also be shaved from last season's 10m kg. Orders have already been received for just less than 5m kg, most of which is flue cured tobacco, and indications are that total orders will reach only 9m kg. The international market is depressed, and overseas prices are about 33% lower than in SA.

The quality of the 1979-80 crop looks good, and farmers may benefit from the trend towards low-tar tobacco. This requires less fertilizer and other treatment. But it is usually picked earlier, when the leaf is smaller, meaning that more leaves are needed to make up a certain mass.

Financial Mail June 8 1979

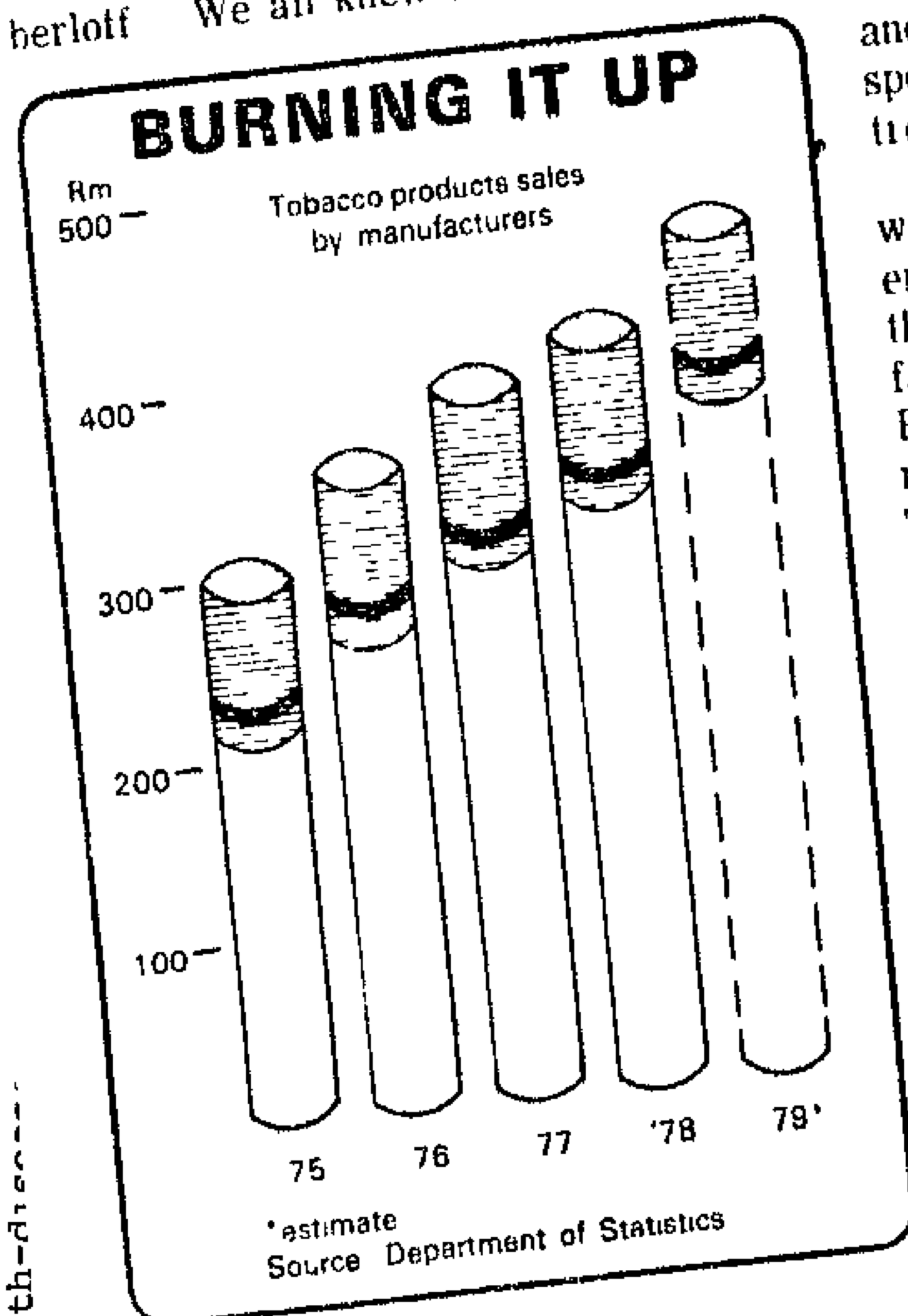
TOBACCO PRODUCTS (198)

Tipping the ash FM 31/8/79

Despite a 17,5% increase in production in the R520m-a-year tobacco manufacturing industry and a 12,4% increase in manufacturers' sales, for the first five months of 1979, the industry sees the outlook for the rest of the year as 'foggy even muddy'.

Manufacturers and distributors alike see the surge in output and sales, which rose significantly over January to June figures for last year, as being almost entirely attributable to the 4% increase in tobacco prices in June 1979. Rumour-mongering in the distributive trade about the impending increase saw concerted buying and laying in of stocks in preceding months.

Says Pick n Pay chief buyer Neil Weberloff: "We all knew the hike was coming and built up inventories, although Pick n Pay held prices on old stocks in retail outlets and warehouses." Metro Cash and Carry operations boss Joe Sargo agrees that distributors laid in stocks when the tobacco price hike was imminent.



*estimate
Source Department of Statistics

Utico goes along with this. "There was a spate of speculative buying before the increase, which is the primary reason for the increase in production." Exports, which in 1978 rose a mere R400 000 over the R9,9m earnings in 1977, are discounted - they're insignificant as far as we're concerned'.

Manufacturers are, however, uncertain what pattern the market will follow. According to a Rembrandt spokesman, a lively buying period by distributors at the end of 1977 was followed by a depressed market in 1978 - 'they used that period to eat into stock levels." He goes on to say that it is dangerous to draw conclusions from present performances and only the full 12-month cycle is comparable.

This is mainly due to consumption which both Weberloff and Sargo describe as static at present but which, according to the Human Sciences Research Council, is in fact slipping slightly. Says Denis Baird, executive director at the Council on Smoking and Health: "There is a 3% decrease amongst men, although women are smoking 2% more." Statistics reveal that South Africans consume 20,6 billion cigarettes annually, costing some R520m a year at present prices. Daily per capita consumption amongst white males between 20 and 59 years of age is 11 2 (women 5,6), blacks males in urban areas 6 (women 1,7), coloureds 8 2 (5,2) and Indians an astounding 16,3 (women negligible).

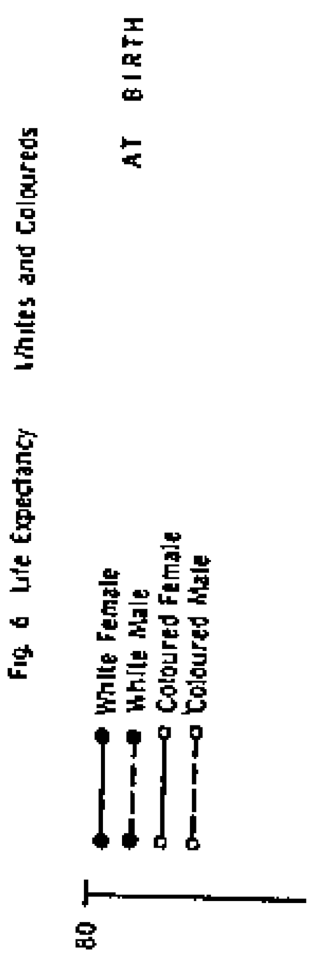
Baird also points out that whereas the State accrues some R250m in excise tax and customs duties on tobacco products, it spends R400m a year on combating and treating diseases related to smoking.

For SA's 3 000-odd tobacco farmers, with a capital investment of R300m and an employment roll of 75 000 at the height of the season, the uncertainty in the manufacturing industry isn't at all comforting. Production for the coming season is estimated to be an optimistic 43 200t only 700t higher than the 1978-79 growing season when farmers earned about R75m. About 21% of last year's crop (8 5 Mt) was exported, although the erratic world market saw a drop of R3,5 on the R11,6m earned for unmanufactured tobacco the previous year.

PART 2 1974

INTRODUCTION

In South Africa the analysis of mortality data is of particular importance since, apart from the notification of certain predominantly infectious diseases and a recently instituted collection of hospital inpatient statistics[1], (primarily for national accounts purposes), no morbidity data is collated on a routine basis at national level.[14] The limitations of mortality statistics have already been mentioned. However, once these limitations are accepted, and when it is appreciated that mortality data provides only one aspect of the overall health-d... community, then the anal...



In ... , 795 Asian and 24 479 'colo...
de... ...tion of 4 155 000 whites, 709 000 Asians and 2...
'c... ...eds',[4] death registration is virtually complete. The es...
total African population for the whole country for 1974 was 17 77...
On the basis of a crude death rate in 1970 of 10,3 per thousand fo...
Africans for the country as a whole,[5] one would expect 183 000 dea...
Since the Births, Marriages and Deaths Registration Amendment Act o...
1970,[6] the registration of African deaths is done by the Department...
Bantu Administration and Development or its successors. In 1974, t...
Bantu Reference Bureau registered about 130 000 deaths.[7] The publi...
report for the selected urban areas accounts for 31 410 deaths. Th...
about 100 000 residual deaths 'are not categorically divided in urban...

Record minimum set for Reef tobacco workers

103/3 STAR 24-9-79

By Sieg Hannig, Labour Reporter

A new record in minimum wages for black labourers has been set with a 12 percent increase which puts the lowest paid worker in the Reef's tobacco industry on R43,50 a week (R188 50 a month)

This is the highest minimum rate for unskilled workers in any industrial agreement in South Africa, says Miss Christine du Preez, general secretary of the National Union of Cigarette and Tobacco Workers

While this still falls short of the R192,73 which the Johannesburg Chamber of Commerce worked out in May for the monthly budget of a Soweto family of five, it is well above the Household Subsistence Level of R159,76 calculated by the University of Port Elizabeth in April

All the other minimum rates in the agreement will also rise by 12 percent with effect from the first full pay week of next month

About 3 000 workers will benefit from the increase.

Havoc in cigarette market

198 S/EXPRESS 7/10/79

THIS year's Press disclosures of the heavy-tar, heavy-nicotine loading in most of South Africa's cigarettes wrought havoc in the market

About 12% of smokers gave up over the past year, according to a survey by Markinor, a leading market research organisation

The survey did not establish the number of new smokers for the year

Another 22% of smokers switched to a milder brand, but two-thirds are sticking to the same brand they smoked last year

Women led the switch to milder brands — 36% of current smokers — with men trailing at 18%

Markinor also asked whether people felt a warning of health risk and the brands' tar and nicotine levels should be printed on cigarette packs

	TOTAL	SMOKERS SWITCHED TO MILD	SMOKERS NOT	GAVE UP	NON SMOKER
	%	%	%	%	%
The tar and nicotine levels should be printed on cigarette packs	85	86	$\boxed{77}$	81	88
A warning should be printed on cigarette packs that cigarette smoking can be harmful to health	86	70 →	74 →	87 →	$\boxed{93}$

An overwhelming 17 out of 20 South Africans said yes

The response was equally high from three groups those who had already switched to a milder brand, those who had stopped smoking entirely this year, or those who stopped a year or more ago

The fascinating exception was the group which had not switched to milder brands

They didn't want to know about any warnings

whatever sort of sensation is had when pain-behaviour is
eason do we have to believe a conclusive test is needed if
teachable? (Here we should note the test used by the Private
riterion for the sensation - behaviour and pain are contingently
essarily connected as a criterion is connected to whatever it is
is for.)

oes Wittgenstein give for P4? The private linguist wants to say he tests whether he is using the word 'red' correctly by recalling how he used 'red' in the past. Wittgenstein wants to say that this is not a test for a number of reasons. Firstly, one could misremember what 'red' meant, i.e. think it meant green, and then misapply the word 'red' (that he thinks means 'green') to a red sensation, and one would never be able to feel the difference between this state of affairs and the state of affairs where one correctly applied the term and correctly remembered what it meant. Simply thinking one has recalled the meaning of the word will not help to test which alternative obtains.

Secondly, checking ones use in this way is like buying another copy of the same edition of a newspaper to check whether what the first copy said was true! It is like this because to test whether one has correctly remembered what 'red' means one has to correctly remember what 'red' had been used to name, i.e. what 'red' means - it is like using the same memory to test itself.

This problem does not arise, according to Wittgenstein, if sensations have public criteria, for here our memories can be used to see whether we have applied the word correctly, because we can distinguish between correctly remembering and only seeming to correctly remember (and yet failing to). We can do this by checking our memories by other's memories, i.e. the coherence among memories provides the check for for whether we have used the word correctly. For in seeing whether one has correctly applied the word 'pain' to oneself we can check this by observing whether one is behaving painfully. But we have to use memories to see whether we are applying the word 'pain-behaviour' correctly. How do we check this? By the coherence of this application with others' memories. (So Wittgenstein makes it a conceptual impossibility that most of us can have false memories. For if Wittgenstein allows that our memories agree because each of our memories are correct, then it becomes possible for me to have correct memories whether or not they agree with others. I might use agreement with others to test my own memories, but 'correct memory' does not <u>mean</u> 'ones that agree with others'. If correct memory does not mean this, it must be logically possible for most of our memories to be wrong even though they agree.)

P5 follows from analysing the sort of rules that constitute the PL. The rules link words with private objects, and hence to verify whether the word has been

MANUFACTURING — Tobaccoo

24 Feb. 1980 — 16 October 1981

MAN AAN DIE ROER

Hy kom van ver vir hoë pos

198

Rapport 24/2/80

Deur FRANZ ALBRECHT

AL die pad van Argentinië het hy na Suid-Afrika gekom om die hoogste pos in een van ons groot genoteerde maatskappye te kom beklee. En boonop in die ingewikkelde, hoogs sensitiewe mark van tabak en sigarette

En in die vier jaar dat hy tot nou toe voorsitter en besturende direkteur van Utico-Beherend was — die moedermaatskappy van United- Tabakmaatskappy, Willards Foods (Edms) en Rhodesiese belange — het die 52-jarige mnr Henry (Enrique Alberto) Rankin ~~terdeë bewys dat~~ hy die pyp kan rook Selfs in die ingewikkelde Suid-Afrikaanse mark

Waar hy oorspronklik vandaan gekom het — Argentinië sowel as Chili — is die sigaretmark baie meer homogeen, hoewel net so ingewikkeld wanneer dit by smaak en voorkeure kom In Suid-Afrika daarenteen, het die mark ook met etniese, ekonomiese en verskillende taalgroepe te doen

Daarby het hy ook ondervind dat die Suid-Afrikaners — onder wie hy nou al seker as een kan tel — meer die Europese manier van sake doen, navolg Van waar hy gekom het, is die sake-styl tipies dié van die Amerikaners

Dit het egter nie saak gemaak nie, want hy het jare ondervinding by die internasionale tabakmaatskappy BAT Industries se hoofkantoor in Londen verwerf BAT besit effektief meer as 70 persent van Utico se uitgereikte aandele

Mnr Rankin het vir die eerste keer op 25-jarige ouderdom in Chili tot die tabaknywerheid toegetree Hy het hom as leerling-bestuursrekenmeester by die maatskappy Chilena de Tabacos — 'n filiaal van BAT in Chili — aangesluit

Dit was omtrent sewe jaar nadat hy sy skoolopleiding in Argentinië voltooi het Hy het na skool tot die rekenmeestersprofessie toegegetree omdat sy pa vir hom gesê het· „Dit sal jou nie kwaad doen om 'n kop vir syfers te ontwikkel nie "

Ná 'n paar jaar as leerling-rekenmeester het hy sy eenjarige, verpligte militêre diens in Argentinië gedoen Uit die weermag het hy tot die mode-wêreld toegetree as assistent-rekenmeester by 'n vrouieklerewinkel in Buenos Aires

Hier het hy 'n waardevolle les geleer: „Vergewis jou so gou as moontlik van die feite" Want die winkel het maande lank klere verkoop voordat hy bereken het dat dit die klere vir minder verkoop as wat dit die besigheid gekos het

Hy het hom toe by 'n vooraanstaande vervaardiger van tekstiel en klere aangesluit. Maar op 25-jarige ouderdom staan die politiek in Argentinië hom nie aan nie „Veral nie 'n bepaling dat elke werknemer een dag se salaris per jaar ‚vrywillig' aan die Eva Perón-Stigting moes oorbetaal nie," sê hy

Hy is toe sak en pak na Chili, en leer toe 'n verdere waardevolle les in die sake-wêreld nl dat wisselkoerse tussen twee lande 'n vername rol in dié lande se geld-waardes speel „Nadat ek gedink het ek gaan my finansiële posisie in Chili merkwaardig verbeter, moes ek sien dat ek minder wel-af was weens die ontsettende hoe lewensduurte in Chili"

By die Chileense tabakmaatskappy het hy in agt jaar gevorder van uitvoerende assistent tot die besturende direkteur Hy is daarna na Londen verplaas om vir veertien maande ondervinding op te doen op die uitvoere van BAT Hy het uitvoere beheer na Spanje, Kanariese Eilande, Spaanse Sahara en so meer

In 1962 keer hy terug na sy geboorteland — Argentinië — as bemarkingsbestuurder van die destydse maatskappy Nobleza de Tabacos — wat vandag bekend staan as Nobleza-Piccardo, ná 'n samesmelting

Sy eerste voorsmakie

MNR. HENRY RANKIN

van Suid-Afrika was toe hy in 1966 — op 39 jaar — tot die persoonlike assistent tot die Londense direkteur gemoeid met Suider-Afrika en die Latyns-Amerikaanse lande bevorder is. In hierdie sowat vier jaar by BAT in Londen het hy Angola en Suid-Afrika vlugtig besoek

Hy het Suid-Afrika onthou as 'n land waar hy die gevoel gekry het „dat dinge aan die ontwikkel was" Nooit het hy egter op hierdie besoeke gedink dat hy later permanent sou terugkeer nie.

Van 1969 tot 1973 was hy besturende direkteur van die Chileense maatskappy Hierdie maatskappy was in gevaar om deur die Allende-bewind genasionaliseer te word, maar die bedreiging is geslaag afgeweer

Hy is in Maart 1973 aangesê om hom voor te berei om in Augustus daardie jaar in Argentinie oor te neem Hy het egter reeds die volgende maand — April — ingeval omdat sy voorganger deur een van die terroristeorganisasies ontvoer is

Toe daar ses maande later weer 'n uitvoerende bestuurder van die maatskappy deur terroriste ontvoer is, en mnr Rankin sy bestuurder se vrylating bewerkstellig het, is hy vir 'n paar maande na Londen ontbied Sy hoofkantoor het gevrees dat hy die teiken van vergeldingsaanvalle deur die revolusionêres kon wees

Na al hierdie opwinding, en nadat hy gevestig in Argintinië met sy werksaamhede voortgegaan het, het hy hoofkantoor gevra om hom van die internasionale lys van direkteure af te haal sodat hy nie weer verplaas sou word nie

Hulle het hom egter in Augustus 1975 gevra om na Suid-Afrika te kom as voorsitter en besturende direkteur van Utico-Beherend. Hy het hoflikheidshalwe en voordat hy die pos aanvaar het sy vrou in Oktober die land kom wys, en die volgende Mei het hulle na Johannesburg verhuis

„Die enigste manier om voor te bly in die sigaretmark, is om navorsing te doen en altyd die verbruikers se behoeftes vooruit te bepaal", sê mnr Rankin Die hoofeienskap van 'n leier in die tabakbedryf is dat hy moet kan analiseer, interpreteer en die regte ding op die regte tyd doen

Daarby moet 'n mens nie uit die oog verloor dat Utico besonder sterk in die versnaperingsbedryf staan nie Dit is dus nie net rokers se gewoontes wat nagevors moet word nie. En hoewel, die Suid-Afrikaanse mark ingewikkeld is, is marknavorsing daar om dit te ontleed.

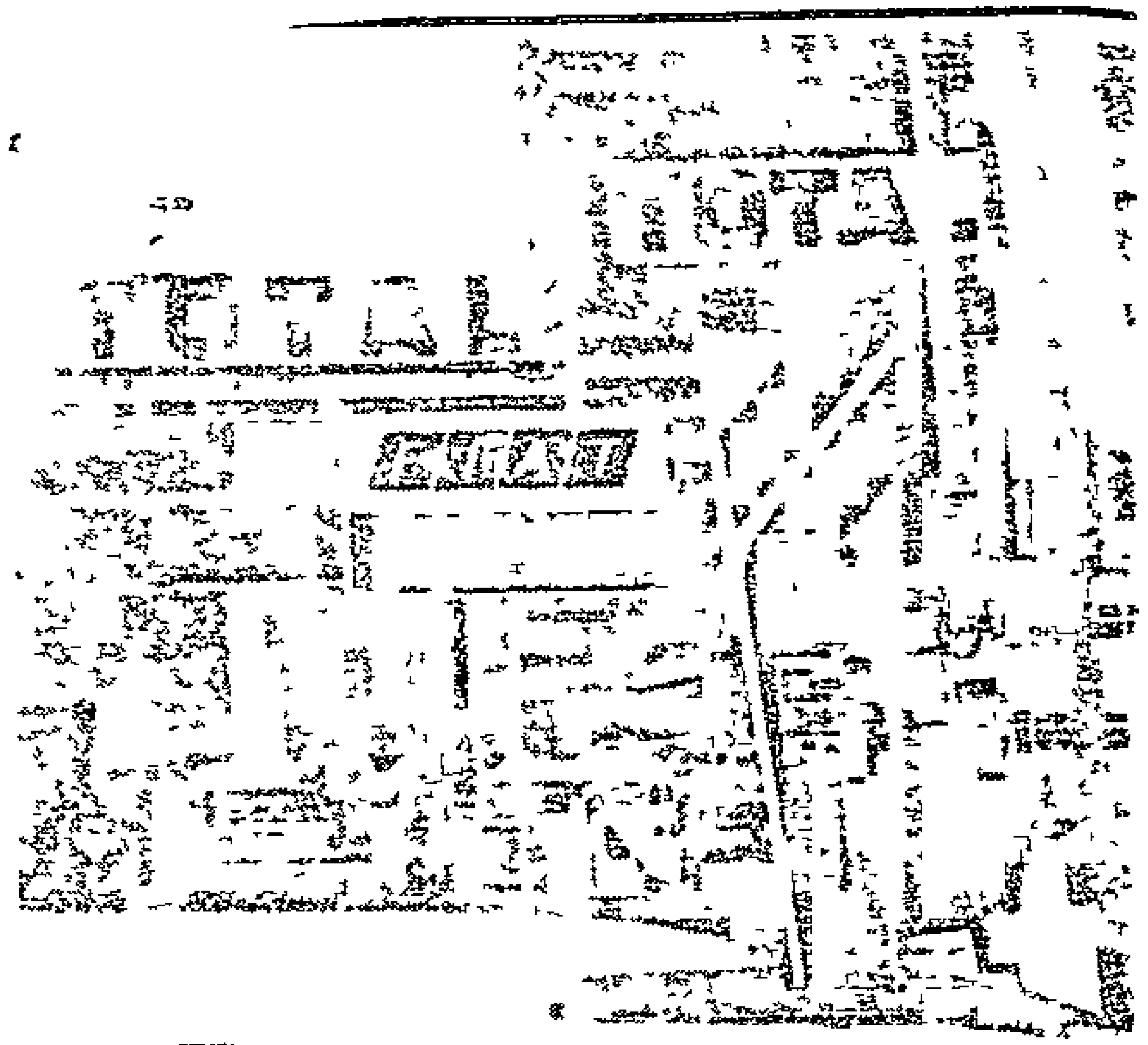
Mnr Rankin het vyf dogters van wie twee getroud is, en sy oorblywende, aktiewe stokperdjie is fotografie, met 'n donkerkamer by die huis Sy ander stokperdjie — dié van skilder — het hy lanklaas tyd gekry om te beoefen

Rembrandt koop 20 p.s. van Total

Rapport 2/3/80 198

Deur GERT MARAIS

REMBRANDT het sy steeds wyer wordende beleggings nog verder uitgebrei deur 'n belang van 20 persent in Total S.A. te koop. Dit volg kort op die hakke van 'n belegging van 50 persent wat in Henkel SA gedoen is.



Volgens 'n verklaring wat gesamentlik deur Total en die Rembrandt-groep uitgereik is, het die aandeelhouers van Total besluit om die maatskappy se kapitaal met 25 persent te verhoog deur 9 miljoen nuwe aandele uit te reik.

Dit lui verder dat onderhandelinge nou afgehandel is waarvolgens bestaande aandeelhouers eenparig besluit het om nuwe aandele uit te reik aan Partnership in Industry, 'n volfiliaal van die Rembrandt-groep

Dit gee Rembrandt 'n belang van 20 persent in Total Trou aan Rembrandt se tradisie om so min as moontlik te sê, word die prys nie genoem nie en is nie een van die maatskappye bereid om 'n aanduiding te gee wat dit was nie Die koopprys word egter in kontant betaal

In die verklaring word die ooreenkoms as 'n „multimiljoenrand-transaksie" beskryf Dit is dadelik van krag

Die bestaande aandeelhouers in Total is Compagnie Francaise des Pettroles, Volkskas-Groep en Ou Mutual Die nuwe verwikkeling verhoog die Suid-Afrikaanse aandeel in die maatskappy tot 38,4 persent, wat beteken dat Volkskas en Ou Mutual saam net meer as 18 persent van die aandele hou

Hoewel dit nie amptelik bekend gemaak is nie, sal dit waar wees dat Total 'n aandeel van sowat 12 persent in die plaaslike brandstofmark het Dit maak die maatskappy se bedryf sy vyfde grootste Die vier groter as Total, is Caltex, Mobil, Shell en BP — waarskynlik in daardie volgorde

Hierdie vier se individuele markaandele is nie ver van sowat 20 persent elk nie

Total het tans sowat 650 vulstasies in Suid-Afrika Die opening van verdere vulstasies word volgens 'n rasionalisasieprogram beheer, maar die maatskappy sal waarskynlik tussen agt en tien voor die einde van aanstaande jaar kan oopmaak

Rembrandt se belegging in Total is veral interessant as na van sy ander bestaande minderheidsbeleggings gekyk word Hy het onder meer 'n belang van 25 persent in Federale Mynbou, die beheermaatskappy van General Mining

General Mining het pas beheer oor Trek, 'n ander oliemaatskappy, verkry Trek besit die reg om die volgende raffinadery op te rig

General Mining het ook n minderheidsbelang in Sentrachem verkry en ondersoek tans die moontlikheid om sy steenkoolveld in Noord-Transvaal vir die vervaardiging van brandstof te gebruik

Hierdie metanol kan baie maklik deur beide Trek en Total bemark word

Total se besturende direkteur, mnr A R Hough, sê egter dat die transaksie met Rembrandt nie aangegaan is met die oog om nader aan Trek te beweeg nie Hoewel hy dit nie sê nie, is so 'n moontlikheid in 'n later stadium seker nie heeltemal uitgesluit nie

Total het in sy eie reg aansienlike steenkoolbelange in Suid-Afrika Total, Genmin en BP het elk 'n belang van 'n derde in die Ermelo-steenkoolmyn Hierdie belang behoort egter nie aan Total S A nie, maar aan Total Eksplorasie, 'n filiaal van die Franse beheermaatskappy

Rembrandt beskou die belegging in hierdie stadium ook nie as n nadere beweeg aan General Mining se oliebelange nie 'n Woordvoerder van die maatskappy het aan Sake-Rapport gese dit is normale praktyk om beleggingsgeleenthede deurlopend te ondersoek. Die belegging in Total word as só 'n belegging beskou

CAPE TIMES 31/3/80

(198)

Tobacco industry coughs up R240m

Own Correspondent

JOHANNESBURG — The South African Government earns R240 million annually in tax from the R1 000 million tobacco industry, according to the Department of Health.

And while the Treasury collects money from the smoking industry, another section of the Government — the Department of Health — is earnestly spending money on campaigns to halt smoking.

The department's latest campaign, beginning with a "smokeless day" on Wednesday, is aimed at both smokers and non-smokers.

The campaign emanated from a policy statement by the Minister of Health in parliament last year. It is aimed at educating the public about the dangers of smoking by means of posters, pamphlets, films and media coverage.

The department hopes to dissuade teenagers from smoking and persuade smokers to smoke less or smoke low tar and nicotine-content cigarettes.

At a press conference in Johannesburg last week, the Deputy Secretary for the Department of Health, Mr Martin Raath, said the campaign was designed to inform South African smokers of the hazards of smoking and to try to halt beginner-smokers.

"Surveys in the UK show that more than 80 percent of smokers want to stop, and 87 percent do not want their children to smoke," he said.

12(719) 7/5/80 (1980) (198)

Tobacco industry: tax

*7 Mr A B WIDMAN asked the Minister of Finance

(1) What amount of tax was derived from the tobacco industry in the latest financial year for which figures are available,

(2) in respect of what year are the figures given?

†The MINISTER OF FINANCE

(1) Customs Duty R12 591 256
Excise Duty R269 052 539

(2) The Customs Duty for the financial

year 1979-'80 is not available yet and the figures for the 1979 calendar year is therefore given

Because sales tax is levied on the taxable value of transactions, it is impossible to determine which portion of the yield thereof is attributable to sales of specific commodities Statistics from which the yield of income tax from activities in the tobacco industry can readily be determined, are also not maintained Consequently, this information can only be obtained at extraordinary cost by separately examining thousands of files I, therefore, regret that, as far as these taxes are concerned, the information asked for is not available

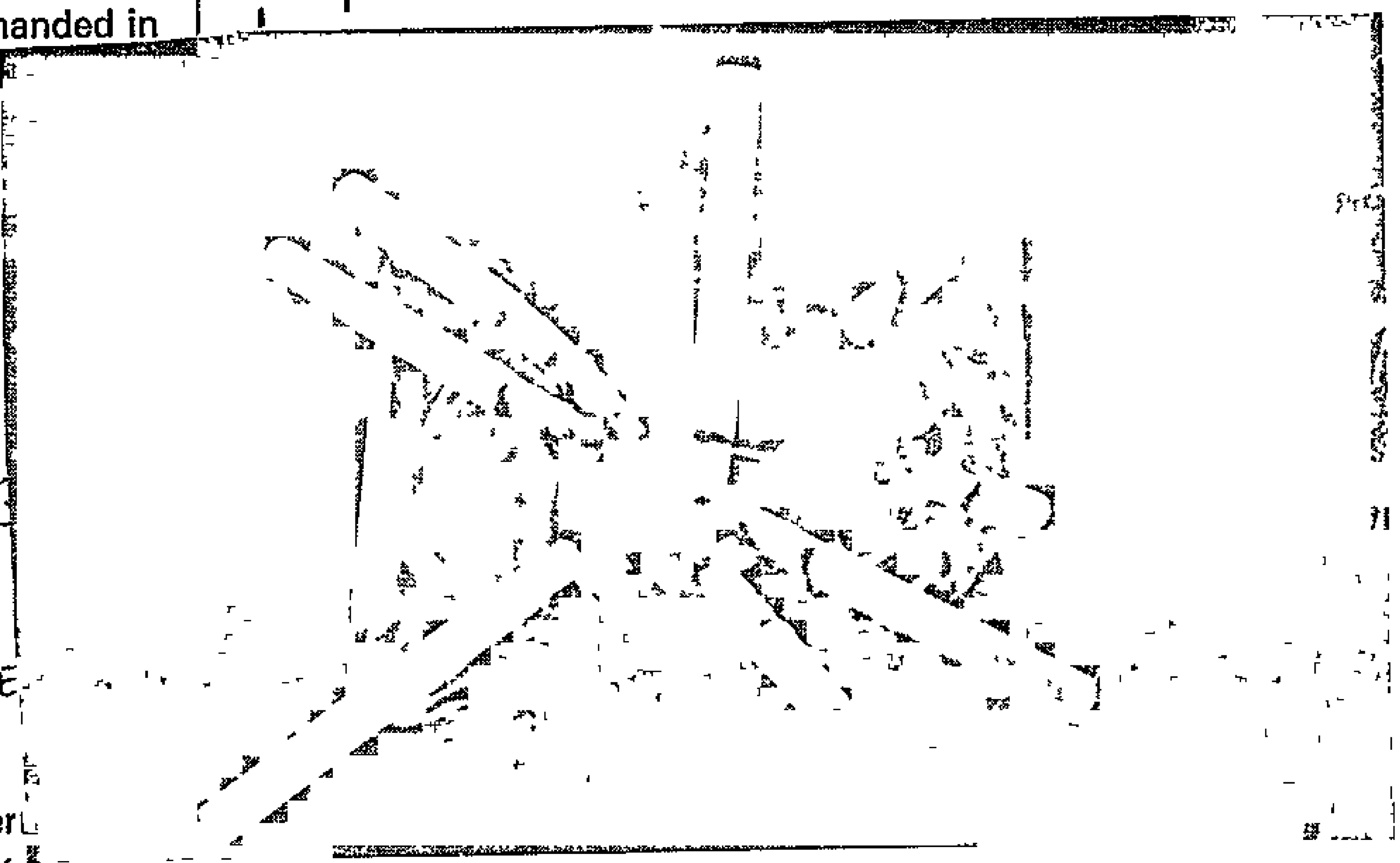
CIGARETTE INDUSTRY

Battlefield smoke

By getting Health Minister Dr L A P A Munnick to approve self-regulatory measures the R660m-cigarette industry has forestalled legislation and won the latest round in its battle against the anti-smoking lobby

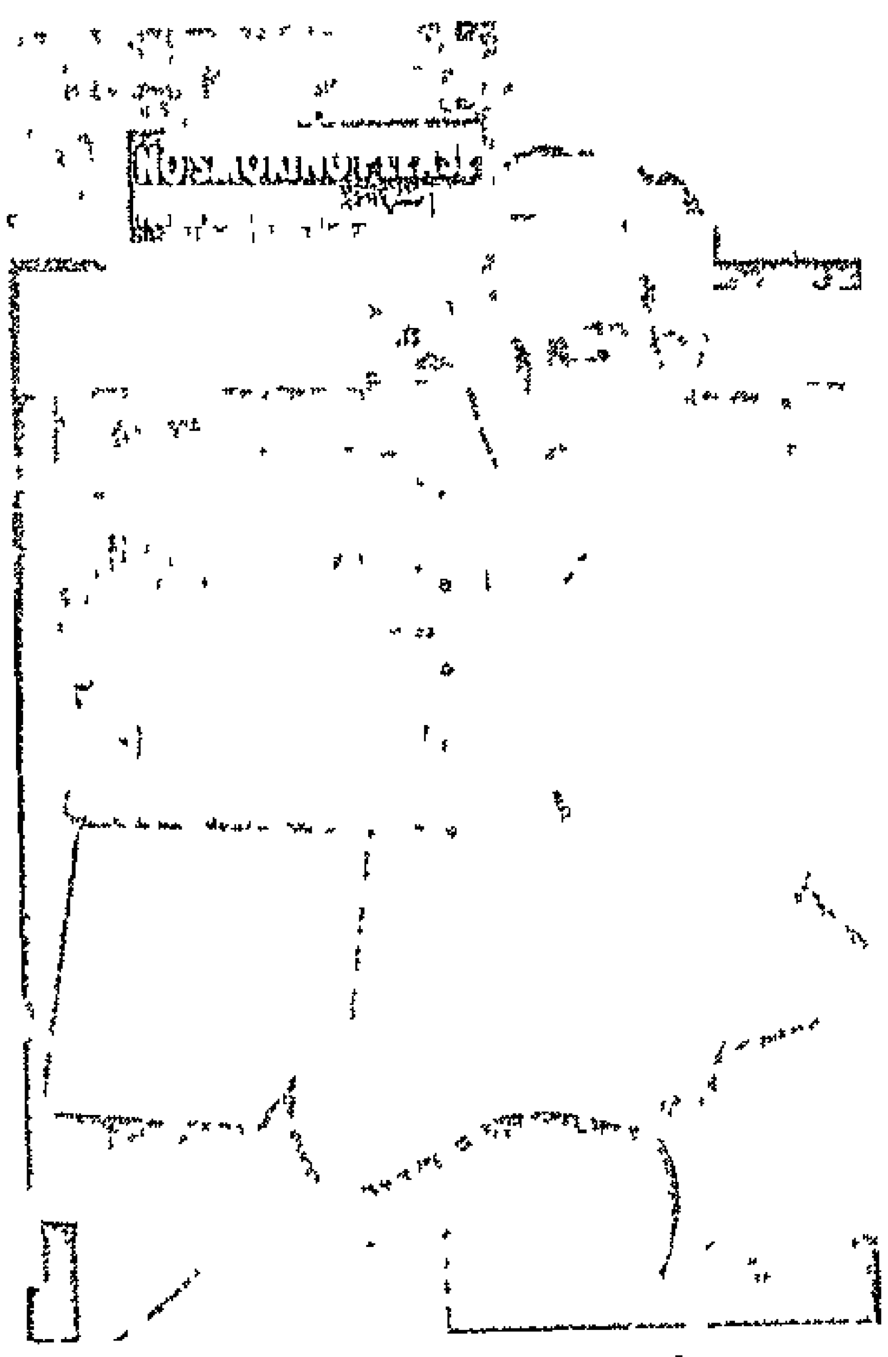
But this victory has involved sacrifice and bigger battles are in store as the forces against smoking gather strength

From the beginning of next year cigarette companies will print the nicotine and condensate (tar) content on all cigarette packs The industry has recently published these figures for all 89 cigarette brands on the market in the press and in shops



Cigarette smoking . . . the battle's not over

It has also agreed to a special advertising code From now on cigarette ads will not feature models younger than 25 years not depict smoking in the family context not be targeted at people under the age of 18 and not be pitched at converting non-smokers to smoking, but rather at getting confirmed smokers to switch brands



Settel changing smoking patterns

Cigarette ads will not appear on TV, on billboards near schools, and in magazines for schools and institutions for the handicapped

These "voluntary" measures must have been hard for the industry to put into their pipes and smoke but are certainly preferable to provisions in a Bill drafted by PFP MP Alf Widman which would have prohibited the sale of cigarettes to people under 18 and required a health warning on each pack

"It is not necessary to print a warning that smoking is harmful to health," says an industry spokesman "because it would be misleading and unscientific"

He adds that the Department of Health has conceded there is no proof that moderate smoking is harmful to health and cites a number of surgeons, pathologists, statisticians and physicians described by his industry as "eminent scientists" who claim that no case against smoking has been proved

This view is hotly contested by Professor Harry Settel, anti-smoking campaigner and chairman of the Council on Smoking and Health He challenges the truth of the statement that the Department of Health sees no harm to health in smoking and dismisses the researchers cited as "a bunch of cranks who are neither eminent nor scientists" He concedes that there is no "absolute proof" against smoking but says the causal link between smoking and lung cancer, chronic bronchitis and emphysema has been established by all generally accepted epidemilogical criteria

Both Settel and the industry agree that the new measures are unlikely to have any immediate effect on sales growth The industry reckons that present growth rate is around 8% a year — well above the population growth rate but that this could drop to a lower figure still above population growth – in a few years time

"We must give Settel his due" says one industry spokesman "although he has not stopped market growth he has certainly changed smoking patterns within the market"

He notes that there was a swing to milder cigarettes since the publication of a report at the beginning of last year by Settel on the nicotine and tar content of SA cigarettes Cigarettes classified by the industry as mild increased their total market share from 8% to 13% and the brand named by Settel as having the lowest nicotine and tar values increased sales phenomenally

Understandably the industry is launching more mild brands and has made some existing brands milder

Settel says that this is an admission of guilt that it was previously selling some of the most poisonous cigarettes in the Western world

Says he "If they believe that smoking is harmless why are they reducing nicotine levels?" The industry counters that it is merely responding to demand

Says one executive "Like most third world countries SA has been a good market for strong cigarettes, but now the trend is to mildness" He adds that the best strategy for introducing milder smoking is not to make existing brands milder but to launch new mild variants of these brands In this way smokers loyal to a brand can stick to the brand's "standard" version if they like a strong smoke or switch to its new mild variant if they want a milder smoke

"A danger in these new milder cigarettes," says Settel "is that people switching to them could actually end up smoking more as a mild cigarette may not give as much satisfaction as a stronger cigarette This means that their net intake of nicotine may not be reduced"

Settel's last blast is aimed at the advertising campaign for the mild Flair cigarette which addresses itself to "intelligent people who are terribly confused about the reports they read on smoking" The ad claims that Flair is "designed to allow you to smoke as much as you like without that overindulged feeling" Settel condemns it for "giving the impression that there is uncertainty about the ill effects of smoking on health when this has already been established" He adds "It is disgraceful as it implies that you can smoke as much as you like without ill effect"

Alan Bunton, MD of Grey Phillips Bunton Mundel and Blake the agency placing the campaign replies "It's a free society and if Dr Settel can express his views, then we should be free to express ours through our advertising which has to satisfy the requirements of the National Press Union and the Advertising Standards Association"

With the industry now openly defending itself against attacks on smoking for the first time the exchange of views is likely to hot up

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BO

All answer books must be numbered

Number of books handed in

Number of this b

Surname JA

First Name(s)

Date 7 Nov

Degree/Diploma/Cer
you are registered

T enter in
question
ich it has
is (2) and

ternal

(3)

not to communicate with other
h any person except the invigilator.
swer book is to be torn out.
must be handed to the commis-
vigilator before leaving the exam-

d to possible exclusion from

REMBRANDT

Retentions grow

198

FM 18/7/80

Possibly the most significant aspect of the Rembrandt's 1980 results was the improved level of profitability achieved, relative to funds employed

For Remgro itself, the net return on equity funds increased by almost two percentage points from 14,6% to 16,4%, while the other three listed companies — Rembrandt Beherende, Tegkor and TIB — all of which derive their income from the same basic source, showed similar gains

This was the first time since 1976 that there has been any material improvement in this ratio, indicating that the group is in act responsive to the general economic nvironment A definitely humanising hought, as one often gets the impression that Anton Rupert's behemoth simply rolls on, oblivious to all around it

There was, however, a marked slowdown in profit growth during the second half, probably attributable as much to the strengthening of the rand as to deteriorating economic conditions overseas and the effects of this on the group's foreign-based earnings

Excluding the retained profits of associates, the growth rate dropped from 71% in the first half to 48% in the October-March period, notwithstanding the R75m the group received as a result of the liquor industry rationalisation And with a lower contribution from associates (particularly Rothmans International) — again more marked in the second half than in the first — the growth rate in total consolidated earnings slipped from 39% in the first six months to only 19% in the second

Not that dividends are likely to have been affected by any of this Analysts tend to waste a lot of time trying to relate dividends to earnings, and in the process they overlook the obvious that payments depend largely on what management considers appropriate For the year to end-March, it was apparently decided that an 18% improvement in the Remgro total would be appropriate This, in turn, dictated policy further up the line in the holding companies

But while the 18% gain is better than the 13% increase which shareholders received in 1979, it is distinctly unexciting by present-day standards The only virtue is that the very high retentions within the group mean that management can continue increasing the payout even if earnings stagnate

Current dividend yields of between 4,2% and 4,5% for each of the four companies are a shade below the industrial market average and reflect the blue-chip status of the group With inflation expected to remain high, it is probably reasonable to look to a further increase of about 18% in dividends this year, which would raise prospective yields to between 5% and 5,3%

Brian Thompson

REMBRANDT GROUP RESULTS

	Year to March 31 1980					
	Earnings c				Dividends c	
	A		B			
Remgro	227	(179)	149	(95)	30	(25,5)
Rembr Beh	168	(132)	110	(70)	21,9	(18,7)
Tegkor	147	(115)	19,1	(16,2)	18,9	(16,1)
TIB	153	(120)	20,5	(17,9)	18,9	(16,1)

A) Including associates
B) Excluding associates

Remgro in R100m energy, metals drive

(198) (222) (94) (18??) (??) (240)

RDM 2/8/80

By DAVID CARTE
Deputy Financial Editor

AS PART of a huge diversification drive, Rembrandt Group, in partnership with an unnamed European group, has established a R100-million off-shore commodities-based investment company.

This is revealed by the annual report released today

The new company has spent R100-million on geographically spread and diversified portfolio investments in metals, minerals and energy Of this, R48 300 000 was spent after the year to March 31

The report does not say so, but Rembrandt watchers said the new company was established with the proceeds of the sale of Rothmans Canada last year

Remgro also invested R78 500 000 in South Africa last year

Its biggest SA investment was the R41-million it spent following its rights in the Federale Mynbou issue In March, Remgro acquired a 20% interest in Total SA for R16-million

It spent R6 300 000 following its rights in the Volkskas issue and its 20% interest in Legal & General Volkskas cost R5 800 000

In February, the group entered a joint chemical manufacturing venture with Henkel KGA of West Germany Its share of this 650-man, two-factory operation cost R9 400 000

Much of this domestic capital expenditure was financed by the net cash inflow of R79 500 000 arising from the reconstitution of the liquor industry

For the first time Remgro gives an asset and profit breakdown, which shows the extent of its diversification out of liquor and tobacco

At the yearend, 57% of capital employed was in tobacco and liquor, 12% in mining, 13,5% in liquid funds and 15,6% in other interests

The profit contribution from tobacco and liquor fell from 84,4% in 1979 to 72% This happened even though liquor and tobacco profits were 8% better at R84 500 000

Mining's contribution rose from 10,5% to 13% and liquid funds' from 5% to 10% This trend away from tobacco and liquor towards mining and energy is expected to be even more marked next year

In the year to March, in spite of the strength of sterling and the rand, Remgro pushed up pre-tax profit 28% to R97 623 000 A slightly lower tax rate, enabled taxed profit to rise 31% to R76 891 000

Thanks presumably to the £18-million — or 18% — drop in profits of Rothmans International, which is not mentioned in the annual report, income from associates fell 7% to R40 688 000

Income of subsidiaries sold during the year was R3 188 000 compared with a loss of R5 388 000 in 1979

The upshot was that attributable earnings rose 27% to R118 670 000, while earnings rose in line from 179c to 227,3c a share Earnings excluding associates were 57% better at 149,4c (95,1c)

The stronger rand and pound had the effect of reducing total reserves by R30 300 000, whereas in 1979 it increased reserves by R19-million Exchange rate changes knocked R4 800 000 off pre-tax profits In 1979 they benefited profits to the tune of R1 700 000

Capital employed, excluding current liabilities, at the yearend was R835-million, of which R750-million, or 90%, was shareholders' funds

Rembrandt Controlling, Technical Investment Corporation and Technical and Industrial Investments all depend entirely on Remgro for their income and their performance and prospects mirror those of the operating company

COMMENT· Remgro is fast changing its nature, switching from the increasingly frowned-upon and regulated "dying habits" of smoking and drinking for the "now" sectors, commodities and energy.

The super-secretive group is even becoming slightly more forthcoming with information.

All these things are positive for the rating So is the likelihood that sterling will weaken in the year ahead.

The bad news could be recession overseas and a stronger rand. Whatever happens the well-covered dividend is guaranteed to grow respectably over the medium term, so all the Rembrandt shares are reasonable value in a rather expensive market.

(198) FM 15/8/80

REMBRANDT GROUP

Cash to spare

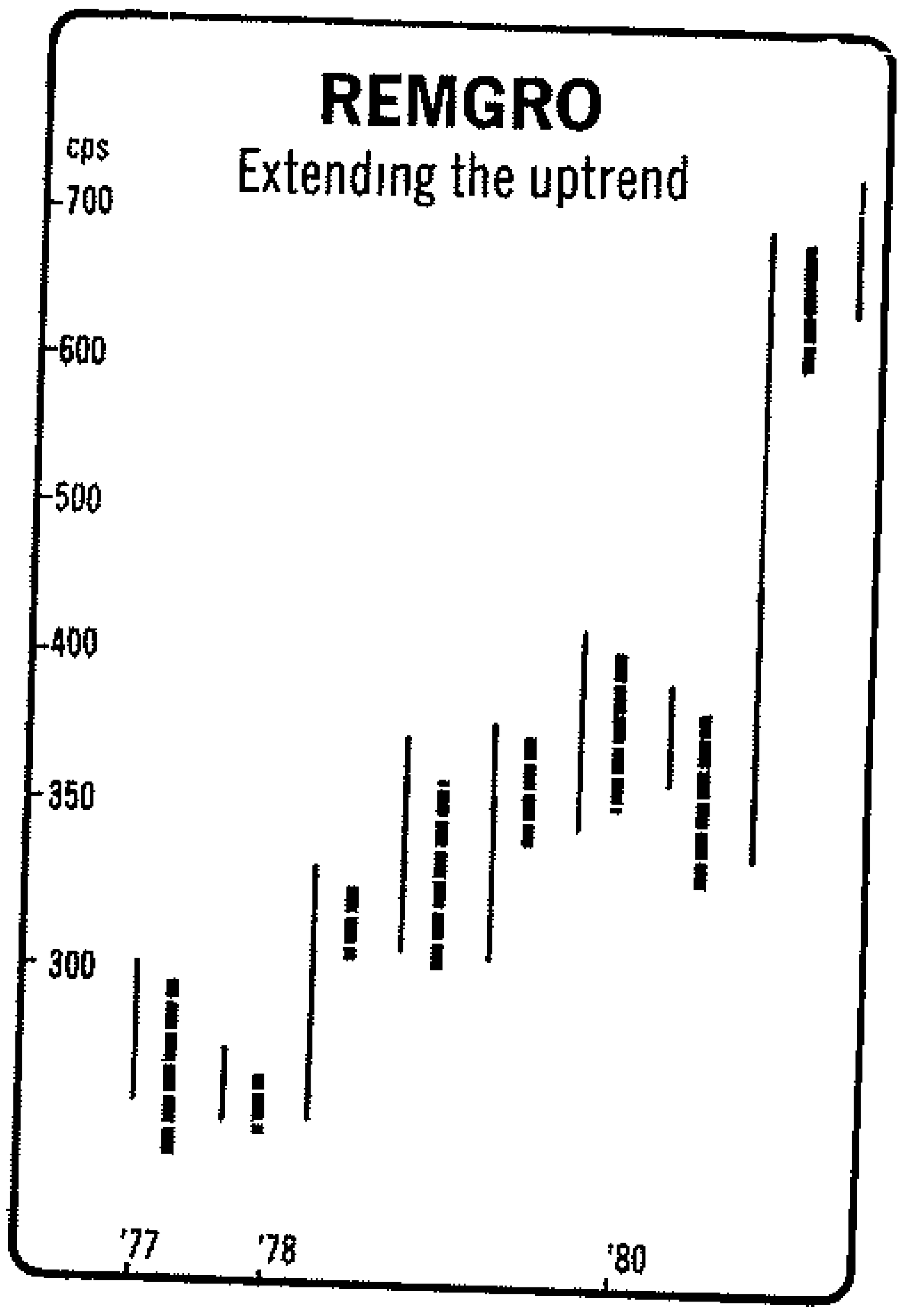
Activities: *Diversified tobacco and liquor group Other interests include mining, banking, insurance, printing and packaging, marketing of tea and coffee, and clothing*
Chairman: *Dr A E Rupert, managing director J A Rupert*
Capital structure: *52,2m ordinaries of 10c Market capitalisation R358m*
Financial: *Year to March 31 1980 Borrowings long- and medium-term, R83,3m Net cash R102,2m Debt equity ratio 12,7% Current ratio 2,8 Cash flow R109m Capital commitments R10,5m*
Share market. *Price 685c (1979-80 high, 705c, low, 330c, trading volume last quarter, 337 000 shares) Yields 32,1% on earnings, 4,4% on dividend Cover 7,4 PE ratio 3,2*

	'77	'78	'79	80
Return on cap %	17 4	13 7	16 7	17 5
Turnover (Index*)	119 6	136 8	147 5	165 3
Pre tax profit (Rm)**	139	122	132	154
Earnings (c)**	135	150	181	220
Earnings (c)†	98	84	97	142
Dividends (c)	20	22 5	25 5	30
Net asset value (c)	728	902	1 253	1 449

* Index base 1976=100 ** Includes retained earnings of associates † Excludes retained earnings of associates

There can be little doubt that Rembrandt's blue-chip investment status is strongly influenced by the stability offered by the size of the group and its consistent record of dividend increases, rather than its profitability The same, of course, can also be said for many large companies, including most of the mining houses

Rembrandt's Rupert . broadening the base



Viewed baldly, a 15% return on equity funds (with investments at market or directors' valuation) is hardly exciting, even if profitability is affected by an increasing measure of investment income in overall receipts

It is, of course, also true that the exact level of profitability cannot be calculated because of the large proportion of profits attributable to associates But as the group equity accounts, this is more of a problem with the gross return (before tax and interest) than in the net return attributable to shareholders

So as to provide a somewhat more meaningful gross return on capital employed in the accompanying results table, retained earnings of associates, together with the income attributable to companies sold during the year (which are stated separately in the accounts) have been added to operating profits The resulting figure is obviously not the true operating profit, being stated after the tax and interest paid by these companies But the profit ratio calculated this way is probably fairly close to the mark as the balance sheet includes only Rembrandt's investment in associates and not the full capital employed by these companies

Rembrandt continues to hold the abnormally large cash resources built up in fiscal 1979 following the sale of certain directly-held US and Canadian interests to associate Rothmans International The balance sheet shows cash holdings of R118,4m, up nearly R1m over the year, which means, in effect, that last year's investment programme was financed entirely from cash flow and income generated from the formation of Cape Wine

Borrowings, furthermore, have shown another substantial decline from R134m to R99m, although this must, to some extent, reflect the disposal of companies such as Intercontinental Breweries (to SA Breweries) and the Oude Meester/Stellenbosch group (to Cape Wine)

The group's main investment programme was directed overseas where, in partnership with a European group, investments totalling R51,5m were made in resource-based industries The portfolio of this company has virtually doubled since the year end and now totals just short of R100m The proportion put up by Rembrandt is not disclosed

On the local front, the group invested R31,2m, but this, too, has been materially increased since the year end as a result of the Federale Mynbou and Volkskas rights issues (total investment R47,3m)

It is, however, clear that Rembrandt still has considerable scope to further expand its interests On the assumption that it is financing half the overseas investment partnership, it probably has in the region of R45m of last year's cash resources intact, to which must be added this year's cash flow which will certainly not be less than 1980's R109m

And then, of course, debt amounts to only 13% of permanent capital If this was pushed to a still-conservative 50%, additional resources of around R300m would become available to give a total of around R450m On this basis, it could invest up to R1,8m each working day

As far as the income statement is concerned, the main feature was the 7% decline in the retained earnings of associates brought to account This has been widely attributed to the profit drop reported by Rothmans International But it should be noted that this had no material impact on Rembrandt as dividends and other income, such as interest and management fees, rose nearly 13%, bringing the total income attributable to associates to the same level as in 1979

The report also notes that the strengthening of the rand reduced pre-tax profits by R4,8m last year compared with a R1,7m increase in 1979 Excluding these adjustments, pre-tax profits would thus have shown a 37% increase compared with the 28% reported It seems a fair assumption that currency factors also played a

YANKEE INVASION (198)

FM 17/10/80

American-type cigarette brands made by SA companies could soon face determined competition from the real thing — for the giant $8 billion-a-year sales US company Philip Morris may be preparing for an assault on the local market

Rumour has it that the Philip Morris attack will be spearheaded by Marlboro (said to be the world's biggest selling cigarette) and Merit (a mild brand) which are already being imported in a small way

First step in the company's marketing campaign has been the appointment of Mortimer Tiley as its local advertising agency The agency will not reveal any details of the deal but it is believed it will have a budget of R350 000 to spend on the two brands This far exceeds the R107 000 spent in the last 12 months on advertising Camel, the present best-selling imported cigarette

At present imported brands hold a negligible share of the market which is dominated by the Rembrandt group with a share of about 77%, and United Tobacco with the rest But easily-available import permit and free-spending habits fostered by the boom should bring a greater market share to the more expensive imports And the absence of anti-smoking legislation and the growing black market's taste for things American are a further lure for Philip Morris

If either brand catches on, the company will probably try to get Rembrandt to produce for it locally, and Rembrandt could well agree to play ball It already has manufacturing licence agreements for several brands including the American Chesterfield and the French government tobacco monopoly's Gauloises

CIGARETTES (198) FM 30/1/81

Check your tar

The amount of nicotine and condensate ("tar") you get for your money is now printed on the packs of some cigarette brands in terms of a voluntary undertaking to government by the industry

These readings are printed *in type of about this size*

By mid-year all cigarette packs should bear these readings when existing packaging material runs out

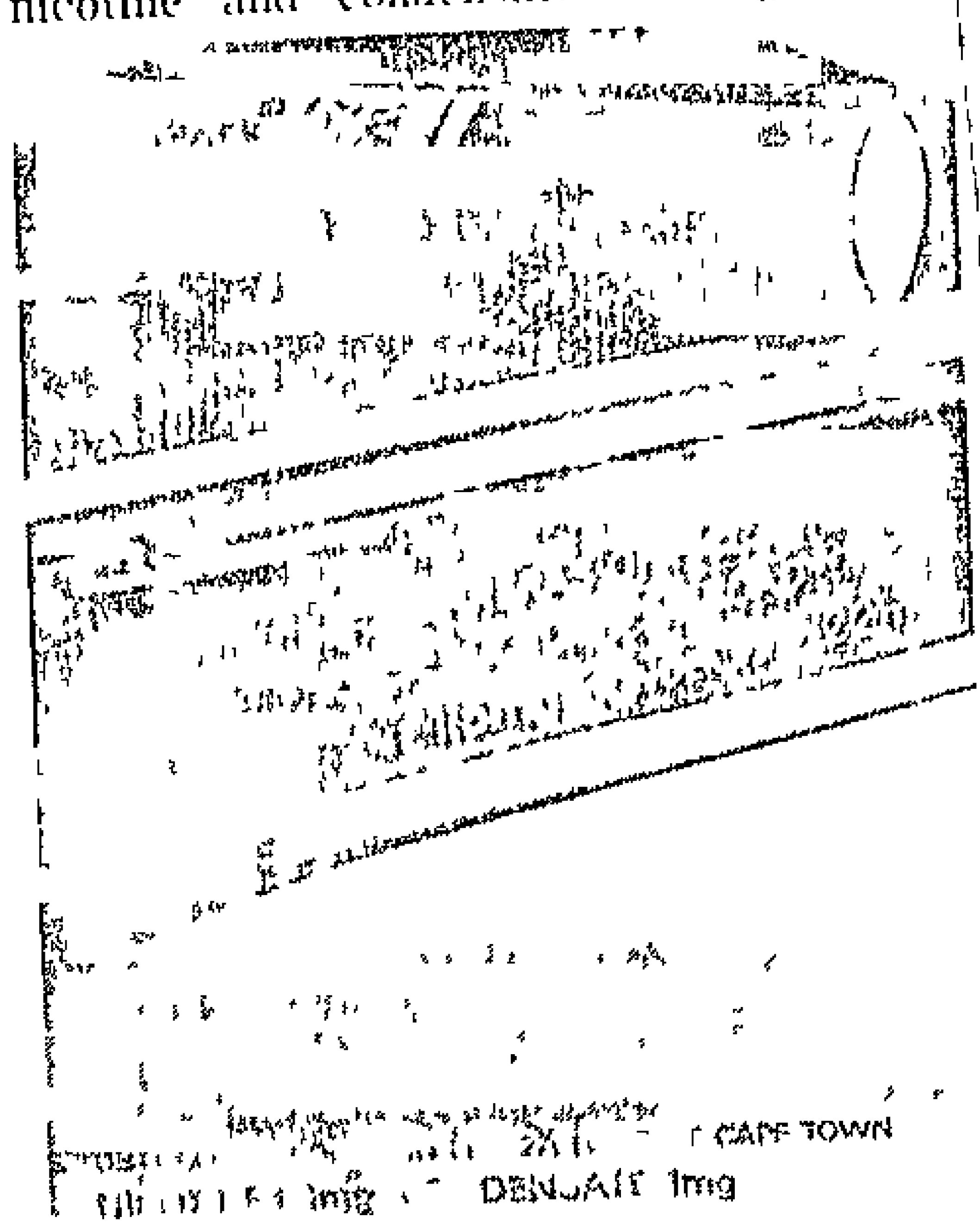
It is common knowledge that the country's two cigarette companies, Utico and Rembrandt, did this and agreed to restrict cigarette advertising to forestall legislation which would have required it (FM July 18)

When the agreement was reached last year with the Department of Health, the industry published an advertisement in the weekend press giving the nicotine and condensate readings for most cigarette brands, as established by the South African Bureau of Standards (Sabs), and distributed about 20 000 copies of it to the wholesale and retail trade

Publishing the readings is unlikely to affect sales in the short term For the economic upswing, coupled with natural population growth gave the R660m industry the best sales growth in a decade last year Inside sources, who are normally reticent on these matters, say the growth reached "double figures"

Most of the growth came from more smoking by the lower income groups Increased use of the weed by women contributed to a lesser extent

When the first unofficial tables giving nicotine and condensate readings were



Nicotine content warning not exactly frightening

published in 1979, sales of the so-called mild cigarettes took off Sales of these types have now stabilised at about 12,5% of the market and the full bodied or stronger brands are now growing faster This reflects more smoking by blacks who tend to favour brands such as Lexington

RDM 25/2/81

A black union in tobacco council

139

198

198

346

Labour Reporter

THE Tucsa-affiliated African Tobacco Workers' Union has been admitted to the tobacco industry's industrial council

This makes the industry the third which is known to have admitted a black union to its industrial council, a key element in the official bargaining system

The others are steel and engineering, and transport The steel and engineering industrial council has now granted membership to three black unions

Only registered unions may join industrial councils Membership entitles them to bargain legally-binding agreements with employers on wages and working conditions

The tobacco union's admission to the industrial council was announced yesterday by Miss Christine du Preez, general secretary of the National Union of Cigarette and Tobacco Workers, the registered union which established the ATWU

Miss du Preez also announced that her union had negotiated a new wage agreement for cigarette and tobacco workers on the Witwatersrand which brought the minimum wage for labourers to R56,55 a week

Employers had also agreed to bring the wage agreement forward by three months to April 1, Miss Du Preez added

(198) FM 27/2/81

CIGARETTE INDUSTRY

Heidelberg's nicotine injection

Heidelberg in the Transvaal will soon have SA's biggest cigarette factory, capable of supplying the present needs of the entire country

At the cost of more than R40m, Rembrandt Tobacco Corporation is doubling the output of its little-known Heidelberg factory to an ultimate production capacity of 2 800m cigarettes a month Total market sales are at present about 2 300m a month

The investment reflects a confidence in evergrowing sales, especially to the awakening black market, and a scant regard for the competition as well as the efforts of the anti-smoking lobby

Last year Rembrandt's market share grew in a market, which grew by 10% to a retail value of R700m Although Rembrandt will not reveal its share, the *FM* estimates that it now stands at 80% — a remarkable performance for a local company which made its first cigarette in 1948, and clawed its way into a market dominated by a giant foreign multinational

The Rembrandt group has, of course also gone multinational, and it now claims more than 8% of the total cigarette market in the non-communist world Its cigarettes sell in 180 countries and it has 70 cigarette and tobacco factories in 30 countries on all continents

In a rare in-depth interview, top Rembrandt executives revealed some of the facts behind the new plant, which is designed to benefit fully from the group's international manufacturing experience

As part of the company's cigarette factory in Heidelberg, it will be completed at the end of next year and will make toasted cigarettes only The new plant slots in easily with the factory's service facilities which feed the present plant with electric power, compressed air and water through underground tunnels The present plant, which was completed in 1977, makes Virginia cigarettes only

When the new plant is complete, the factory complex will consume 50% of Heidelberg's total electricity requirements and have 1 300 employees At present it employs 750 and consumes about 38% of the town's electricity

Heidelberg was chosen as the site because it is in the rail-exempt free-delivery area of the biggest and fastest-growing market, the PWV area It is also close to the main tobacco-producing regions north of Pretoria This will save the company more than R2m a year in the cost of transporting raw tobacco leaf from the north to its main factory in Paarl, and manufactured cigarettes back north Heidelberg is also at the junction of the routes to the markets of the OFS Goldfields and Natal

The company bought its 64 ha site at farm land prices It was no doubt given good incentives to do so by the Heidelberg municipality in an effort to bring back some life to the town after the closing of its teachers training college

After the present expansion programme, all the facilities will occupy only half of this land, which gives ample room for even further expansion

The new toasted cigarette plant is in a separate building and will be separated from the existing Virginia plant by a large service building This is to prevent cross contamination of the different flavours of Virginia and toasted tobaccos Tobacco is very hygroscopic and readily picks up odours — as is demonstrated by the fact that the flavour of menthol cigarettes is imparted merely by wrapping the menthol cigarette pack in menthol-coated inner foil

Much of the covered space in the complex consists of warehouses where tobacco is matured for 18 months before being used

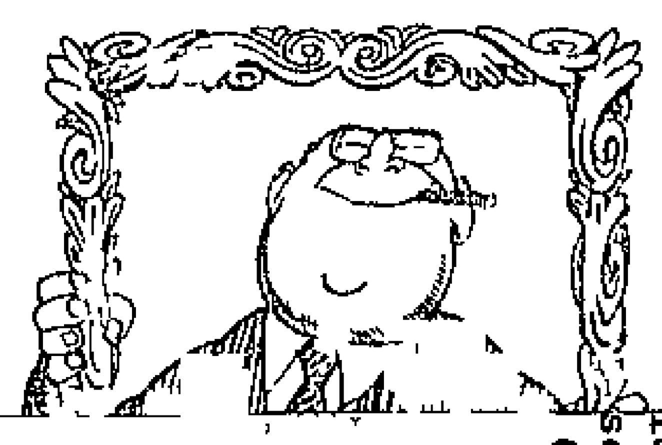
Of Rembrandt's three SA factories at present in production, its factory in Johannesburg's Industria makes menthol and toasted cigarettes only, and its (at present) largest factory in Paarl makes toasted and Virginia The toasted and Virginia departments in Paarl are separated by the Berg River

Machines at the new plant will each produce at the eye-blurring rate of 6 000 cigarettes a minute — a significant improvement on the present machines at Heidelberg which produce at the rate of 4 000 a minute It will have some of the most modern machinery available, some of which was developed locally

Production efficiencies of Rembrandt's multiracial work force in SA are around 20% higher than in the group's overseas factories where similar machinery is used The company attributes this to a greater loyalty and pride in work of SA workers which is matched only in some Far East countries

The design brief laid down that the factory be the cleanest and most efficient cigarette factory in the world with due regard for safety, security and pollution control It was also to be of timeless design, and to cater for all essential requirements, with luxuries to be excluded

The company obviously does not regard art as a luxury, as priceless original paintings and sculpture by Picasso, Vasarely Henry Moore and others (part of the Rembrandt van Rijn Art Foundation) line the 50 m corridor under the airconditioning plant to the factory's main offices



Rembrandt will not reveal the names of its brands, no doubt for competitive as well as international political reasons

However, it does say that total sales of toasted and Virginia brands are at present about equal, although lately growth of the toasted brands has been faster This is due to an increase in smoking by blacks There has been a slight swing to toasted cigarettes by white women who are also smoking more The so-called mild cigarettes, which grew rapidly in the last few years, are showing no growth at present and hold about 12,5% of the market

Of the R700m spent by the public on cigarettes, R300m goes to the government as excise tax, in addition to gst Annual advertising expenditure on cigarettes is in the region of R17m

Parasitic Diseases (including Respiratory Tuberculosis)
stritis and Enteritis
eumonia and Bronchitis
r Diseases
Benign Neoplastics
erate Diseases
iolence (including Motor Vehicle Accidents)
ses of Infancy
Causes (including complications of pregnancy)

S1 MC 14/3/81

Unions win wage rise

Labour Reporter

Unions in the tobacco industry have successfully negotiated a 12 percent minimum increase for all workers in the industry

The National Union of Cigarette and Tobacco Workers and its parallel union, the African Tobacco Workers' Union, won the new wage at an industrial council meeting last month

The agreement, which was finalised on February 23 means a 12 percent guaranteed increase of wages together with a merit increase.

already justified by comparison with the alternative methods of provision, but there are additional costs involved in raising them : interest on loans, or administrative and incentive costs of raising taxation. These are normally insignificant for any given project.

Where the methods of providing a given service use the same kinds of resources in different proportions, the decision-making can be ...

Rupert tobacco group in US merger talks

Sim 198 3kk

~~232~~

From the Financial Times

LONDON — Two of the largest cigarette companies — R J Reynolds Industries of the US and the UK-based Rothmans International — are holding what they describe as "exploratory talks" to establish "a basis of co-operation between the groups."

The talks were revealed yesterday in the US and the UK following stock market speculation about a possible link-up. Rothmans International's shares closed last night at 60p, a new high for the year.

Neither company would comment beyond the official statement that "exploratory talks are being held with the purpose of establishing a basis of co-operation between the groups".

However, it appears the talks were initiated by Reynolds and so far they have only involved a few senior management on either side.

These talks are believed to have included Mr Paul Sticht, president of C F Reynolds, and Dr Anton Rupert, chairman of the South African-based Rembrandt Group, which indirectly has a substantial stake in Rothmans International.

Reynolds said that the preliminary talks "could lead to definitive proposals being made to the boards of both companies".

Any business combination, however, would have to run the gauntlet of US anti-trust scrutiny.

In its last financial year Rothmans, whose UK brands include Dunhill and Peter Stuyvesant, had total sales of 2 500-million of which 90 percent came from its tobacco interests. The rest of its sales were in a Canadian brewery and luxury products associated with the Dunhill name.

Rothmans International is the London-based subsidiary of Rothmans of Stellenbosch, South Africa.

MAIN BRANDS

About 56 percent of Rothmans sales are to Europe, with West Germany taking the largest share. Outside Europe it has 25 percent of its sales from North and South America, 15 percent from Asia and 4 percent from Africa.

Reynolds, whose main brands include Winston, Salem, and Camel, has been keen for some time to expand overseas business. In its 1980 annual report released this week it said that "in our international tobacco business, the prospects for cigarette unit volume growth are brighter in many markets than in the US".

Reynolds overseas gains have been particularly strong in Europe and Canada.

The preliminary talks between the companies are expected to take at least another two to three weeks to complete.

... is expected to achieve.

4.1 Programme Budgeting

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc. .

This is necessary a) to know the cost of pursuing each objective,

b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis,

c) to know the effectiveness of a given amount of money when spent on different

...t choices can be
...s of the alternatives
... so many geriatric
... so many child
...etc.
...ly arranged on
...laries', 'transport',
...tween expenditure
...s cannot be made.

...mes is an art.
...t of Health,

... be mainly deter-
...which one wishes
...that where decisions
...oral judgement -
...uld want the
...ifferent
...ainst the alco-
... question of
...particular objectives can best be achieved - drug therapy against behavioural therapy - one would want the activities to be compared to be within a particular programme. This distinction ties up with an economic jargon of slightly older vintage - that of cost-benefit and cost-effectiveness; and through that to the main stream of neoclassical welfare economics, which attempts to make a distinction between the choice of the composition of the basket of outputs and the choice of the set of resources from which each output is to be produced. The former is, in a broad sense, a question of tastes, values, or utilities; the latter is a question of techniques".

REMBRANDT

(232) (198) FM 10/4/81

Where there's smoke . . .

About the only word which adequately describes Rembrandt's negotiations over its UK offshoot Rothmans International, at the moment is ' confused ' None of the parties involved — Rembrandt Rothmans itself and US tobacco/food/beverage/transport giant R J Reynolds — is revealing anything And, while London brokers are banking on an outright bid from Reynolds for all or part of the British group, even this seems unlikely to end the story

For one thing, there is already a strong possibility of a counter-bid Philip Morris, which is some 25% larger than Reynolds in terms of cigarette sales, is the group most often mentioned, but sources close to Rembrandt make it clear that this is not the only company waiting in the wings

An even more fundamental problem is that Rembrandt probably did not go to the negotiating table with the intention of selling its British associate Given chairman Anton Rupert's known preference for the "partnership concept," on which Rembrandt's fortunes are largely based, it is at least conceivable that he would have preferred to see the tobacco activities of the two groups merged, with Rembrandt (I use the name loosely, given the existing structure of the group) retaining a direct interest in the enlarged operation

Despite the disparity in size, this might not be as impractical as it first looks On the tobacco side, Reynolds is not that much larger than Rothmans, with annual cigarette sales of about 202 000m against 150 000m And remember that Rembrandt is still sitting on extensive off-shore cash balances following the sale of certain Canadian and US interests in 1978

Failing a merger, second choice for Rupert would probably have been a marketing arrangement This could have improved the position of Rothmans, which is weak in the US market, and also given Reynolds the base it needs for a marketing offensive in Europe and the Middle East The significance, for Reynolds at least, is that cigarette sales growth outside the US market is roughly three times the growth domestically

But Reynolds, which is believed to have made the first move, appears to be talking in terms of a takeover And that tends to throw the whole thing back into the melting pot — will Reynolds make a bid which Rembrandt cannot logically refuse, or will such an offer emerge in any counter-bid?

Speculation in Rothmans shares has sent the price soaring in London from 38p in January to a new high of 78p, leading brokers to believe that an offer of over 100p could be forthcoming At this price, the company is capitalised at £150m, to which can be added a further £140m for the convertible stock at face value

Rembrandt's interest in Rothmans is thought to be about 44% (held through a multitude of European investment companies), so on this basis it could receive — again in off-shore funds — something like £130m At the present exchange rate, this translates into about R225m, to which can be added existing cash resources of R118m at the last balance sheet date These, given the group's cash generating abilities, have probably not changed much, even though nearly R50m was committed to its European resource-based investment partnership at March 30 1980

So, apart from the fact that Rembrandt has no apparent need to add to its cash resources, at least one London broker believes that the outcome is likely to be a lot more complicated than a straight cash deal

But an indication as to how seriously Rembrandt views developments is that both Rupert and his son Johan — MD of Rand Merchant Bank — were abroad in mid-March in connection with this deal This is the first time that Rupert has shown his hand in Rothmans which, for strategic reasons, has always minimised its SA connections

Brian Thompson

DD 13/4/81 (198)

Rembrandt woos Reynolds

Negotiations now in progress between Rothmans International, controlled by Dr Anton Rupert's Rembrandt group, and the United States-based R J Reynolds tobacco company will, if successful, create the most powerful cigarette combine on earth

Rembrandt officials in Stellenbosch have confirmed negotiations are taking place and that they could last for "weeks", but they decline further comment

This is in keeping with Dr Rupert's low profile business style, but industry sources, citing considerable benefits for both parties, believe the deal is a natural to go ahead

It fits in with the business philosophy of Dr Rupert, who turns 65 in October, and it will provide Reynolds, which is largely confined to the US with such market leaders as Winston and Salem, with a foothold in Europe and the third world where Rothmans dominates the market

A deal with Reynolds is almost certain to follow the pattern of the group's "progress through partnership" credo which has been its chief policy plank ever since 1948 when Dr Rupert, with about R15 in his pocket, brought together hundreds of investors to make his first cigarette

The Rembrandt group has since diversified extensively — into oil through a 20 per cent stake in Total South Africa last year, mining through a 25 per cent interest in the vast Federale Mynbou group and an injection of more than R100 million into European resource-based industries, banking and insurance with 20 per cent of Volkskas, clothing, and a range of consumer and industrial goods through a link early last year with West Germany's Henkel

But tobacco and drinks are the heart of the empire

One of South Africa's most internationally-oriented business enterprises, the Rembrandt empire's assets last year totalled R3 500 million with gross revenue from sales of R6 400 million

A deal with Reynolds would see Rembrandt forging ahead in tobacco only months after consolidating its position in the South African wine industry, a position that followed its defeat in the viciously-fought battle to break into the country's beer market, now once again the monopoly of South African Breweries

In return for dropping out of beer, however, Rembrandt acquired SAB's extensive wine and spirit interests and now controls the market-dominating Cape Wine and Distillers

The Reynolds package has all the ingredients for the partnership credo revolving around the sharing of investment, effort and benefits Certainly the formal statement from the two companies has a familiar ring "Exploratory talks are being held with the purpose of establishing a basis of co-operation between the two groups "

Reynolds and Rothmans are known to have had previous informal discussions on partnership, but most observers believe the formal announcement signifies that this time it's for real.

Laughing all...

No growth in East London'

Nonsense say father and son insurance and investment consultants, Sonnie and Laurence Lurie who run The North City Group's East London office

The East London office achieved the highest growth rate of the group's five South African branches — a phenomenal 227 per cent increase over 1979

Average premium per contract at R127,35 a month was also the highest in South Africa

Sonnie Lurie's premium income for the year totalled R265 794 (an average R22 149 a month) while son Laurence's premium income for the year was R145 403 (an average R12 116 a month)

In terms of total premium income they achieved third and fourth places in South Africa — and short term insurance premiums are not included in the figures

Says Laurence Lurie "We find that more and more people are becoming aware of what inflation is doing to their savings and investments

"We plan each client's portfolio to suit their needs and in these days of double digit inflation our main objective is to ensure that the growth rate of contracts is not outstripped by the rate of inflation

"Although inflation reached almost 16 per cent in real money terms last year, we are extremely pleased the investment portfolios of most of our clients achieved a growth rate of 26,6 per cent "

Sonnie (£5 026 716) and Laurence (£2 957 189) Lurie's American Million Dollar Round Table sales credits for the year — a total of just on £8 million for the branch, the smallest in the group — have earned father and son repeat invitations to attend the annual conference of the prestige American insurance industry "club

This year's conference will be held in New York from June 21 to 25 Attendance will be limited to 5 500 delegates To qualify all must have sold more than a million dollars' worth of business last year

---

A) From the Honours course in Economics:

	Weight
1) South African Economic Problems (compulsory)	1
2) "Mini thesis" (long essay) compulsory	1
½ options	
a) Urban and Regional Economics	½
b) Income Distribution	½
c) Monetary Economics or Capital Theory Debates	½
Total	3½
the C.T.A. courses:	
he full final year of C.T.A. courses	1½

Philip Morris ready to strike?

LONDON — Philip Morris, the aggressive New York-based Marlboro to Seven-Up conglomerate, is considering whether to counter any take-over proposals made for the Rothmans cigarette empire by R. J. Reynolds, which disclosed "exploratory talks" last night

Reynolds, America's largest cigarette manufacturer, took the initiative in starting the talks by approaching Dr Anton Rupert, the reticent 64-year-old South African who controls Rothmans through the Rupert Foundation But Philip Morris may not be far behind

Economic experts here are anticipating a take-over bid rather than a trading arrangement, partly influenced by Reynolds' insistence on making a public statement, albeit too late to prevent a Stock Exchange inquiry into share dealings in Rothmans.

But what puts the talks into a completely new perspective is the emergence of Reynolds' arch rival Philip Morris as a probable contestant

The official message from Philip Morris' Park Avenue headquarters is: "We are following the negotiations between Reynolds and Rothmans with interest We can make no further comment at this time."

But Philip Morris's board, led by George Weissman, is as eager as Reynolds to expand its international cigarette operations.

It was Morris which bought the foreign cigarette interests of Chesterfield concern Liggett (recently acquired by Grand Metropolitan) in 1978 and would dearly love to buy Rothmans' Canadian brewing interests

What is particularly interesting is the belief that Rupert, who has absolute say over Rothmans' future, personally favours a link with Philip Morris which has long been waiting in the wings.

The possibility of Reynolds and Philip Morris vying for control of Rothmans' R4,6 billion turnover which accounts for a 13 per cent share of the United Kingdom's cigarette business and 15 per cent of the European market, could clearly prove lucrative for shareholders

Rothman's 1980-81 pre-tax profits are expected to slip from R146 million to around R137 million, but at the current price of R1,-26 the group is still only capitalised at R198 million.

Bid terms of R2,09 would only imply an exit P/E of 5 4 on historic earnings and, if an auction developed, a R2,73 bowing-out price only raises the multiple to seven

Dr Rupert, the South African businessman who gave up lecturing in chemistry to concentrate on tobacco, has developed a reputation for secrecy which last week's revelation of exploratory talks" between Reynolds and Rothmans has only served to enhance.

Neither Rupert, who lives in Stellenbosch and who controls Rothmans through the Luxembourg-registered Rupert Foundation, nor Reynolds chief executive Paul Sticht, has thrown much light on the subject.

All that has been said is that "a basis of co-operation" is being sought which could lead to "definitive proposals."

Even Rothmans' board, led by Sir David Nicolson, was unaware of the behind-the-scenes negotiations until last week's announcement.

But the City (seldom wrong on such matters) is clearly anticipating a full-scale takeover bid for Rothmans.

Reynolds, based in North Carolina, is America's largest cigarette producer with its best-known Winston, Salem and Camel brands giving it a one-third share of the United States domestic cigarette market.

Reynolds' operating earnings from American tobacco sales rose 12 per cent last year to R650 million, but the growth came from international earnings, which showed a near 20 per cent jump to R142 million

But Reynolds' attempt to link up with Rothmans smacks strongly of a defensive move to fight off ever-mounting competition from Philip Morris.

During the past decade Philip Morris, now led by former journalist George Weissman, has turned its Marlboro brand into the world's best-selling cigarette; has dramatically rejuvenated the once ailing Miller brewery operation and, despite fierce opposition, won control of the Seven-Up soft drinks combine with a bid of R414 million.

Reynolds' most notable United Kingdom foray was its R416 million acquisition of Burmah Oil's North American oil and gas interests in 1976, shortly followed by a R365 million takeover of Del Monte, America's largest fruit and vegetable canner.

Rothmans, whose United Kingdom brands include Dunhill and Peter Stuyvesant, is an extremely attractive proposition for either of these aggressive conglomerates with 56 per cent of its R4,6 billion turnover (90 per cent of which represents tobacco interests) arising from Europe, with West Germany providing the major share

Rupert, head of the South African tobacco, liquor, mining and banking group, may not relish giving up control of Rothmans, but his own attempts at a link-up with the North American Liggett Group (now under the wing of Grand Metropolitan) proved abortive, with Liggett finally paying R26,4 million in 1978 to buy out Rothmans' near 10 per cent stake theoretical perspective differs from that of others in this broad category of views in that its fundamental economic determinism is reminiscent of some Marxist thought Using the general theory of the stages of growth, he has attempted to date the probable stages of political change His argument is more complicated than the model sketched above, because he also grants a role to Black actors and so to revolutionary unrest However, most of those who adopt this position stress mainly the role of the Whites

2.2. The 'Revisionist' Thesis

The term 'revisionist' is one that has come to be used to indicate a school of thinking which is basically at variance with the older conventional view The term itself is not intended to have ideological or political connotations (i e. it is not to be confused with 'revisionism') However, the broad theoretical perspective most commonly associated with the revisionist school is that of 'conflict theory' in sociology and the 'political economy' position in economy Some of the contributors to the debate are broadly Marxist in outlook A full overview of the 'revisionist' position cannot be presented within the space of this introduction Here we will present the barest outline of the standpoint

The main problem in South Africa is seen as the economic exploitation by the White colonists or 'post-settler' group of the Black population Racialism may be irrational *per se*, but in South Africa it is seen to be 'rational' in so far as it functions as an ideology which legitimises the rational exploitation of Blacks The South African economy is not a 'market economy' in which goods are allocated solely by the forces of ... (see Trapido 1971)

they threaten economic growth Adam (1971 181–2) argues that rationalisation produces an increasingly competent technocratic oligarchy which is even capable of deracialising the society if that would be in the interests of maintaining supremacy. Like the 'conventional' viewpoint, the 'revisionist' thesis also stresses the role of Whites, but whereas in the first case they are seen as more or less inevitable agents of change, in this second argument, they are seen as more or less irremovable obstacles to change.

3. Basic issues

The two major positions have inevitably had to be stated in rather oversimplified terms and in a somewhat overpolarised form. Perhaps the most crucial difference in the two viewpoints outlined above turns on the distinction between a market economy and a labour repressive economy. According to Barrington Moore (1966 434) the distinction is between 'the use of political mechanisms (using the term political broadly) on the one hand and reliance on the labour market on the other hand'. That is, it is the distinction between an economy in which workers come voluntarily on to the labour market and enter into an equitable contract with employers, and an economy in which workers are constrained by some or other political mechanism to work for their employers, and so are not in a relation of contractual equality with them.

Now this distinction is in some ways highly suggestive, but it also obscures an important fact by implying that it is possible to have a market system which operates quite independently of political factors A market is always embedded in a political matrix which defines the rules

Sharp reaction to Rembrandt-Philip Morris deal

From the Financial Times

LONDON — Philip Morris, the world's second-largest tobacco company, is going into a 350-million US dollar partnership with the Rembrandt Group of South Africa.

Rembrandt is selling control of about a fifth of the shares in London-based Rothmans International to Philip Morris, having ended "exploratory talks" with R J Reynolds, another major US tobacco group.

The South African company, headed by 65-year-old Dr Anton Rupert, also has interests in liquor, mining and banking

It gave no reasons yesterday for preferring to do a deal with Philip Morris, known for its aggressive marketing approach, rather than with Reynolds, with which talks were announced three weeks ago.

News of the deal drew a sharp reaction from Reynolds, which all but accused Dr Rupert of double dealing.

Mr Paul Sticht, the President, was shocked by the news Until noon on Tuesday he believed he was the exclusive negotiator Reynolds, he said, had been prepared to make an outright takeover of Rothmans International.

He had held several meetings with Dr Rupert in South Africa and Europe and there was agreement that neither side would negotiate with anyone else while talks were continuing

Mr Sticht added that his lawyers had advised him that the form of the transaction proposed by Philip Morris and Rothmans might encounter difficulties with the West German and Common Market Anti-Trust (Monopoly) Laws

Philip Morris will buy about 50 percent of Rembrandt's holdings in Rothmans Tobacco Holdings, London, which has a 44 percent stake in Rothmans International

Philip Morris will buy half of the holding of Rothmans convertible senior and junior bonds held by a European affiliate of Rembrandt There are 141-million pounds of the bonds in issue

It is believed that the affiliate, not named by Rembrandt, is Rupert SA, which owns all of the 67-million pounds junior bonds and less than half of the 74-million pounds of senior bonds. If Philip Morris chose to convert the bonds into shares it could end up with about a third of the votes in Rothmans.

Takeover panel of LSE to check deal by Rupert

(148)

Star 28/4/88

From The Times

LONDON — The London Stock Exchange takeover panel has confirmed that it is to look into the deal announced last week between Rothmans International and the American tobacco group Philip Morris.

It is understood that the panel wants more details than were contained in the brief statement on the deal issued by Rothmans last Wednesday

This said that Morris was buying a 22 percent stake in Rothmans from its parent company Rembrandt, headed by Dr Anton Rupert

The announcement came hours after the world's biggest tobacco company, R J Reynolds, said that month-long talks on some form of co-operation with Rothmans had ended.

COLIN CAMPBELL, writes from London that there is considerable speculation that two recent bids of interest to South Africa — Standard Chartered's bid for Royal Bank of Scotland and Philip Morris's deal with Rothmans Tobacco — have a long way to go before they are finalised

On the Royal Bank of Scotland front, the Hong Kong and Shanghai Bank is expected to come back with an even higher bid, thereby upsetting Standard's latest revised offer

On the Philip Morris-Rothmans front, the market has noticed how firm Rothmans shares have been, and there is talk that Morris will eventually go for all of Rothmans

Under last week's agreement, Philip Morris bought half of Rothmans Tobacco Holdings, and thereby acquired a 22 percent stake in Rothmans International. Because Rothmans Tobacco Holdings owns convertible stock in Rothmans International, Morris could end up with nearly 30 percent of the company

The shock waves of last week's event — Dr Rupert called off talks with R J Reynolds and then within hours announced an agreement with Philip Morris — are still being felt The latest suggestion is that the directors of Rothmans International, let alone shareholders, were not informed of the Rothmans Tobacco Holdings deal until after the event

MIGHTY GROUP

Market whispers abound that Philip Morris could make a full scale bid before too long at around 120 pence a share It acquired last week's stake at 170 pence a share.

If a full bid does emerge, then others are likely to try their hand, including Canadian Club, part of the mighty Seagram Group.

61

2. M.G. Smith: The Plural Society within Cultural Anthropology

M G Smith (1956, 1969a, 1969b, 1969c) has attempted to loosen Furnivall's conception of a plural society from its colonial (and "tropical") context and to make it more universal in application Smith's approach, moreover, defines a plural society, ultimately, in terms of cultural differences rather than in terms of the economic forces which formed the Furnivallian plural society

In the tradition of Malinowski, Fortes, and Radcliffe-Brown, Smith defines social structure as "the complex network of social relations", and then argues that "social institutions constitute the machinery by which a social structure maintains its existence and its continuity" (1969c 437) He then introduces the notion of a corporate unit Such groups, charac- ... status", ... include ... he pro- ... contain ... nces, in ... These ... nd cer- ... different ... plural- ... tutional ... charac- ...

Tobacco group deal causes international row

By Colin Campbell, Financial Correspondent

LONDON — Dr Anton Rupert is now centre stage of an international financial row after his abortive talks with US tobacco group R J Reynolds and his subsequent agreement with their arch-rival Philip Morris.

The way in which Dr Rupert clinched the deal and its ramifications, are being studied in various financial centres, including New York, London and in Europe

TELEXES

R J Reynolds, believed it was holding 'exclusive' talks with Dr Rupert and has released telexes exchanged between its own chairman, Mr Paul Sticht, and Dr Rupert in an attempt to show how it played its hand during the talks

It has been confirmed that Mr Sticht had several meetings with Dr Rupert in South Africa and in Europe, and it is alleged that there was agreement that neither side would negotiate with anyone else while the talks were going on

Dr Rupert was quoted in London as saying he broke a verbal agreement to negotiate exclusively with Reynolds because he was approached by four other parties after the announcement about the exploratory talks.

Dr Rupert says his lawyers advised him he had a legal obligation to consider any firm offers made

R J Reynolds clearly feels it was treated shabbily

Rembrandt, from its Stellenbosch base, has always played down its connection with Rothmans International quoted on the London Stock Exchange but the manner in which Dr Rupert agreed with Philip Morris to sell off just over a fifth of Rothmans International has confirmed just who pulls the strings.

A source close to Rothmans International suggests the board has cause to feel slighted. The source alleges the directors of Rothmans were not informed that they in effect had a new major shareholder until the agreement with Philip Morris was tied up.

COMPLICATED

City analysts say the way Dr Rupert agreed the sale of a parcel of RI shares confirms their long held feeling that the Rembrandt-Rothmans groups are at the dictate of virtually one shareholder.

The complicated voting rights which run through the Rothmans International group have been another factor which has kept the share price on the low side on the London stock market

The Philip Morris deal has also attracted the attention of the takeover panel

(48)

Sun 30/4/81

3.

1971b, 1972) is a sociologist who for many years has been interested in pluralism and plural societies, with chief attention devoted to South Africa Kuper incorporates Smith's model into his own work to the extent that he accepts that a plural society is characterized by differential incorporation Race lines of cleavage, therefore, coincide with lines of cleavage in the political power sector Kuper writes:-

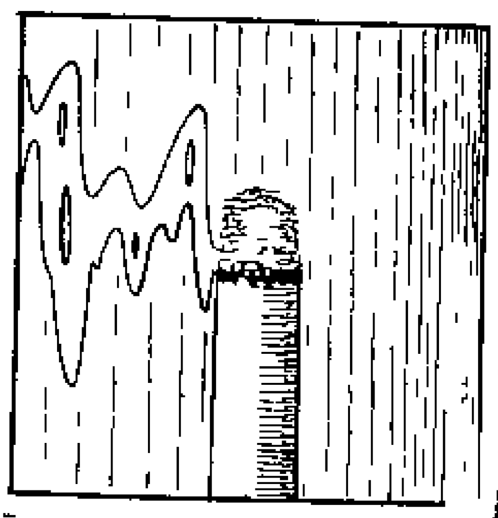
> Theories of the plural society or of pluralism stress the cleavages, or discontinuities between sectors differentiated by race, ethnicity, religion or culture These bases of differentiation are not conceived to be primordial they are socially structured in the process of interaction Racial difference has no intrinsic social significance It comes to have social significance only as it is elaborated in systems of differential incorporation economic stratification and racial segregation Since the theory of plural societies is derived from the analysis of sharp and persisting cleavage it tends to stress the enduring nature of plural divisions and the high probability of violence in the process of political change (1971b 595)

Both Marxist and Durkheimian (normative functionalist) theories of order and change derive initially from Western industrial societies As a result, Kuper urges, they cannot be fruitfully applied to plural societies This becomes clear when the mode of differential incorporation and the differing ideologies developing in these societies are analyzed On the basis of such analyses, Kuper attempts to theorize about the possible directions of change in plural societies

Thus basic, persisting lines of cleavage in plural societies are racial ... of ... on ... cy, ... nd ... to ... act ... not ... ral ... ral ... as ... le, ... p, ... tly ... he ... lly ... ral ... ers ... e ... s ... at ... he ... e ... re ... ng ... ral

CIGARETTE INDUSTRY 198 FM 8/5/81

Global demand soars



The alacrity with which the US tobacco giant Philip Morris jumped into the Rothmans International bed with SA's Rembrandt group gave the lie to notions that the cigarette industry had gone ex growth under pressure from health lobbies around the world. No group as managerially dynamic as Philip Morris (nor as highly geared — with a debt equity ratio of 1:1) cheerfully lays out $350m at an annual opportunity cost, on current US interest rates, of around $60m or 10% of last year's net earnings, without a very good reason.

It is one which also explains the angry howls produced by the rejected R J Reynolds, arch-rival to Philip Morris, which wanted the whole of Rothmans International. And why Rembrandt's Anton Rupert did not want to deal out of the business altogether.

The truth is that while the shape of the world market may be changing, there is still a lot of real growth and profits to be made by the Big Five multinational groups which dominate it: Bat Industries (formerly British-American Tobacco), Philip Morris, Reynolds, Rothmans and American brands. Consumption of cigarettes in the industrialised western countries is slowing down — and in Britain's case even falling by 2,5% last year — as health campaigns, high excise duties and low population growth rates make their impact. But it is a different proposition indeed in the developing world.

CONSUMPTION FORECASTS

1980/1984 ANNUAL GROWTH

	Billions		% per annum
World	4 350	4 800	2 0
Developed nations	1 845	1 960	1 2
Communist block	1 530	1 660	1 6
Developing nations	975	1 180	3 9
United States	615	630	0 5
EEC (excl Greece)	488	487	—
World exports	325	460	7 2

A London study (by stockbroker De Zoete and Bevan) shows that each year since 1964 global demand has risen by some 110 billion cigarettes — equivalent to a market the size of Britain, the world's sixth biggest.

Rising living standards and fast growing populations have seen a rapid increase in consumption rates in the less developed countries. They still only account for half the offtake of the mature Western industrial markets but over the past decade they have started to catch up quickly. For example, the big Brazilian market has risen by a compound 6,8% a year while Venezuela has gained by 6,9% and Indonesia by 6,1%.

Even then, the relative rates of consumption per capita show there is still room for more: against the rough average of 10 cigarettes smoked every day by people over the age of 15 in the US, Canada and Japan, the equivalent figure for Indonesians is 3, Mexicans 4, Brazilians fewer than 6 and Malaysians just on 6.

Among the mature economies Britain stands alone, showing the average post 15-year-old's "fag" consumption dropping by 4% to just under 8 a day in 10 years. Even this is distorted by a swing to the cheaper "roll your own" cigarettes. With average annual increases ranging from 4% in Japan to 1,8% in France during the Seventies, the behaviour of the human race (even in countries where health propaganda is most powerful) seems to bear out the remark by Philip Morris chairman, George Weissman, that "You are dealing with a deepgrained anthropological habit."

Forecasts show (see table) that demand in the poorer countries is expected to run at more than treble the rate of the developing nations over the next five years. Changing patterns of consumption will, however, allow opportunities for the multi-nationals even inside the EEC: there is the rising popularity of "blonde" cigarettes in the traditionally dark tobacco markets such as France which has forced the state monopolies — from as disparate a group as Italy, France, Austria, Portugal and Japan — to band together to produce a "champagne" brand to compete with those on offer from the five majors. And another opportunity will come for these exporters when Spain and Portugal together consuming 72 billion cigarettes a year, find they have to open up their state-monopolised tobacco markets under EEC requirements. Both are due to join the Common Market during the next four years, and Greece (22 billion cigarettes a year) which became a member on January 1, will be increasingly subject to marketing efforts by the British and American groups.

THE BIG PRODUCERS

	Billions
Bat	580
Philip Morris	425
Japan (State)	300
Reynolds	280
Rothmans	180
American Brands	110
France (State)	72
Italy (State)	70
Imperial Tobacco	70
Total	2 087

Percentage of non-Communist consumption 74%

Source: Tobacco 1981 — De Zoete and Bevan stockbrokers London

Other "hidden" markets will emerge as and when Third World living standards improve further in countries such as India, where the hand-rolled "bidi," made from homegrown tobacco, is the most dominant, and Indonesia where its version, the "kretek," accounts for 49% of demand for the 70 billion consumed there.

This background does not, however, totally explain why Philip Morris was prepared to do a deal with Rupert on his terms and accept a minority role with no immediate prospects of rationalising operations and cutting costs. And, as yet, it is not known how much of the $350m to be paid to Rembrandt will be to pay for the rights to trademarks of Rothmans — such as Rothmans Kingsize, Dunhill, Peter Stuyvesant and the others. London analysts think the brandname part of the deal may be as little as $45m (compared with the nearly four times that amount paid by Bat for the US Lorillard names).

That leaves Philip Morris facing a return of some 5,6% on its alleged portfolio investment in Rothmans unless that company liberalises its dividend policy.

Wall Street and Throgmorton Street analysts continue to believe the deal was mainly motivated by a defensive act to stop Reynolds. According to Jeffrey Weingarten of Goldman Sachs, New York, the positive aspects of the new partnership are confined to Philip Morris's battle with Bat in Latin America. Bat, with an unshaken 83% of the Brazilian market, 62% in Argentina and 42% in Venezuela, has so far beaten off attempts (even by Rothmans) by newcomers to break into its preserves. Invaders have usually been defeated by the combination of low start-up volumes and high distribution costs. But, according to Weingarten, Philip Morris will find the Rothmans brand names useful in trying to establish its position in Latin America.

EUROPEAN ECONOMIC COMMUNITY

Market shares (excluding Greece)

	1979 %	1973 %
State monopolies (France and Greece)	26 3	26 1
Imperial Tobacco (mainly UK)	14 2	19 4
Rothmans	15	14 4
Bat	12 0	11 3
Philip Morris	10 2	5 2
Reemtsma (Netherlands)	9 3	10 5
American brands	7 9	8 4
Reynolds	3 1	2 0
Others	1 9	2 6

And for the present, Weingarten sees "no significant combinations," of Rothmans and Philip Morris, which will provide short-term benefits for either company. London analysts tend to concur. They cannot see Philip Morris, for all its aggressive reputation, imposing its will on Rembrandt although there may be a spin off for both companies from the synergic impact of more brands being offered by a single sales force — at least in the Third World where anti-cartel rules are less of a hinderance than in the US and Europe.

Philip Morris and Rembrandt have both said that no further transactions are contemplated for the moment. It is a statement accepted at face value in London: both groups have enough hurdles to clear between American, European and Canadian regulatory authorities before the announced deal can be clinched. That still does not invalidate the belief that in the longer term, even if that is five to 10 years away, Philip Morris will finally end up by bidding for the whole of Rothmans.

14/5/81 Star 198 (2237)

Rothmans chairman defends Rupert

From the Financial Times

LONDON—Sir David Nicholson, chairman of Rothmans International, has poured oil on the waters stirred up by Dr Anton Rupert's sale of a large stake in the company to the US tobacco giant Philip Morris

Under the terms of the deal Philip Morris is buying half the 44 percent stake in Rothmans held by Dr Rupert's Rembrandt group, which controls half the votes, for 35-million US dollars.

Following reports that the Rothmans board was chafing at the lack of consultation on the deal, Sir David said yesterday that he and his colleagues had met Dr Rupert on Monday and Tuesday of this week

These consultations, he said, had convinced Rothmans that the deal would be in the full interests of shareholders and workers

Sir David added: "Knowing Dr Rupert as I do, his assurances counted for a lot"

The Rothmans International board was satisfied that Dr Rupert had not been able to consult the directors directly because he had been dealyed by the funeral of his long-time friend and right-hand man.

Rothmans is not expecting any further inquiry from the other major US tobacco group, R J Reynolds, which had approached Rothmans initially and had been expected to mount a bull bid

Sir David maintained that there would be no changes in the management of Rothmans and expected that the 50-50 share split between Rembrandt and Philip Morris would continue as part of Dr Rupert's disposal agreement

Rothmans has apparently consulted the City's takeover panel and Sir David seemed confident that as long as the equal status between Rembrandt and US interests was maintained the authorities would not be recommended to take further action

SALDRU/SAMST

CONFERENCE ON THE ECONOMICS OF HEALTH CARE IN SOUTHERN AFRICA

SEPTEMBER 1978

BLACK OCTOBER : CAPE TOWN AND THE SPANISH INFLUENZA EPIDEMIC OF 1918.

by

HOWARD PHILLIPS

Paper No. 36

SALDRU

Mondi buys Jessievale

Financial Reporter

HUNT Leuchars & Hepburn has sold Jessievale Saw Mills, the softwood operation, to Mondi Paper

Mr Neil Morris, chief executive of HLH's timber division, said "Jessievale has just had a very successful year, but in view of the emphasis we are giving to mining timber it has become peripheral to the main stream of our business

"We believe that it will be much more compatible with the Mondi operation where it can enjoy the benefits of size and specialisation " between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50% then the increase in the expectation of life will be 50% of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the Circulatory System, in men, the Coloured community stand to gain most from measures directed at the control of any of the selected diseases included in Fig. 6. Of particular importance are the Infectious and Parasitic Diseases, diseases which are frequently ammenable to the implemtation of relatively simple methods of prevention.

REFERENCES

1. Department of Statistics (1976). Notice No. 1444. Government Gazette No. 5255, 20th August 1976.

2. Department of Statistics (1977). Report on Deaths 1974. Report 07-03-10. Government Printer, Pretoria.

3. Department of Statistics (1976). Report on Bantu Deaths in Selected Magesterial Districts 1974. Report 07-03-08 Government Printer, Pretoria.

4. Department of Statistics (1976) South African Statistics 1976. Government Printer, Pretoria.

5. Department of Statistics (1974) Report on Bantu Deaths in Selected Magesterial Districts 1968 to 1971. Report 07-03-04. Government Printer, Pretoria

6. South Africa. Act 58 of 1970.

7. Department of Bantu Administration and Development. Report of the Department 1974/5. Report RP 114/1975. Government Printer, Pretoria.

8. Chiang, C.L. Biostatistics

9. City of Cape of Health 197

10. Department of Marital Stat Region. Rep

11. Martins, J.H. University of South Africa, Bureau of Market Research. Research Report No. 46, Pretoria.

12. Knutzen, V.K., Bourne, D E. (1977). The Reproductive Efficiency of the Xhosa. S.A. Med J. 51, 392-394.

13. Department of Statistics (1971). Statistical Classification of Diseases, Injuries and Causes of Death. Manual 07-03-00. p.v. Government Printer, Pretoria.

14. Department of Health (1978). A Guide to the Health Act, No. 63 of 1977. p 17. Department of Health Pretoria.

RAND DAILY MAIL 13/6/81

(148)

Rembrandt spreads interests

THE reported acquisition this week of a further five percent of Federale Mynbou by Rembrandt — bringing its stake to 30 percent — highlights the group's diversification out of tobacco.

The group has also bought 10,8-million shares in Metkor, valued at about R10-million from Iscor.

In addition, it holds 20 percent of Volkskas, valued at about R36-million, 20 percent of Legal and General Volkskas, 50 percent of Henkel and 70 percent of Total Oil

S. Tribune 13/9/81

ROW FLARES OVER TOBACCO IMPORT DUTY

198

Finance Correspondent

A RUNNING dispute between South Africa's cigarette manufacturers and tobacco farmers is coming to a head following the application by the Tobacco Board for a massive hike in the import duty on raw tobacco.

According to the Government Gazette, the board is asking for the duty to be pushed up from the present 77 cents a kilo to a whopping 200 cents.

Lucas Heinen, the board's general manager, says cigarette manufacturers have been importing flue-cured tobacco in the past few years, despite local production surpluses.

This surplus amounted to 7,5-million kg in the 1979/80 season and an estimated 2,75-million kg in 1980/81 out of a total production of 35-million kg.

"It has put producers in a bit of a predicament," says Heinen.

The industry sees things differently.

A spokesman for United Tobacco Co argues: "Local tobacco farmers are used to being spoilt and being protected. We imported because of deficiencies in the quality of local tobacco."

executive is more cagey

A Rembrandt but concedes: "We will definitely use the opportunity to state our case."

Higher duties could see the end of another important commercial link between this country and Zimbabwe, until now our biggest foreign tobacco supplier.

Zimbabwe accounted for some 1-million kg of the 6,5-million kg of raw tobacco imported last year. Almost all of it came in duty free in terms of the 1964 Preferential Trade Agreement.

But the agreement has been revoked by Pretoria and will come to Brazil or Malawi," What's more, the price of Zimbabwean tobacco has risen sharply this year from 79 cents a kg to around 190 cents

"We would rather go to Brazil or Malawi," notes one importer.

Malawi and Brazil already supply substantial amounts. Smaller shipments of oriental tobacco are imported from Greece and Turkey.

Heinen denies the application is linked to the strains in ties between South Africa and Zimbabwe.

The loss of the SA market would not be a crippling blow to Zimbabwean producers as we account for only a tiny proportion of their total production.

There is a chance that the customs tariff applied for will be reduced, says Heinen.

With Zimbabwean prices so high a duty of less than 200 cents would be sufficient to discourage imports.

The application was based on last year's figures and Heinen predicts that the board will cut its target figure by "50 to 60 cents"

The cigarette manufacturers are unlikely to be mollified, however. They apparently want to be free to buy their raw material from the producers offering best value for money.

Gypsum pin hopes on mass housing to offset downturn

RDM 2/10/81 (198)

By DAVID CARTE

GYPSUM Industries is hopeful that the mass housing drive will offset reduced building in the private sector but earnings growth is likely to slow, says the chairman, Mr H B Pearson, in his annual report.

Boosted by a booming building industry that uses its ceiling and partitition boards extensively, in 1980 Gypsum lifted earnings 120% and in 1981, 63%.

Mr Pearson says. "The strict monetary restraints now being applied and the high rate of interest on mortgage bonds will lead to a reduction in building in the private sector

"However, the construction of houses under state assisted schemes, particularly for black, coloured and Asian people, should continue and your company is maintaining a satisfactory share of this market for its products.

"Nevertheless, it seems unlikely that the growth in profits (this year) will match the rate achieved in the previous two years"

Mr Pearson says Gypsum was able to absorb fast rising costs until July 1 this year, when the Price Controller granted the company a 12% price increase.

Gypsum exercised options on gypsum deposits during the year and "now owns tens of millions of tons of high quality gypsum material", says Mr Pearson.

The accounts reveal a strong balance sheet, despite R3 300 000 of capital expenditure last year, with debt only 28% of equity and the interest bill covered 27 times

For the second year, Gypsum has prepared an inflation-adjusted income statement. This shows taxed profit of 1 946 000, compared to unadjusted earnings of R3 631 000

Dividend cover before inflation adjustment was 3,2 and after adjustment a still-respectable 1,9.

In an interview, the managing director, Dr Rudolph Fockema said all companies should practice inflation accounting, as some could be paying dividends out of capital without realising it.

He told me the development by Gypsum of a water-resistant exterior cladding was important for the company as it meant timber and metal framed houses could be built virtually entirely of the company's products at a cost advantage over conventional building methods.

One large building company had already built several "Gypsum" houses

Dr Fockema said he expected this kind of house to take time to gain acceptance as most builders were used to wet building and the skills of erection were largely those of a carpenter, rather than a bricklayer

Another important recent move, he said, was the acqusition of Donn Products, which makes metal grids for partitioning and ceilings.

Dr Fockema said Gypsum would reduce its dependence on building in the long term but could not say in which direction it might diversify The company's immediate priority was to make the most of existing opportunities

He said the building industry took 90% of Gypsum's sales. Gypsum completely dominated its own market but experienced competition from asbestos and Masonite ceiling boards and from pressed board partitioning

Asked how Gypsum received a price increase from the Price Controller after attaining a 34% return on capital, he said the Price Controller's formula allowed for the effect of inflation on profits.

Dr Fockema said Gypsum was not always as low geared as at present but for the meantime was happy to be liquid in an era of rising interest rates

Asked about Gypsum's vulnerability to competition in its own field, he said his company had all the best gypsum deposits In addition, a single greenfields factory would cost R25-million. Gypsum had two such factories and the market would not support a third. He said the existing factories were not working at capacity

Asked, he said the Zimbabwean interests meant very little to the group

"If they contribute, well and good, that's jam. If not, it doesn't afect us."

Dr Fockema said Gypsum had not felt diminished demand but demand was starting to flatten out.

COMMENT: At 155c, the share yields 9% and stands on a PE of only 3,5 The price is 16,5% premium on net assets of 133c.

Price control is a detraction, although the formula appears generous

Attractions are the sound earnings and dividend record and the bright long term future for building.

Another is the fact that any successful medium-sized company these days attracts predators. BPB Industries of the UK is the biggest holder with 49,9% of the equity. Blue Circle has 28% and, who knows, may one day like to increase it before someone else makes a grab?

UK holders have generally been amenable to bids at the right price.

Star 15/10/81

Workers refuse to join union and lose jobs

Labour Reporter

Twenty-six workers at the United Tobacco Company in Industria, Johannesburg, lost their jobs today for refusing to join a union

Because of a closed shop agreement in the tobacco industry, workers are required to belong to a trade union and, in the case of UTC, this is the Tucsa-affiliated African Tobacco Workers Union.

A company spokesman said today that 22 workers were considered to have "dismissed themselves" for not joining the union, one worker was of pensionable age and allowed to collect his pension and two had not yet turned up to collect their pay.

Only one of the 27 workers who faced dismissal relented and joined the union yesterday

The workers had told The Star they did not want to belong to the union because they had never met its officials and felt it had no effect at UTC

At the Huletts Aluminium plant in Maritzburg a strike by about 800 workers continued early today while management held talks with the Fosatu-affiliated Metal and Allied Workers Union

Work was only going on in a few areas of the plant, a Huletts spokesman said Workers have demanded the reinstatement of 130 workers who resigned on Monday in order to receive their pension contributions

At the Motorvia Components firm in Uitenhage, about 100 drivers were still out on strike over issues of wages and recognition of the Fosatu-affiliated Transport and General Workers Union

The union was holding a report back to workers today on yesterday's talks with management

The workforce at Natal Tanning in Melmoth was reported to be returning to work following a wage dispute by 800 workers this week

A spokesman for the Motor Assembly and Components Workers' Union in Port Elizabeth said today they had no reports of any further Security Police detentions of members since yesterday's dawn arrest of about 18 workers, including a union organiser Mr Themba Duze

27 risk jobs in row over union

RDM 15/10/81 (118)

By STEVEN FRIEDMAN

TWENTY-SEVEN black workers at the United Tobacco Company's Johannesburg plant risk losing their jobs because they refuse to join a Tucsa-affiliated black union, a company statement said yesterday

The African Tobacco Workers Union (ATWU) has a "closed shop" agreement throughout the tobacco industry which stipulates that black workers must join it or lose their jobs

The company's announcement is likely to focus new attention on the Government's recently-announced decision to retain the closed shop

The statement, by chairman Mr Enrique Rankin, said the United Tobacco Company (UTC) had tried to win an exemption from the closed shop for the workers but had failed

They must now decide by today whether they will join the union — or lose their jobs

UTC's disclosure is the latest development in a growing row over the closed shop

Emerging black unions claim registered unions are using the system to force workers to join against their wills

They say the established unions simply extend their existing closed shop agreements to black workers, instead of attempting to recruit these workers

A spokesman for UTC said yesterday the workers were refusing to join ATWU for several reasons Among them were their claims that they did not know who its shop stewards were or how it operated, and that the dues were too high

Exemption

A spokesman for the ATWU yesterday refused to comment on UTC's statement

In the statement, Mr Rankin said "This situation results from a closed shop principle stipulated in the current industrial council agreement for the tobacco industry, whereby union membership is a condition of employment"

UTC had applied for exemption from the closed shop on behalf of those workers who refused to join but this was "turned down by the industrial council in terms of the current binding agreement for the industry"

Mr Rankin said that, although only a small percentage of the workforce was involved, "we regret any unnecessary loss of trained manpower"

It was reported from Witbank meanwhile that black workers at South African Federated Timbers downed tools in a demand for higher wages

This is the second strike in two weeks in the area Last week workers at the Highveld Bus Company refused to work until a black supervisor was removed from the company

C7 16/10/81

198

26 workers fired for not joining union

Own Correspondent

JOHANNESBURG — Twenty-six workers at the United Tobacco Company's Industria plant yesterday lost their jobs because they continued their refusal to join the Tucsa-affiliated African Tobacco Workers' Union, a company spokesman said

But he denied worker claims that 42 workers had been fired because they refused to join the union, which they have to do in terms of a closed shop agreement negotiated between it and employers

This follows the disclosure on Wednesday that 27 UTC workers had been given till today to decide to join the ATWU or face losing their jobs because of the closed shop clause which makes it compulsory for black workers to join the ATWU

It comes at a time of growing fears about possible labour unrest as a result of the closed shop

A brief strike occurred last week at a major engineering plant because workers refused to join a "closed shop" union, Tucsa's Ironmoulders Society Unrest is also threatened in several other industries on the issue

550 workers

All UTC's 550 workers at the Industria plant were compelled to join the ATWU because of a "closed shop" agreement negotiated between the union and employers at the industry's industrial council

Closed shop agreements lay down compulsory union membership

A spokesman for UTC said yesterday that, of the 27 who had refused to join the ATWU and had been given till today to change their minds, only one had decided to join the union

One other worker who refused to join was of pensionable age and had been pensioned off The other 25 had continued to refuse to join the union and UTC had been forced to fire them

By late yesterday, however, three of the 25 had not yet collected their pay, which management had requested them to do

Reasons

The workers say they refuse to join the union because they do not know how it operates, do not know who its shop stewards are, and are unhappy about the "high" dues they would have to pay

The union's general secretary, Miss Christine du Preez, claims these reasons are "rubbish" and that the workers are refusing to join the union because they want to leave the industry and collect their pension contributions

Asked to comment on suggestions that many other workers, besides the 27, were reluctant to join the union, the spokesman for UTC said that, after management had explained to workers the consequences of not joining, they had joined the union "in dribs and drabs"

This, he said, could indicate wider dissatisfaction with joining it

He confirmed that UTC had been among the employers who had originally negotiated the closed shop with the ATWU, adding "That was a long time ago"

Star 16/10/81. (198) ~~(151)~~ ~~(135)~~

Workers' claims 'rubbish'

The general secretary of the Tucsa-affiliated African Tobacco Workers' Union, Miss Christine du Preez, has dismissed as "rubbish" workers' claims that they were forced to join her union without consultation and without having seen its officials

A total of 26 workers were dismissed from the United Tobacco Company in Industria this week after refusing to join the ATWU which is party to the tobacco industry's [illegible]

Miss du Preez said the union had been trying to organise the workers "for years," and that its officials and shop stewards were well known to them

She described the workers as "free riders" who although unwilling to join the union, had benefitted from the industrial agreement it had helped to negotiate

Stressing that the ATWU had re-negotiated the closed-shop agreement after its admission to the industrial council this year, she said considerable tension had developed between union and non-union workers at the plant

MANUFACTURING – TOBACCO

1982 – 1987

(198) Star 16/2/82

Bonn ban on Rothmans-Philip Morris merger

Own Correspondent

BONN — The planned global merger of South Africa's Rothmans with America's Philip Morris will be prohibited in West Germany where the fusion would have given birth to a giant controlling almost one-third of the booming cigarette market.

The Federal Cartel Office has said that at the end of this month it will formally prohibit the application of the merger to West Germany.

The Cartel Office is involved in talks with Rothmans and Philip Morris to work out an agreement on the best way to maintain an "as is" situation while the two companies appeal against the prohibition.

The appeal, which probably will go through two courts, could take years.

The Cartel Office wants to ensure that during those years, Rothmans and Philip Morris do nothing to prejudice the eventual outcome of the appeal.

Rothmans owns the Bremen Cigarette Company, Martin Brinkmann, whose Lord cigarette has captured 9,9 percent of the German market. Its Lux has 3,9 percent.

Philip Morris's Marlboro is Germany's fastest-growing brand, with 14,1 percent of the market last year.

Together with their lesser brands, this means that if Rothmans' Brinkmann and Philip Morris were allowed to merge in West Germany, they would control 31 percent of the market.

As the German-owned Reemtsma controls 31 percent of the market, two companies would monopolise about two-thirds of the market.

, from 50 others to take part in the finals of the Mod-
.. Harding Denae Wright and Millicent Mseleku

Picture DANIE COETZER

further notice

Last night's departure for Bulawayo was still to be 6pm, but there would be a 3½ to 4-hour wait in Bulawayo Return journeys from Johannesburg would also be delayed — Sapa

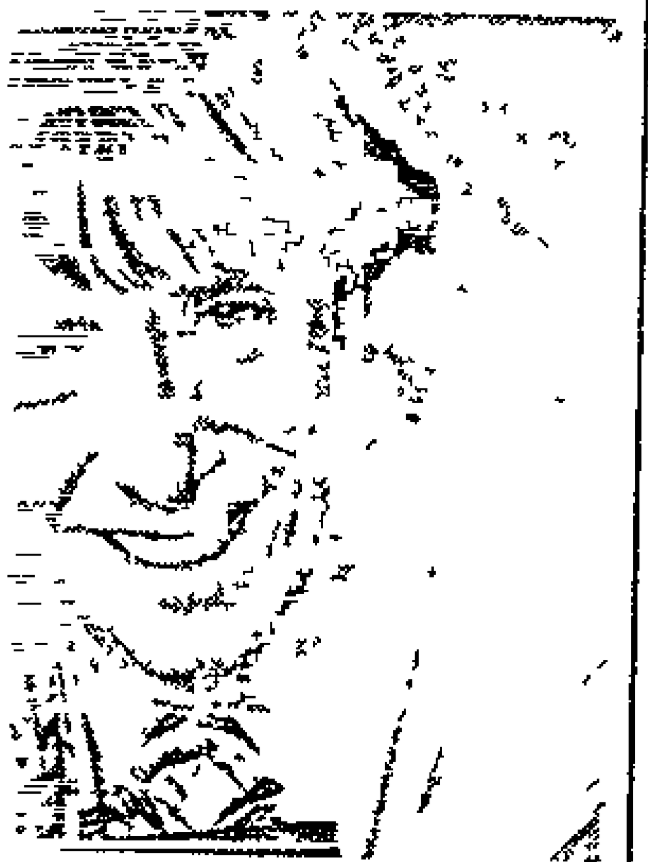
...out of ...k Bok

27/3/82

...ment did not deal with the ... "too administrative"
...re this week Mr Johan "JC" ... Siwisa should be given a ... to the full' before going States

...is a Rightwing element at the ... will therefore be better for him ... whites are not around'
...members of two Railways vol... did not want to hear of Siwisa ... the ... Daily Mail reporter ... out of the centre saying ... the kaffir here — he must get

...outside mother of the youngest SA team said ... fair to think that my 13-year ... could practise regularly, as ..., yet Archie — part of the ... could not choose when to



... Mr Wilfred Venter: We ... to.

Picture ROBERT TSHABALALA

...n errors ...Mr O ...bia-to-be

221

RDM 27/3/82

...ld be able to learn from ... made in other de...loping and independent ...ries in Africa

"It is only foolish people ... learn from their exper... If people are wise ... learn from other peo... experience," he said

Namibia would be the last Africa's countries to gain ...pendence

CDM's policy had been to ... more and more of the ... of the diamond indus... to the territory from ... Africa, Mr Oppenhei... said

...DM was also financing ... first state-run multira... secondary school and ... so far given R5-million to ... project

Woman drunk before death

DURBAN — A 59 year-old woman was naked and 'horribly drunk' some hours before her husband allegedly stabbed her to death the Durban Regional Court heard yesterday

Mr Carl Pieter Gildenhuys 62 has pleaded not guilty before Mr H A Stevn to a charge of culpable homicide arising from the death of Mrs Elizabeth Gildenhuys on January 12

The court was told Mr Gildenhuys' defence was that he was too drunk to know what happened

Mrs Valerie Rae supervisor of Arlington flats where the couple lived, said she had known the couple since September last year, and had often visited their flat

She went to the flat about 9am on January 12 Mr Gildenhuys was in underpants Mrs Gildenhuys was sitting naked in the flat and was "horribly drunk"

Mr Gildenhuys did not appear to be as drunk as his wife He said they had been paid their pensions the day before Both were heavy drinkers, Mrs Rae said

About 1 30pm, Mr Gildenhuys came to her office and asked her to phone an ambulance. He told her he had stabbed his wife

Mrs Rae did not really believe him and they went to the flat She found Mrs Gildenhuys lying on the balcony She was naked except for a nightdress over her shoulders

Mr Gildenhuys showed Mrs Rae a knife and said there had been an argument.

Mrs Rae said he seemed normal and more sober than earlier

She had noticed no ill-feeling, the couple seemed to have a normal, happy relationship

The State pathologist who carried out the post mortem, Dr B J van Straaten, told the court he found two stab wounds, one of which had penetrated Mrs Gildenhuys' left lung

Mr Gildenhuys told the court he and his wife drank heavily the previous evening When they woke on the morning of January 12, they began drinking again

He said he remembered there was an argument, but had no recollection of stabbing his wife

The case is continuing — Sapa

Rembrandt refuses request by union

RDM 27/3/82

198

By STEVEN FRIEDMAN
Labour Reporter

DR ANTON Rupert's Rembrandt Group this week rejected a request by a union that the group intervene in a dispute at Henkel which faces a world-wide consumer boycott from today

In a telex message to Fosatu's Chemical Workers Industrial Union Dr Rupert's personal assistant, Mr J H Groeneveld, said Rembrandt was not involved in the management of Henkel

The CWIU had called on senior Rembrandt officials to attend talks between it and Henkel on Wednesday because the group had a stake in Henkel

The talks, over the reinstatement of workers fired after a strike at Henkel's Durban plant, ended in deadlock and the union is to call a boycott of the company's products

The 6 000 000-member International Chemical and Energy Workers' Federation has pledged support for the boycott

Mr Groeneveld yesterday released an extract from a telex message to the CWIU responding to its request for senior Rembrandt men to intervene

"I wish to advise that Henkel is not a subsidiary of Rembrandt, which has only an investment interest in Henkel Rembrandt has no representative on the board of Henkel and does not participate in management of Henkel"

Earlier this week the union said it would implement its boycott unless worker demands were met by today

Arrest warrant out for SAR sergeant

By MIKE LOUW

A WARRANT for the arrest of a South African Railways policeman was issued by a Johannesburg Regional Court magistrate yesterday

Detective-Sergeant Daniel Gabela, 23, failed to appear before Mr A H Barlow on charges of theft of a vehicle, forgery and driving without a licence

He had pleaded not guilty to all charges at a previous hearing

The State alleges that he stole a van, forged it's Third Party disc and drove it without having a driver's licence

The offences were alleged to have been committed between September and October last year Sergeant Gabela had earlier been allowed R500 bail

Rembrandt faces threat of boycott

RDM 14/4/82 198

Labour Reporter

THE Federation of SA Trade Unions says it will call an international boycott of Dr Anton Rupert's Rembrandt Group if the dispute between its Chemical Workers Industrial Union and chemical company Henkel is not "resolved speedily"

This decision was taken at Fosatu's weekend congress at Hammanskraal

The CWIU has already launched a consumer boycott against Henkel after it fired more than 200 workers who struck over pay and other demands at its Durban plant Some of the workers have since been re-employed, but the rest have rejected a company offer to give them job priority only when vacancies arise

In another development yesterday, officials of the German union federation, the DGB, saw Henkel management in Durban The DGB officials are in South Africa on a fact-finding mission and have threatened action against Henkel's German parent company

In a statement released yesterday, Fosatu said it was considering extending the boycott to Rembrandt "both locally and internationally" because it owned 50% of Henkel An international boycott of Rembrandt had also been discussed among overseas unions

However, Rembrandt has said that, although it has an "investment interest" in Henkel it is not involved in the company's management and has no seat on its board It therefore insists that it is not involved in the dispute

Fosatu said that the entire national organisation had given support to the boycott

It accuses Henkel of "provoking a strike to smash the union in the plant" Henkel has accused the union of refusing to compromise on its demands and of not "genuinely" seeking a solution to the dispute.

RDM 14/4/83 198

Rembrandt faces threat of boycott

Labour Reporter

THE Federation of SA Trade Unions says it will call an international boycott of Dr Anton Rupert's Rembrandt Group if the dispute between its Chemical Workers Industrial Union and chemical company Henkel is not "resolved speedily".

This decision was taken at Fosatu's weekend congress at Hammanskraal.

The CWIU has already launched a consumer boycott against Henkel after it fired more than 200 workers who struck over pay and other demands at its Durban plant. Some of the workers have since been re-employed, but the rest have rejected a company offer to give them job priority only when vacancies arise.

In another development yesterday, officials of the German union federation, the DGB, saw Henkel management in Durban. The DGB officials are in South Africa on a fact-finding mission and have threatened action against Henkel's German parent company.

In a statement released yesterday, Fosatu said it was considering extending the boycott to Rembrandt "both locally and internationally" because it owned 50% of Henkel. An international boycott of Rembrandt had also been discussed among overseas unions.

However, Rembrandt has said that, although it has an "investment interest" in Henkel it is not involved in the company's management and has no seat on its board. It therefore insists that it is not involved in the dispute.

Fosatu said that the international organisation had given support to the boycott.

It accuses Henkel of "provoking a strike to smash the union in the plant". Henkel has accused the union of refusing to compromise on its demands and of not "genuinely" seeking a solution to the dispute.

(198) S. Times 1/8/82

Rupert: I'll fight Sanlam

By NEIL HOOPER

DR ANTON Rupert, head of the Rembrandt group, yesterday spoke out for the first time on the clash between his company and Sanlam.

He warned that he would do everything in his power to stop the giant insurance conglomerate from taking absolute control of the board of General Mining Union Corporation (Gencor)

He said that "the threat of Sanlam stretches across the country", and he would fight it.

"I will do everything I can to prevent an insidious management position where one small man in Bellville can fire directors along the line, or where any director feels he is not free that he has a hangman's noose round his neck," he said

Dr Rupert did not mention names, but the Sunday Times revealed in a front-page report on June 20 that the clash between Rembrandt and Sanlam was centred on the chairman of Gencor, Dr Wim de Villiers.

Despite Sanlam assurances to the contrary, observers believe that the insurance company is anxious for him to depart the company

The report said that one of the main factors involved was a row between Dr de Villiers and the retiring chairman of Sanlam, Dr Andreas Wassenaar, about a Gencor subsidiary run by Dr Wassenaar's son

The two Afrikaner business giants first clashed two months ago when Sanlam tried to consolidate its absolute control of Gencor's parent company, Federale Mynbou Beperk, by increasing the number of its directors from 12 to 15.

Rembrandt, which has a 30-percent shareholding in Mynbou, obtained a temporary court order to block the move, and the matter will be heard in the Rand Supreme Court on August 17.

Urgent plea

The Sanlam-dominated Fedmyn board then passed a resolution calling for a general meeting of Gencor on Thursday August 5, when it hoped to have two resolutions passed which would give it effective dominance of Gencor's board.

One of the resolutions would make it possible for a director to be dismissed from office if requested to do so in writing by a director or directors who represent or hold more than 50 percent of the shareholding Sanlam has such a shareholding.

However, on Friday a Rembrandt subsidiary, Partnership in Mining Ltd, brought an urgent application to the Rand Supreme Court against Gencor to cancel the meeting scheduled for Thursday

No orders

The court did not have to hear the matter, as Gencor gave an undertaking that the meeting would not take place because the notices sent out to advertise the meeting had not met the requirements of the Companies Act, some having been posted after the 14-day statutory period of notice.

The company secretary of Gencor and Federale Mynbou, Mr Robbie Wilson, said yesterday that he had received no instructions whether a new meeting was to be called

He said such a decision would have to be taken by the Federale Mynbou board when it next met.

None of the directors who supported the resolution to call the August 5 meeting could be reached yesterday to determine whether they would call for a new meeting

Yesterday Dr Rupert said that if Federale Mynbou sent out the same notice to convene a meeting to pass the same resolutions, Rembrandt's subsidiary, Partnership in Mining, would bring another urgent application to the Supreme Court

He said the basis of their application on Friday had been that the notice about the meeting was misleading, as it did not advise shareholders that the amended statutes of the company would enable anyone with a 50-percent shareholding to dismiss a director without giving him an opportunity of being told the reason or of stating his case to the board.

This would put all the directors in an "invidious" position where they had to think in terms of the majority shareholders' interests and not of Gencor's interests

"What we object to is that these people want to change the management of such a successful company In the present case we object to the removal of a director through a 'piece of paper', as certain Sanlam people have described it

"We have a 30-percent shareholding in Federale Mynbou and we were able to block similar resolutions there, as well as their attempt to enlarge the board.

"Federale has a 50-percent interest in Gencor, but Sanlam's real interest in this is only about 25 percent, the rest is through our shareholding But they have a 51-percent vote in Gencor.

"We have a real interest of about 16 percent in Gencor, but our votes are negligible. They are using our shareholding in Federale Mynbou to further their interests in Gencor

"We are therefore facing a very difficult position in Gencor — we can't stop them without outside help We have until now withheld from calling in proxies as Sanlam will do

Concern

"But if they go ahead with their resolutions I personally believe that we will have to ask minority shareholders to vote against the change to stop it.

"There is no other benefit for the minority shareholders — their only benefit is if they stop it, and ensure freedom to act to the directors of Gencor"

Asked whether his views had anything to do with reports that Dr de Villiers's position as chairman was in jeopardy, Dr Rupert said: "I believe that Wim de Villiers has been correct in everything that he has done"

But he said his main concern was the position of any director faced with the possibility of being dismissed through the action of a group holding 50 percent of the shareholding.

"I'm fearful for any company being run this way It would take away the defences of any director; it puts him in an invidious position.

"A director sitting in a position like that has a hangman's noose round his neck — if he does anything against the interest of the 50 percent, they can pull the rope

"How, too, can they always correctly judge what is in the best interests of the 50 percent and their own shareholders?

"If he is fired he may not be told why, and will not be able to state his case to the board

"The threat of Sanlam stretches across the country If it is likely to happen to other companies — where an insurance company uses the money of the small shareholder to fire directors of other companies along the line — I will speak up and demand that the law be changed to stop this"

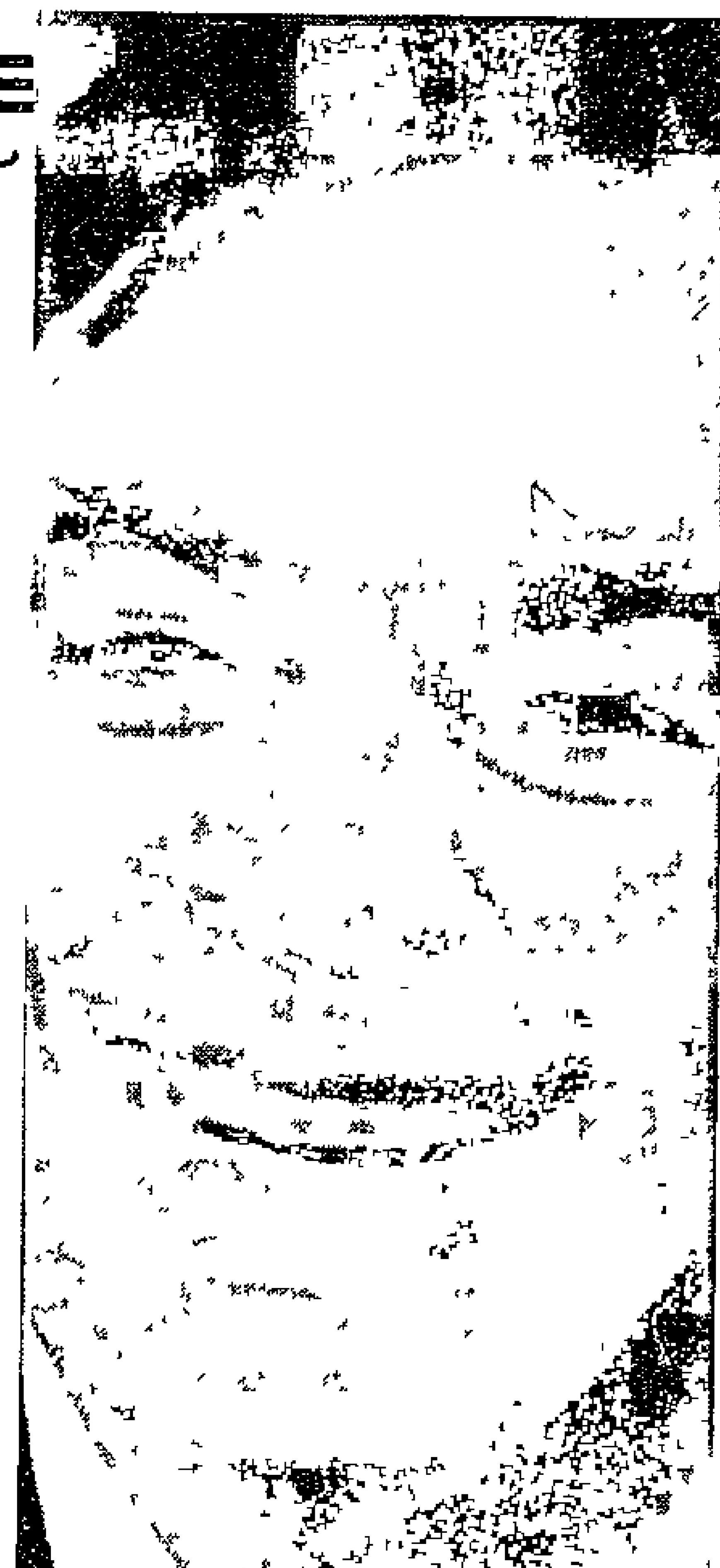
Power

Dr Rupert said that the biggest problem was that in such cases too much power was being placed in the hands of only a few men

He agreed that Rembrandt, too, was an enormous organisation, but said that it believed in a policy of consensus and partnership.

"In only one other company do we have slightly more than a 50-percent shareholding, and I am thinking of recommending that we pull back But even there we do not have a majority of the directors.

"Most of our shareholdings in other companies is about 30 percent, and in most we let the business be run by minorities representing minority shareholdings



Dr RUPERT ... "hangman's noose"

No battle

"I also find it strange that while Sanlam wants to alter the statutes of Gencor so that the 50 percent can sack a director, its own statutes require a 75-percent shareholders vote, and co-directors cannot fire one another.

"If this resolution is passed, Sanlam will be able to fire any director at Gencor along the line, using the power of the money of its own small shareholders — which includes Rembrandt, which has invested about R50-million in their pension funds.

"We may not be able to stop them as things are now. But we have not been calling for proxies, and we may have to do so if they decide to go ahead

"I thought they might see the objections to this type of dictatorial management, and realise that South Africans don't like this type of management, but, if they decide to go ahead, we will have to go for proxies for outside help," Dr Rupert said

He denied that his group was involved in a power struggle with Sanlam over Federale Mynbou and Gencor

"We didn't come in the backdoor as Sanlam claims We were in the original group that led to the formation of Federale I was one of the founding directors of the original company in 1945."

Swart ex-aide dies

MR ANDRIES Pretorius, 66, secretary to South Africa's first State President, Mr C R Swart, has died exactly two weeks after his former employer.

He died in the Johannesburg Hospital on Friday after a short illness

Mr Pretorius had also been secretary to two other State Presidents, Mr Jim Fouche and Dr Nico Diederichs

He began his career in 1940 as private secretary to Mr Swart, who was then Minister of Justice, Police and Prisons

He retired in 1976 and spent four years at Unisa helping to compile a dictionary in Tswana, English and Afrikaans

Mr Pretorius leaves a widow, Anne, and daughter, Mrs Annel van Aswegen

'I'm scapegoat' of Gencor row

ROM 28/8/82 232

DR A WASSENAAR
accused of personal feud

MR F WASSENAAR
made a 'scapegoat'

By GEOFF ALLEN

THE man who is said to have caused the bitterest battle in Afrikaans business history spoke out for the first time yesterday, declaring "I'm being made a scapegoat"

Mr Frederick "Dirk" Wassenaar, son of Sanlam chairman Dr Andreas Wassenaar, spoke out after Dr Wim de Villiers resigned earlier this week as executive chairman of the giant Gencor group

In a remarkable statement Dr De Villiers said, among other things that life at the top had become untenable because Dr Wassenaar kept suggesting that he invest Gencor money in his son's computer company

Yesterday the man in the middle, 42-year-old Mr 'Dirk' Wassenaar, put up his hands and cried, "I'm being made the scapegoat

It's just incredible I cannot believe that Dr De Villiers would say something like that

'I have spoken to my father who is in New York and we have decided that it is better to say nothing

"I'll tell you though I am disappointed to be dragged into something like this I'm an innocent bystander getting drawn into this whole huge episode.

"It's not doing my business any good"

Then he left his office in charge of a highly protective receptionist

In the computer world not all that much is known about Unicom of which he is managing director

What is, is not altogether flabbergasting

- He employs 34 people in an industry which gives jobs to 12 000
- There are persistent rumours that the company could do with more money
- And it has been said that after compiling a confidential report on Unicom's affairs Anglo-American opted not to buy its "library" computer systems

The library computer system was billed as a world first for South Africa in 1981

Designed locally it was sold to several universities and a British company took up an option to market it

At the time Mr Wassenaar said that he hoped to sell a large number of the units at R200 000 a time

"This will be a major contributing factor to Unicom's expansion in the South African market and will be reflected by sales in 1982 of R2-million," he said

Mr Wassenaar was born in Cape Town and educated at the University of the Witwatersrand

He has served on the Industrial Development Corporation and with the former Western Bank and worked as a financial consultant between 1970 and 1972

The Gencor, Sanlam, Rembrandt row has festered for several months with the official version being a debate over the number of directors each of the latter two companies are allowed to nominate to the board of Gencor in which they both have substantial stakes

But for weeks cocktail party gossip has pointed to the whole problem being a personal row between Dr De Villiers and Dr Wassenaar

That row came to a head this week when Dr De Villiers walked out of Gencor blaming "continued harassment" by Sanlam for his going

According to Dr De Villiers' statement, which is understood to have been carefully vetted by his lawyers, the row between himself and Dr Wassenaar started because of his decision to stop investing Gencor money in Mr Wassenaar's company

This led, he said, "to sustained personal hostility which culminated in my resignation"

IING

INE

LE

SAN

uly

ist

mber

iber

VEGAS,

mber

minated society "

Boycott threat to Rembrandt

Star 14/4/87

198

The giant Rembrandt group is threatened by a local and international consumer boycott as a result of the dispute at the chemical firm, Henkel SA

Fosatu's Chemical Workers' Industrial Union has already called a boycott against Henkel in which Rembrandt has a 50 percent shareholding

At its second national congress at the weekend, Fosatu warned that "its entire national organisation" has been given over to the Henkel boycott

It resolved that unless the dispute was "speedily resolved," the boycott action would be extended to Rembrandt

The union is seeking negotiating rights at Henkel as well as the reinstatement of workers fired after the recent strike at the company's Durban plant

It is understood that last Friday's meeting between Fosatu and Henkel management, attended by government labour adviser Mr "Blackie" Swart, was inconclusive

New men in Fosatu

149A

Star 14/4/87

The new national president of the Federation of SA Trade Unions is a worker from Kellogg in Springs, Mr Chris Dlamini

He was elected at Fosatu's second national congress at the weekend, and replaces Mr Johnny Mke Mr Dlamini is chairman of the Sweet, Food and Allied Workers' Union and chairman of Fosatu's Transvaal region

The 135 delegates at the congress also unanimously confirmed Mr Joe Foster as general secretary of Fosatu

Mr Nathaniel Gantana, chairman of the Western Cape branch of the Metal and Allied Workers' Union, was elected treasurer, and Mr Andrew Zulu, national president of MAWU, was elected national vice-president

Fosatu said the federation "could look forward to the next three years with leaders who between them had 25 years of union experience "

Rembrandt boycott hangs in balance

15/4/82 Sowetan 178

THE 94 000-strong Federation of South African Trade Unions (Fosatu) has decided it will call for a boycott of Dr Anton Rupert's Rembrandt Groups if the dispute between its affiliate, the Chemical Workers Industrial Union and a company, Henkel, is not "resolved speedily".

By JOSHUA RABOROKO

In a statement released to The SOWETAN after the union's weekend congress in Hammanskraal, Fosatu says Henkel was intending to "provoke a strike in order to smash the union in the plant"

The CWIU has already started a consumer boycott against the company after it had sacked about 200 workers and refused to meet their demands at its Durban plant

Informed sources say that some of the workers have been re-employed but that the rest have rejected the company's offer to consider them whenever vacancies are created

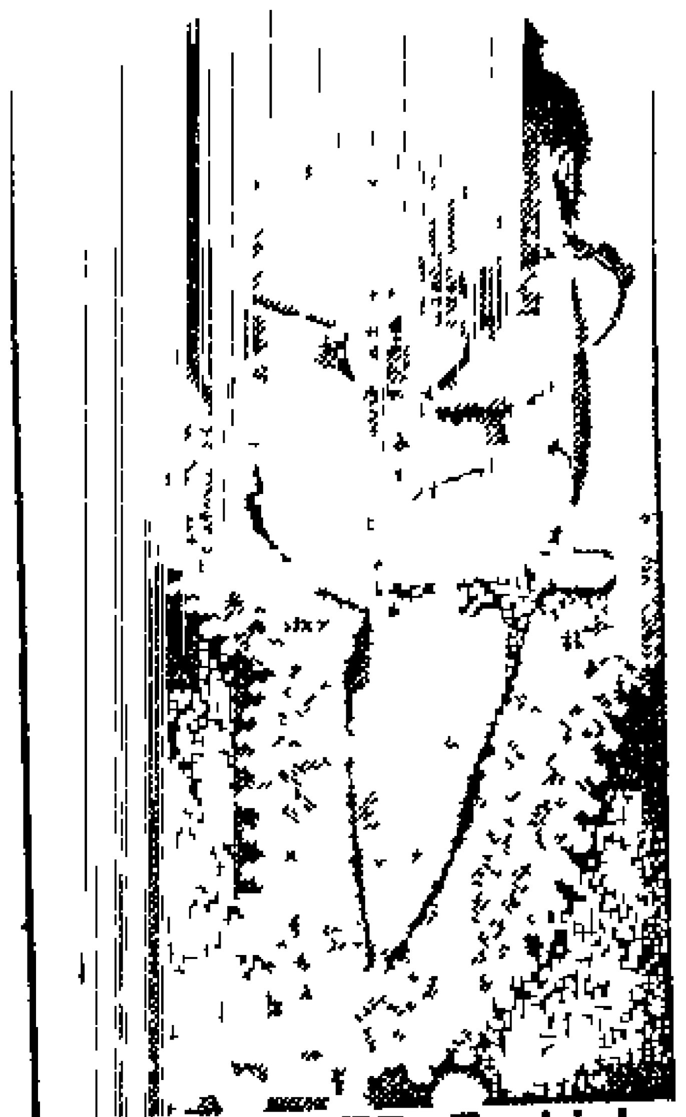
In the statement Fosatu says that it condemns in the "strongest possible terms the provocative behaviour of Henkel which it seems was intent on provoking a strike in order to smash the union in the plant"

"Fosatu notes that the dispute is no longer merely the concern of CWIU and Henkel, but our entire national organisation has now given support to the boycott of Henkel products called over the dispute

"Our national resources and the experience gained in the Colgate dispute will be used to bring about a just resolution to the unfair behaviour of the company

"Congress has also decided that should the issue not be resolved speedily, the boycott will be extended to cover the products of Rembrandt — both locally and internationally — for Rembrandt has a 50 percent holding in Henkel"

In the meantime, informed sources say although Rembrandt has an "investment interest" in Henkel it is not involved in its management and that it has no seat on its board



LECTURER: Ezekiel Mphahlele.

THE first in a series of lectures on Africa — to last throughout the year — will be held at the University of the Witwatersrand in Johannesburg at the weekend.

The meetings have been organised by the Council for Black Education and Research and the South African Committee for Higher Education (Sached). The theme is "Know your continent: Africa."

The series will draw several experts in African history, among them Professor Es'kia Mphahlele, African languages lecturer at Wits University.

All the meetings, which will be held at the university's Room 117, Central Block, will start at 10 am and end at midday.

The fee for registration is R3,00, payable at the offices of the organisers at 1st Floor, Abbey House, Commissioner Street or at 6th Floor, Colstaven Building, 54 Simmonds Street, Johannesburg.

Fosatu makes policy clear

TUOA Sowetan 15/4/82

THE Federation of South African Trade Unions (Fosatu) adopted three resolutions as its political policies at its second national congress held in Hammanskraal at the weekend.

By SELLO RABOTATHA

In a statement released by the union Fosatu said it believed that all the people of South Africa should participate in the decision-making affairs of the country It also deplored the act whereby citizens of South Africa are stripped of their birth right and declared foreigners in the country of their birth

Fosatu also rejected the homeland policy of the Government and reiterated its support for a democracy based on one-man one-vote and majority rule in South Africa.

Fosatu will not affiliate to any party political organisation but will engage in struggles to secure a better standard of living, social justice and social security and the political emancipation of workers in the community where members of its affiliates lie. In the past five years, corresponding with the firm establishment and growing power of majority unions in the factory in South Africa, significant pressures on these unions to take a political stand have been exerted.

It is in the interest of any worker organisation that the production and distribution of wealth be done in a politically democratic and economically equal way.

That the majority of workers in this country are forced to work and live in conditions that are neither politically democratic nor economically equal, resulting in poverty, hardship and social deprivation for most workers

Forsatu therefore resolved to:

- Continue its efforts to organise all workers into one movement in accordance with its policies and principles so that an effective organ for change could be created.
- Participate in campaigns directed towards the establishment of a more just society in such a way that the working class movement was strengthened
- Participate in such campaigns only after thorough discussion with members at grass roots level to ensure that democracy was not merely spoken, but also acted upon.
- Participate in such campaigns only where unity of purpose and aim had been achieved by all participants

Star 21/4/82 (198) (180) (183) (152) (183)

Union scores win in Henkel settlement

(140A)

By Drew Forrest

The industrial dispute at Henkel SA in Durban was settled yesterday after five weeks with the Chemical Workers' Industrial Union winning the reinstatement of about 100 dismissed workers

The settlement means that the international consumer boycott of Henkel goods recently launched will be called off.

A spokesman for the Fosatu-affiliated CWIU said the Henkel management had agreed to:

● The reinstatement over two weeks of about 100 workers dis- missed and not rehired after the recent strike at Henkel in Durban Workers not placed in their original jobs will receive comparable posts at a comparable wage

● A ballot, jointly supervised by the union and management, in which workers will choose between a working week of 40 or 45 hours The issue of hours was one of the causes of the strike.

● A timetable for negotiating a full union recognition agreement

The dispute sparked a flurry of international activity involving Henkel's Dusseldorf-based parent company, the DGB (Germany's giant union co-ordinating body) and the six-million-strong International Chemical and Energy Workers' Federation which backed the boycott

At its national congress at the weekend, Fosatu threatened to extend the boycott to the Rembrandt group, a major shareholder

Management could not be reached for comment last night, but the union spokesman said the agreement was "most satisfactory."

EEC bid to block Morris-Rothmans

804 29/5/82

By NEIL BEHRMANN

LONDON. — The European Economic Community has objected to Philip Morris recent $350-million investment in Rothmans International.

The EEC is questioning the investment on anti-monopoly grounds It began its investigations a year ago when Philip Morris, the world's second-largest tobacco company, bought over a fifth of the shares in Rothmans from the Rembrandt group

Besides the direct stake in Rothmans, the United States company obtained vital trademarks and convertible bonds from affiliate companies in the Rembrandt group

West Germany's anti-monopolies office barred the West German subsidiary of Philip Morris from buying a 50% interest in Martin Brinkman, the German subsidiary of Rothmans Martin Brinkman is the third-largest supplier of cigarettes in West Germany followed by Philip Morris

The Germans fear that a combination of both companies would monopolise the cigarette trade

Philip Morris believes that its holding in Rothmans meets the competition requirements of the EEC The company's best-known brands are Marlboro and Merit Rothmans sells Peter Stuyvesant, Rothmans, Dunhill and others

Philip Morris bought its stake in Rothmans when Dr Anton Rupert, chairman of the controlling shareholder, Rembrandt Group, rejected a bid from another US tobacco company, RJ Reynolds Industries

The chairman of Reynolds, Mr Paul Sticht, was furious and effectively accused Dr Rupert of bad faith He suggested that a Philip Morris-Rembrandt partnership might break the laws of the EEC and West Germany

Mr Sticht said Reynolds had considered agreeing to a deal with Dr Rupert, similar to that which was arranged with Philip Morris, but had been advised it could be unlawful

Dr Rupert countered that discussions collapsed because Reynolds was unwilling to put its brands into a partnership deal

Analysts estimated that Rembrandt Group would have about R700-million available for investment from the sale of part of its stake in Rothmans Rembrandt Group sold half its 44% interest in the company and about half the holdings of Rothmans convertible bonds held by a European affiliate of Rembrandt

Yea			tal	
19				
19				
19				
19				
19			3 900	+
19			3 900	x
19			6 700	x
19			7 000	x
19			..	
19			..	
19			8 400	Fosatu Annual Report Nov. 1980/81

Add

Telephone: (031) 69215

Sibabi

Area of Operation: Transvaal, Natal, Eastern Cape

Founded: 1973

Registration: See note on FOSATU registration, p.11

Recognition:

1) Tensile Rubber
2) Precision Tools
3) Automatic Plating
4) Hendrick Trailors
5) Hendler
6) Kraft Engineering
7) William Bros.
8) Scottish Cables
9) McKennon Chairs
10) Alusaf
11) Vosa
12) Craft Engineering
13) Selchain
14) Stone Street & Hansen
15) Barlows

Membership: 1981 = 24 300

Tobacco hazards 'dwarf' tax revenues

ARGUS 2/8/82

198

~~3 Tobacco~~

THE tobacco industry provides employment for thousands and swells State coffers with millions in excise revenue and foreign exchange, but a Cape Town doctor says these benefits are dwarfed by the costs to smokers

The doctor, who cannot be named for ethical reasons, has conducted a study relating the benefits to the country to the losses caused by medical costs and loss of earnings due to "smoking-related" diseases

The results are published in the South African Medical Journal

DIFFICULT

The doctor said tobacco and cigarette production should be reduced However, since the tobacco industry formed an integral part of the economy, this was likely to be difficult to achieve

The Department of Health had estimated that cigarette smoking cost South Africa about R3-million a day (R1-billion a year) in medical and hospital care, absenteeism, loss of production and decreased Gross National Product.

Another aspect was that land now planted with tobacco could produce food crops to relieve the "high level of malnutrition"

HOMELANDS

The doctor said that since tobacco was a cash crop many homeland governments favoured its production at the expense of food crops

"Last year South Africa had to import 250 000 tons of wheat from the US," he said

The damaging effects of smoking extended beyond smokers

Children and adults who lived with smokers had considerably more respiratory problems than those living with non-smokers

Chronic exposure to tobacco smoke in the workplace also significantly affected non-smokers

On the other hand, the ... ies and wages to about 5 000 workers.

An estimated 200 000 workers earned their living directly or indirectly from tobacco

Retail sales bring in millions for manufacturer — in 1979 South African cigarette sales realised R402-million.

Spin-off benefits accrued to the packaging and advertising industries, newspapers and grocery stores

SUPERFICIAL

"It is clear that the smoking industry is a significant source of State revenue and an important employer of labour It therefore appears (superficially) to serve an important role in society

"However, when one compares the monetary and non-monetary costs that result from smoking, it becomes readily apparent that the benefits are dwarfed by the total social and economic costs of the industry"

The doctor suggested the Government find alternative sources of excise revenue, and decrease reliance on tobacco and cigarette revenue.

REMEDIES

Financial incentives should be given to tobacco farmers to plant food crops, increased support should be given to anti-smoking programmes, and tax rebates should be offered to companies which diversified, and reduced tobacco production

He also suggested that insurance companies recognise the difference between mortality rates for smokers and non-smokers in life insurance underwriting and pricing

New arrival plays on sympathy of s

WE'VE all heard of "Kitten on the Keys"—but a fox terrier? Since this little dog wandered in to a Diep River construction firm's offices on Monday last week he has been pampered by Mrs Estelle Birrell, who has found numerous ways to keep him busy while she gets on with the job.

Mrs Berrill is convinced that her little friend, who arrived at work with the rest of the staff on Monday morning and has been there each day since, has a loving owner somewhere. He was very dirty when he arrived, but has since been bathed by the staff "He's been

Poet is silent on Botha re

Political Staff

POET and author Mr S V Petersen today declined to comment on a remark made about him by the Prime Minister, Mr P W Botha, at the weekend

Mr Botha told the federal congress of the National Party in Bloemfontein "S V Petersen, the coloured poet, is much closer to me than is Van Zyl Slabbert"

The Prime Minister made this remark when he warned delegates "not to elevate this word 'white' to the level of an idol"

Mr Petersen, appointed recently as the first coloured member of the SABC Board of Control, said this was not a matter on which he was prepared to comment

Asked whether he believed himself to be closer or to Mr P nitel ...

Spe terms said ties

"Fu ... speak and ... perso said.

Model trains win puffing spac

Municipal Reporter

PUFFS of steam and clouds of smoke — about the same size as those ... establish the track at its meeting last week, 16 months after the society first applied ... were the City Engineer, Mr J G Brand and the Rondebosch Ratepayers' Association — which sup... Rate might ... people uwali

revenues

THE tobacco industry provides employment for thousands and swells State coffers with millions in excise revenue and foreign exchange, but a Cape Town doctor says these benefits are dwarfed by the costs to smokers

The doctor, who cannot be named for ethical reasons, has conducted a study relating the benefits to the country to the losses caused by medical costs and loss of earnings due to "smoking related" diseases.

The results are published in the South African Medical Journal.

DIFFICULT

The doctor said tobacco and cigarette production should be reduced However, since the tobacco industry formed an integral part of the economy, this was likely to be difficult to achieve

The Department of Health had estimated that cigarette smoking cost South Africa about R3-million a day (R1-billion a year) in medical and hospital care, absenteeism, loss of production and decreased Gross National Product.

Another aspect was that land now planted with tobacco could produce food crops to relieve the "high level of malnutrition"

HOMELANDS

The doctor said that since tobacco was a cash crop, many homeland governments favoured its production at the expense of food crops

"Last year South Africa had to import 250 000 tons of wheat from the US," he said

The damaging effects of smoking extended beyond smokers

Children and adults who lived with smokers had considerably more respiratory problems than those living with non-smokers

Chronic exposure to tobacco smoke in the workplace also significantly affected non-smokers

On the other hand, the financial gains for the Government ran into millions in excise duty (R250-million in 1970) and in foreign exchange (R14-million in 1979).

WORKERS

Tobacco farmers earned about R82 8-million a year, of which a fair percentage went on salaries and wages to about 5 000 workers

An estimated 200 000 workers earned their living directly or indirectly from tobacco

Retail sales bring in millions for manufacturer — in 1979 South African cigarette sales realised R402-million.

Spin-off benefits accrued to the packaging and advertising industries, newspapers and grocery stores

SUPERFICIAL

"It is clear that the smoking industry is a significant source of State revenue and an important employer of labour It therefore appears (superficially) to serve an important role in society

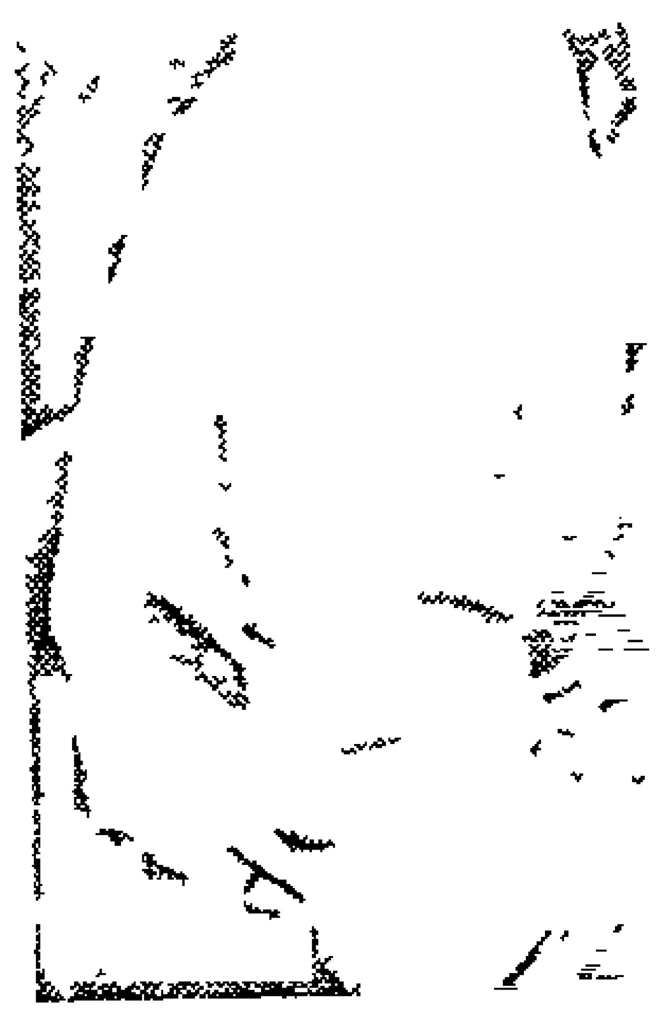
"However, when one compares the monetary and non-monetary costs that result from smoking, it becomes readily apparent that the benefits are dwarfed by the total social and economic costs of the industry"

The doctor suggested the Government find alternative sources of excise revenue, and decrease reliance on tobacco and cigarette revenue.

REMEDIES

Financial incentives should be given to tobacco farmers to plant food crops increased support should be given to anti-smoking programmes, and tax rebates should be offered to companies which diversified, and reduced tobacco production

He also suggested that insurance companies recognise the difference between mortality rates for smokers and non-smokers in life insurance underwriting and pricing



New ari on symp

WE'VE all heard of "Kitten on the Keys"—but a fox terrier? Since this little dog wandered in to a Diep River construction firm's offices on Monday last week he has been pampered by Mrs Estelle Birrell, who has found numerous ways to keep him busy while she gets on with the job.

Poet is sile

Political Staff

POET and author Mr S V Petersen today declined to comment on a remark made about him by the Prime Minister, Mr P W Botha, at the weekend.

Mr Botha told the federal congress of the National Party in Bloemfontein 'S V Petersen, the coloured poet, is much closer to me than is Van Zyl Slabbert"

Model trains win

Municipal Reporter

PUFFS of steam and clouds of smoke — about the same size as those produced by a good cigar — have finally come to Rondebosch Park After 16 months the Cape Town Society of Model Engineers has won its battle to erect a track for its model trains

The Cape Town City Council approved the society's application to establish the track at a meeting last week, 1 months after the society first applied.

It proved to be a battle between the society, the Rondebosch Ratepayers Association, residents li ing around the park ar the City Council's Amen ties and Heath Commi tee and Executive C mittee

Aga nst the track we the res dents and for

5/8/82 (98) 28 NON

Tobacco 'blamed for all illnesses'

Mail Correspondent

CAPE TOWN — Just as South Africa has been made a scapegoat in international politics — so has tobacco been made a scapegoat for all sorts of ills

That is the opinion of South Africa's tobacco giant, Rembrandt Tobacco Corporation, which was asked to comment on an article in the latest South African Medical Journal

The article argues that the medical costs and loss of earnings due to "smoking related" diseases far exceeded the economic benefits of the tobacco industry as a significant source of State revenue, foreign exchange and as an important employer of labour

The article urges that measures be taken to reduce the smoking rate It says these measures should be part of a programme to phase out cigarette and tobacco production

A statement issued by Rembrandt's Press liaison officer said

"In the same way that South Africa has been made a scapegoat in international politics, so has tobacco been made a scapegoat for all sorts of ills"

The Press officer said the corporation had not seen the article and declined to answer further questions

The author of the article, a Cape Town doctor, who cannot be named for ethical reasons, said the Government earned R250 000 000 in excise revenue from cigarettes and tobacco in 1979 (more than the total excise revenue from coal, diamonds and all non-gold/uranium metals)

The doctor said an indication of the strength of cigarette companies could be seen from Rembrandt's record for 1980 — gross revenue from sales was R6 400-million and total assets amounted to R3 500-million. Rembrandt also estimates that a total of 200 000 workers in the Republic directly or indirectly earn their living from tobacco

ARGUS 4/8/82

198

Servicemen to boycott firm's product

A GROUP of national servicemen based at Cape Town Castle has decided to boycott products of the United Tobacco Company in protest against that company's recently announced R105 000 sponsorship deal with the SA Cricket Board.

The servicemen have sent a letter to the company, in which they expressed "concern and disappointment" over the support for "an obviously negative organisation such as Mr Hassan Howa's Cricket Board."

They said the magnitude of support for their proposed boycott inside and outside the Defence Force was "astounding."

OPPOSED

The SA Cricket Board, under Mr Howa, is a body affiliated to the South African Council on Sport (Sacos), and is opposed to South Africa re-entering international cricket until apartheid is abolished

"The banner under which the SA Cricket Board operates — "no normal sport in an abnormal society" — is in no way going to help in normalising the already sensitive state of affairs in South African sport," said the servicemen

They felt evolutionary change should be encouraged in the present sporting climate and because of this were disappointed that an organisation with the stature of United Tobacco should "associate themselves with so negative an influence as Sacos

OUR DUTY

"We, like many others in the Defence Force, feel it is our duty to do something positive about the situation

"Serving in the Defence Force for almost two years now, we've become used to working on a fully multiracial level and feel it would be ridiculous to have it any other way"

Paths towards bridging the racial gap were being closed by organisations such as the SA Cricket Board.

The servicemen said that instead of "sitting back and allowing things to deteriorate further" they had decided to stage a "withdrawal of support" for United Tobacco's products in order to halt co-operation between large companies and organisations such as Mr Howa's.

MAGNITUDE

"It may astound you to know the magnitude of support our proposals have, both inside and outside the Defence Force"

They concluded by urging the company to reconsider their sponsorship of the SA Cricket Board

A United Tobacco spokesman in Johannesburg told The Argus that the company had not yet received the letter, so comment was not possible

The Argus has telexed a copy of the letter to the company, who will comment once it has been studied.

198

RDM 30/8/82

REMBRANDT GROUP LIMITED

"FORWARD WITHOUT FEAR"

Chairman's address delivered by Dr A E Rupert on 26 August 1982

Dr. Anton Rupert

Allow me to touch on some highlights of the year's business activities

OWN ACCOUNT

The net income after tax for the past financial year amounted to R40,9 million Of this amount R25,1 million, representing 48,0c per share, was paid in dividends

The retained income — R15,9 million — has been added to profits retained in previous years, resulting in unappropriated profits of R79,2 million being carried forward to the following year

An interim dividend of 30,0c per share has just been declared from profits of the current financial year, compared with an interim dividend of 23,0c per share during the previous financial year

CONSOLIDATED ACCOUNT

In spite of somewhat depressed business conditions, both locally and abroad, your Group has grown steadily and achieved new highs in net income and shareholders' interest

According to the consolidated accounts of the company and its subsidiaries, net income attributable to own mem-

The ruling of the German court is expected in the course of 1983, while the Commission of European Communities will possibly give a decision this year

We trust that the matter will eventually be settled to the satisfaction of all parties

South African Tobacco Interests

In the year under review cigarette consumption increased by approximately 7,1% It is expected that consumption will grow by some 4,8% over the long term

A good quality tobacco is expected from the present crop, but the crop will be smaller so that local supplies of certain qualities and types will have to be supplemented by imports

The import duty on unprocessed leaf tobacco was increased on 2nd July this year from 77c per kilogram to 200c per kilogram

Although, in contrast to previous years, no tobacco surpluses will develop, some tobacco will continue to be exported in order to retain the export market

The domestic price of tobacco increased by 18% during the past year Exports generally take place at considerably lower prices than those obtaining on the domestic market

As agreed with the authorities, the industry has furnished condensate and nicotine readings on cigarette packets since the beginning of 1982 These readings are monitored monthly by the South African Bureau of Standards

Liquor Interests

You will have noted in the press the findings of the Competitions Board in its enquiry into "restrictive practices in the provision and distribution of alcoholic beverages in the Republic of South Africa"

The following are among the most important recommendations made by the Board

1 That Cape Wine and Distillers Limited (CWD), in which your Group has an interest of 30%, be dissolved because it allegedly places a restriction on competition,
2 That control over the manufacture or provision of malt beer, on the one hand, and wine and spirits, on the other hand, be effectively separated,
3 That the interest of liquor producers in retail outlets be terminated over a period, but that the Board finds no justification for limiting to 5 the number of retail licences that any person or organisation may hold

In my chairman's address of 1980 I commented as follows on the formation of CWD

"You will recall that I have, on several occasions in the past, pleaded from this platform that liquor sales should be left in the hands of the small man and that control of beer and the products of the vine should be separated

"Mindful of the support your Group received from the Boland wine farmers during its formative years, it was undoubtedly the right decision to agree to a new deal which would not only safeguard the interests and future of the wine industry but would also achieve the aims of separating the interests of wine and beer, on the one hand, and the interests of the retail and wholesale trade, on the other

"Regardless of personal prestige, your Group acted in the best interests of the country to consolidate the trust and loyalty of many years. Through Cape Wine, the wine farmer has for the first time become a partner,

According to "Forbes", the survey serves as a warning to those who think that diversification, which is generally accompanied by high costs of control, can solve basic problems

Federal Mining

We learned yesterday with great sorrow of Dr Wim de Villiers' decision to retire as executive chairman of the Gencor Group, which over the past ten years he has built into one of the largest mining groups in the world, achieving an average earnings growth of 45,8% per annum

Thus does the business world lose one of the noblest and greatest among us. We hoped and prayed that it would not come to this. We tried our best to prevent it, but it was impossible to do so.

As far back as 11th February 1981, at 3 p m , Dr Wassenaar, Chairman of Sanlam, indicated to me in my office that he would eliminate Dr Wim de Villiers, and that he would use "Dupie", i e Dr du Plessis, as the means of doing this

The outcome was inevitable However, a scapegoat had to be found Rembrandt has repeatedly been attacked, even with the help of full page advertisements costing thousands of rands of policy holders' money — and this was again done in last Saturday's statement, intended for the Sunday Press

Our position is simply that, during January 1975, and at the request of Sanlam, we helped at a critical stage to acquire the decisive shares in Union Corporation

Following that, in December 1975, we were invited to join Federal Mining as shareholders

In view of the large sum of more than 100 million D.M. which we had to invest, we found the contract, as tabled, unacceptable, and the wording: "Rembrandt will respect the controlling position of the Sanlam Group" had to be deleted before we agreed to sign it. We wanted to be investors with a say, and not mere stooges. The following final paragraph was made an addendum to the contract, and was issued as a press statement: "The companies welcome the opportunity of co-operation between them, which will be brought about by this new and powerful partnership."

Accordingly, we always regarded ourselves as junior partners and were regularly consulted until approximately 15th March 1982, when, at the instigation of Dr du Plessis, Sanlam embarked on a totally new dictatorial management philosophy

Thereafter, everything became different and the vendetta against Dr de Villiers intensified. The Sanlam board, inter alia, refused to talk to Mr Hertzog and myself. Last Saturday, Dr du Plessis nevertheless asserted that Rembrandt had refused Sanlam's hand of friendship. What he neglected to mention is that he was prepared to negotiate only if we would make acknowledgements and concessions in conflict with the contract of November 1975 — of which, incidentally, he was not a signatory. As a matter of fact, he was not even present.

Furthermore, it should now be clear to everybody that the statement made by Dr du Plessis in Sanlam's advertisement of 17th June 1982, namely

"A difference of opinion did occur between the chairman of Sanlam and the executive chairman of Gencor during 1980/1981 but this was resolved more than a year ago" is absolutely untrue

Nevertheless the abominable lie continues to circulate that Rembrandt

our Group has resulted in

* at least half the shares being sold to the local population in every country where we have started a new company,
* the chairman and most board members of the companies being locals,
* all of us — white, black, yellow and brown — being able to gather as equals to consult at our world conferences

Through partnership, we have proved that our people are adaptable and can co-operate with others everywhere in the free world

We believe that partnership in industry, championed by your Group since 1950, forms a most significant contribution to the cause of free enterprise.

The success your Group has achieved with this industrial "commonwealth of nations" is not only reflected in favourable financial statements We daily experience how it builds bridges of understanding and goodwill between individuals, communities and nations

Today I can report with gratitude that your Group has provided for the troubled economic waters of the eighties by having cash resources at its disposal that are almost equivalent to the market capitalisation of its shares on the Stock Exchange

DEVELOPMENT IN SOUTHERN AFRICA

Since the earliest years your Group has taken the view that a company's responsibility extends further than just the interests of its shareholders and personnel

By way of several partnerships, in addition to those in the purely business field, we have applied skill and capital in the interests of the broad community and its various needs.

Personally, my standpoint has always been that economic development, and the uplifting of all South Africans to a better quality of life, is not the task of the State alone It demands original thinking and joint action by all who strive for prosperous co-existence in Southern Africa

Small Business

Through its contribution to the establishment of the Small Business Development Corporation, your Group has assisted in forging an essential bond between the interests of the private sector and those of the Government

In the first sixteen months since its founding on 3 February 1981, the SBDC has revealed the extent of the need that exists in the small business sector of our economy

In this period the Corporation has

* Provided direct loan financing amounting to more than R16 million,
* Lent a further R4 million to small business clients by way of the bank guarantee scheme,
* Approved projects amounting to nearly R20 million for the provision of essential business infrastructure.

At 30th June this year, 801 businesses, with a loan debt of R43,5 million, were clients of the SBDC, while another 175 small business clients of banks participated in the Corporation's bank indemnity scheme. At this same date, the SBDC's commitments in terms of the scheme amounted to more than R3,7 million.

In terms of the bank indemnity scheme the Corporation guarantees 80% of any loss which the participating banks may sustain on a facility granted to a small business client.

The SBDC now owns 90 development properties with total lettable floor space of more than 700 000 [illegible]

years More than 4 100 operations and 12 400 consultations have been undertaken during these visits

SERVICE TO THE COMMUNITY

In the fields of the arts, nature conservation, sports training and the preservation of historical buildings, the various foundations in which your Group is involved have continued their good work with diligence and dedication

The **Rembrandt van Rijn Art Foundation** has recently broken new ground in respect of art promotion in South Africa by sponsoring the Cape Town Triennial Whereas the emphasis in the past has been mainly on the promotion of art appreciation amongst the public, there is now particular emphasis on artists seeking recognition

The Cape Town Triennial art exhibition, which is named after the city from which its tour through the Republic will start, is open to all South African artists and is sponsored by the Art Foundation in collaboration with South African art museums

The Cape Town Triennial serves as a window for contemporary South African art and gives everyone interested the opportunity to see what is happening in the sphere of South African art.

Participating artists could hand in their works at five regional collection points Of the more than 1 500 works received, 79 were selected for the Triennial. These same works will also form the next touring collection of the Art Foundation

The first exhibition takes place on 15 September 1982 in the SA National Gallery in Cape Town The three artists who submitted the best works will be presented with gold, silver and bronze medals.

Thereafter the collection will visit Port Elizabeth, Durban, Kimberley, Bloemfontein, Johannesburg and Pretoria before the tour ends in September 1983

The Art Foundation's recently-completed tour presented works by the Canadian Eskimos and this was one of the most successful collections yet exhibited Almost 190 000 visitors viewed this exhibition of 'Inuit Art', the highest figure for the past five years

The **SA Nature Foundation,** which was brought into being in 1968 to contribute towards the conservation and protection of Southern Africa's magnificent natural heritage, has to date made grants of more than R2,24 million for 97 conservation projects in 11 countries in Southern Africa In addition, a reserve fund of approximately R1,4 million has been built up

In conjunction with 182 other countries, your Group has enabled the Nature Foundation to devote R333 000 during the past year to projects such as the resettlement of black rhino in Botswana and Bophuthatswana, studies to ensure the protection and survival of several threatened species, and the promotion of training in nature conservation amongst black teachers and pupils

Continued financial assistance was given for the development of the two Karoo Parks and the Pilanesberg Nature Reserve, and these projects received wide publicity locally as well as abroad.

The SA Nature Foundation, which is affiliated to the World Wildlife Fund (WWF), is today regarded as one of the most efficient subsidiaries of this world body. All administrative costs of the SA Nature Foundation are covered by the interest received from its own investments, so that

The interest of own members in shareholders' funds increased by no less than R507 million, from R857 million to R1 364 million. The interest of own members in ordinary shares of 10c thus rose by R9,70 per share from R16,42 per share on 31 March 1981 to R26,12 per share on 31 March 1982. This represents an increase of 59%.

The earnings per ordinary 10c share increased by 20% to 392,2c per share The total dividend of 48,0c was therefore covered more than 8 times

During the year under review your Group's South African subsidiaries changed over to the last-in first-out method of inventory valuation, in accordance with conservative practice This had an effect of R25,3 million on income before tax

The continued profit growth of your Group was mainly attributable to the increase in income from

* Tobacco and liquor interests — by R8,5 million to R92,7 million
* Mining interests — by R18,8 million to R49,8 million
* Cash resources and share portfolio — by R6,5 million to R42,9 million

In addition, the investments made by your Group during the past financial year in the engineering industry, provided an income of R6,0 million

Total capital of approximately R1 500 million employed by your Group, was invested as follows

- approximately one third in **liquor and tobacco**
- a third in **diversified investments**, including mining, natural resources, banking, insurance, engineering, the petrochemical industry, printing and packaging, and adhesives and detergents
- and the other third in **cash resources**

The most important South African investments of your Group include the following:

Federal Mining (30%), Volkskas (20%), W & A Gilbey (49%), Cape Wine (30%), Legal and General Volkskas Insurance (20%), Henkel SA (50%), Total South Africa (20%), Trans Hex Group (53%), Metkor Investments (23%) and Stewarts & Lloyds of SA (10%).

Over the past year these companies have shown steady growth in general and the investment income of your Group was favourably influenced

Your Group at present holds substantial liquid funds, and suitable investment opportunities are being reviewed on an on-going basis

The weakening of the rand against foreign currencies during the year under review resulted in total reserves increasing by R155,5 million through changes in exchange rates

Accurate predictions regarding changes in exchange rates are difficult because they are influenced by so many unknown factors A firming of the rand against foreign currencies would for example have the opposite effect on reserves

The total assets of your Group, including associated companies with whom we operate in partnership but excluding the mining sector, banking, insurance, engineering and the petrochemical industry, amounted to approximately R4 500 million at the end of the financial year, while turnover increased to more than R7 900 million during the financial year

REVIEW OF GROUP ACTIVITIES

Overseas Tobacco Interests

Last year it was reported that your Group had effected an agreement with Philip Morris Inc of the USA in terms of which 50% of your Group's interests in Rothmans International Limited, as well as the licence rights of your Group's trademarks in the USA, Central and South America, was acquired by Philip Morris

The transaction was concluded on 26 May 1981 and provided a surplus of R162 million This surplus was accounted for directly in reserves at the current exchange rates effective at that time

Since then the Bundeskartellamt of Germany and the Commission of European Communities have objected to the transaction

The German decision is being contested in court The Commission of European Communities has indicated that the company's opposition to their objection will be considered

... play an increasingly important role in the economy of the Western Cape."

In my address last year I referred to this matter as follows

"As an industrial group, our feeling has always been not to enter into competition with our retail clients — indeed, over the years we have pleaded that liquor stores, the licences of which are granted as a Government privilege, should not be possessed by groups

"With the establishment of Cape Wine and Distillers Limited, we understood that, over a period of 10 years, the possession of liquor licences would be reduced to 5 per person or corporate body, which is in harmony with the philosophy of small business development

"Any deviation from this principle would, according to us, be detrimental to the further development of a healthy structure for the wine industry in our country"

We continue to hold our standpoints which have been clearly expressed in the past, and, pending the Government's reaction to the report of the Competitions Board, will not comment further at this stage

FORWARD WITHOUT FEAR

South Africa is at present at the onset of an economic downturn which has already assumed serious proportions in the economies of our major trade partners

The American magazine "Time" recently reported that 1982 will probably be the darkest year for bankruptcies since 1932 In the first three months of the year more than 6 000 companies closed their doors This is 55% more than in the corresponding period last year

It is estimated that about 100 of the biggest companies in the United States are currently experiencing financial difficulties

Previously it was believed that big business, unlike small business, does not have to pay for its mistakes — sheer heft would always save the day Today, however, it is realised that nobody is safe, not even the most powerful, when a competitive economy is hit by waves of technological and economic change

Between 1975 and 1981 corporate debt in the USA more than doubled to nearly 1,2 billion dollars (American $1,2 trillion)

For the first time since the Great Depression, expressed as percentages of national income, total interest payments exceeded company profits in 1981.

Company profits in the USA in 1947 represented 10% of the national income and interest payments 1%. In 1981 company profits amounted to 7,5% and interest payments 9,5%.

Unemployment reached the post-war record level of 9,4% in April, which meant that almost 10,3 million Americans were out of work at that stage

It is not only America that is bowed down by the recession It was recently reported that one of West Germany's major industrial concerns, employing 100 000 people, is experiencing serious problems

According to an estimate by the Organisation for Economic Co-operation and Development, unemployment in Europe next year may be as high as 10,5%

In the decade of the seventies the net increase in European job opportunities was only a million, as against the 17 million in the USA, and there were on average only 3 jobs available per 10 job seekers

Because South Africa has an open economy, we are inevitably affected by the international business climate. The business sector must be prepared for this

Yet we must guard against over-pessimism. The motto of a well-known banking house is: "Things are never as good as they look, nor as bad as they may seem to be!"

A recession also has its positive side It is a time for consolidation and stock-taking, and an opportunity to review whether management and its policies are sound and attuned to maximum efficiency

The American business magazine "Forbes" made a survey of companies that have thus far stood up to the recession well Their success is, inter alia, ascribed to

* Good management
* Retention of quality
* Dedicated attention to expertise acquired over the years

Do what you can do, well.

Gencor.

Furthermore, it is severe slander to allege that Rembrandt has ever tried to hijack the control of Gencor from Sanlam. To that, every director of our Group, many of whom are present here today, can testify. Such a thing has never been even considered, let alone discussed.

The differences of opinion which exist, arise from the drastic alterations to the Articles of Association which Dr du Plessis has sought to bring about These drastic new measures would, for instance, give Dr du Plessis the power of immediate dismissal over directors of subsidiaries

Rembrandt, on the contrary, regards it as important that the boards of controlled companies should be able to maintain a strong loyalty to their own company. Any diminution of their status or powers impairs their ability to look after the interests of their own company as a separate undertaking, especially where such interests may differ from those of the controlling company. For this reason we are defending our existing rights and those of other minority shareholders.

In this regard it is interesting to note some of the findings contained in The Third Report of the Commission of Inquiry into Fiscal and Monetary Policy in South Africa (1970) chaired by Prof DG Franzsen

I quote from paragraph 802

"Insurers, as such, do not necessarily have at their disposal the expertise to act as entrepreneurs in other fields, and decisions to invest are not necessarily objectively made when insurers become involved in the management of undertakings This increases the possibility of errors of judgement in respect of investments and may lead to the highest returns not necessarily being earned For these reasons, the Commission detects merit in foreign practices which curtail the interests of insurers, both in individual business enterprises and in certain specific avenues of investment"

Partnership in Industry

We anticipate that the slow-down of the economy will demand many adjustments but we go forward with confidence to grasp the many opportunities that lie ahead

About these opportunities I wrote as follows in the book "Priorities for Coexistence"

"At this critical stage of our history, in which we have to contend so many vitally important problems, problems of the future world that we are experiencing here on a small scale — problems of how to live together in a multinational community — it can so easily happen that misunderstandings develop, tempers flare and attitudes harden.

"We can prevent the crisis in Southern Africa by accepting the challenges, by seizing the full variety of opportunities offered by our country and its peoples We need clear thinking, imaginative planning, the right attitude, hard work and, above all, the belief that within our Southern African context, an acceptable political, economic and social dispensation can be brought into being"

We will not succeed until sound principles, such as

Prosperity through zeal

Remuneration on merit and

Saving before spending

again occupy their rightful places in our society

Your company has been strengthened over the years by good management and has sufficient reserves at its disposal to stand firm in the more difficult times that lie ahead.

This optimism stems from confidence — confidence in the future of our country; confidence in the skill and dedication of our personnel, and confidence in our managerial philosophy and policy of "Prosperity through Partnership".

This policy has stood the test of time It is built on mutual trust and is characterised by:

* Complete and equal industrial partnership
* self-supporting development
* shared prosperity

As a group, we have been applying our policy of partnership in industry for more than 30 years That is how we have grown We believe that in our policy of partnership we have found a new formula for international understanding and co-operation

In 1966, at an international managers' conference in Rotterdam, I explained that the managerial philosophy of

[illegible] properties amounts to approx mately R36 million. Business premises are provided for 572 undertakings, of which 55% are engaged in manufacturing and 45% are commercial enterprises

More than 10 500 people are employed by businesses which hire space from the Corporation. Of these workers, 78% are employed by industrial undertakings and 22% by commercial enterprises.

Eight development projects were recently completed by the Corporation at a cost of approximately R7,5 million Currently 26 projects — more than half of which involve manufacturing — are in the process of planning and construction The estimated cost of these projects amounts to nearly R22 million

In the provision of business infrastructure special attention is given to the lesser developed communities. For example, earlier this year the SBDC completed the first industrial park in Soweto.

The park, which provides accommodation for 34 small industrialists, including carpenters, furniture manufacturers, welders, printers, panel beaters and clothing manufacturers, and provides job opportunities for approximately 300 people, has been so successful that a decision has already been taken to double the present facility.

It is an encouraging start, but the need and the challenge are great and therefore neither the private sector nor the State can afford to regard the Small Business Development Corporation as a completed project requiring no further involvement

In a more difficult economic climate the promotion of small enterprises is all the more important because the small business helps to maintain employment opportunities in times of hardship

During the recession period of 1974 to 1976 job opportunities in the USA's small undertakings increased by 300 000, although large concerns showed a loss of 1,1 million jobs in the same period

Urban Foundation

As founder member, your Group has recently made a second grant of R1 million over a period of five years to the Urban Foundation Part of this grant will be used for educational purposes in our black national states

As you know, the Urban Foundation is dedicated to the upliftment of urban communities to better living standards. Activities are principally directed at the development of residential areas, education and the promotion of business opportunities

Earlier this year an Educational Trust was created to channel private sector contributions to deserving educational projects.

In the five years since its founding in March 1977 the Urban Foundation has received contributions and promises of contributions amounting to almost R41 million In this period 548 projects totalling R38,5 million have been approved

Edesa

Edesa (the Economic Development Bank of Equatorial and Southern Africa) which was founded nine years ago by your Group and the Union Bank of Switzerland, together with 20 other companies, has since its inception undertaken 24 development projects in Africa

Even working with a capital of only some R18 million, Edesa has already been able to make available to African countries a total close to R39 million in the form of investments and development aid

As a development corporation in the third world Edesa is altogether exceptional in that it has never made a loss, but is profitable and even pays a small dividend.

Medical Shuttle Service

During the past year, your Group has again played its special part in helping to alleviate sickness and suffering in one of our neighbouring states

The Medical Shuttle Service to Lesotho will pay altogether ten visits to the Queen Elizabeth II Hospital in Maseru this year By means of this service, almost 300 visits, by some 600 specialists and more than 500 theatre sisters, have been paid to Lesotho over a period of fourteen

The **Sport Foundation of Southern Africa**, which has at its disposal the services of six full-time coaches, conducted during the year under review 179 sport coaching courses throughout the Republic and the national black states More than 13 000 trainees attended these sessions.

Through the Sport Foundation, your company confirms its belief in the teaching of trainers Established 18 years ago, the Foundation has conducted more than 3 000 courses, which have been attended by almost 250 000 trainees

The company **Historical Homes of South Africa** is a catalyst for preservation in South Africa and has undertaken exceptional projects of preservation over the years Through good planning and management over the years, this company, which was founded at the initiative of your Group, has built up reserves of more than R500 000 on an initial capital of R555 000

During the past year Historical Homes has been very much involved in the formation and administration of the Save Reinet Foundation — a foundation which has been launched to assist in re-creating the historical and traditional character of old Graaff-Reinet with a view to the celebration of the town's bicentenary in 1986.

One of the first aims of the Save Reinet Foundation is to assist the owners of buildings worthy of preservation to restore at least the facades of these buildings

The owners of more than 250 buildings — all founder members of Save Reinet — have already given permission for their properties to be proclaimed national monuments

To finance this imaginative project, The Save Reinet Foundation has started its own fund You will all be pleased to know that a single letter to business friends has already elicited contributions, actual and promised, of more than R400 000 Obviously, more is needed to preserve a whole town for posterity

The Municipality of Graaff-Reinet, which is responsible for the administration of this ambitious project, deserves sincere congratulations

THANKS

In conclusion I wish to express my thanks to

* you, our shareholders, for your continued confidence,
* all communities in which our group of companies exists, for the esteemed support,
* our suppliers and the distribution trade for pleasant co-operation,
* the tobacco farmers for the excellent tobacco they supply to us,
* the shipping lines, air services, railways, postal and telecommunication services and other government departments for their competent and friendly service,
* our bankers for their co-operation, and
* our auditors for the conscientious performance of their duties

To the Managing Director and all my other colleagues on the boards of the various companies in the entire Group, I express my thanks for their loyal co-operation and support.

On this occasion I wish to pay tribute to Mr MJ Oosthuizen who passed away suddenly in June. The late Mr Oosthuizen was associated with Rembrandt for 33 years and served the Group in various important capacities, locally as well as abroad At the time of his death he was Public Relations Director of the Group and a director of this company

Mr G Steinmetz was appointed on 5th July 1982 to fill the vacancy on the board, and I welcome him as director

Mr ER Grobler was appointed as Head of Public Relations in the place of the late Mr Oosthuizen

The loyal service, helpfulness and initiative of all the directors, officials and employees of the Group form the cornerstone of our success To all of them, our sincere thanks — also to their families, who often have to sacrifice so much

I now propose that the Director's Report and Audited Accounts for the financial period ended 31 March 1982 be adopted and approved and that all business performed by the directors on behalf of the company be approved and confirmed

The proposal was seconded by Dr. Douglas Hey, President of the National Monuments Council.

A visit from the House of Quality

198

23/10/82

JOHN MULCAHY talks to Richard Dunhill, a member of the Court of Worshipful Company of Tobacco Pipe Makers

PROFILE

WHERE in Johannesburg would you expect to find the scion of a famous British family that unashamedly caters to the well-heeled?

The city's latest monument to exclusivity — Carlton Court — would be a good start, and that is where Richard Dunhill, grandson of Alfred (the cigarettes that made Rolls Royce a household word for sales reps) reposed this week when he was not overseeing the impending launch of the company's new onslaught on the pockets of the rich

A member of the Court of Worshipful Company of Tobacco Pipe Makers and Tobacco Blenders, Mr Dunhill is at pains to stress that though tobacco is, and for the foreseeable future will be, an important part of Alfred Dunhill Ltd's business, smoking and related activities now account for only 50% of its income

The catchword is quality, and Alfred Dunhill Ltd sees itself as "the world's leading masculine name in personal luxury"

Though the Dunhill family no longer controls the company — Dr Anton Rupert's Rothmans International has a shade over 50% — Richard is executive chairman and the family is the biggest shareholder after Rothmans

And the Dunhill stamp is still indelibly imprinted on the company — "We will not compromise on quality — that would spell disaster," says Mr Dunhill

Founded in 1907, Alfred Dunhill Ltd evolved indirectly through technological progress Alfred's father (Richard's great-grandfather) owned a business which produced quality harnesses for horse-drawn carriages

With the arrival of the first horseless carriages Alfred realised that the family's traditional business was fast becoming anachronistic, so he started producing accessories for the motorist

At that time motorists were exposed to the elements and essential accessories included leather helmets, wind-breakers, gloves and the inevitable pipe

It was the latter that became a consuming interest for the young Alfred Dunhill, and he soon won the respect of the discriminating London gentry as a pipemaker of repute

But it was not until 1914, and the Great War, that Alfred Dunhill's business really began developing London, in 1914, saw a procession of Allied officers and the name Dunhill soon became renowned wherever officers gathered

This initial relationship with the armed forces — it lasted throughout the war — was a highly effective international marketing exercise for Dunhill products, as these satisfied customers returned to their countries after the war and spread the word about Dunhill products

An anecdote that Richard — who was in uniform from 1944 to 1948 — enjoys recounting concerns Alfred's unsophisticated, but successful, marketing ploys during the Great War

Having received an inquiry for a pipe from a French officer, Alfred promptly sent off a sample But instead of a single pipe he sent the officer a dozen, and suggested he choose one and show the rest to his colleagues.

The upshot was that from the one inquiry Alfred sold 12 pipes, packed in a box marked "castor oil" to avoid pilferage

Returning to the present, Richard Dunhill was in Johannesburg this week to launch the company's new product, Dunhill Scotch Whisky Retailing at about double the price of Chivas Regal, Dunhill's nectar is not aimed at the mass market, but, according to Richard, exclusivity has always been the company's strength

While it is not strictly a production organisation, Dunhill has most of its products made to its own specification and scours the world to find the best quality

Men's clothing is made in Italy, watches in Switzerland and "writing instruments" in Germany

Richard Dunhill is far more loquacious on the subject of Alfred Dunhill Ltd than he is on Richard Dunhill, which is hardly surprising after 34 years in the business, but he does confess to leisure activities including gardening, stamp collecting and backgammon

He also expresses an ambition that one of his two sons will follow him into the business His eldest son is at Oxford and the second recently finished school

After entering the business on leaving the army in 1948, aged 22, Richard Dunhill spent time in most areas of Alfred Dunhill Ltd, from factory production to marketing

He was general manager of Dunhill in Canada from 1952 to 1955, and then took over management of the headquarter shop in Duke Street, London

Intimately involved in the direction and promotion of Dunhill's international operations, Richard visits the United States, the Far East and Europe frequently Shortly before arriving in South Africa he officially opened a new Dunhill shop in Melbourne, Australia

While conceding that the recession in the Western world has affected Dunhill's profits — "had there been no recession we would have reflected far better results over the past two years" — Mr Dunhill says the company's customers are far less affected by downturns than the *hoi polloi*

"Anyone who can afford Havana cigars is unlikely to be forced down-market because of a recession"

Reiterating Dunhill's resistance to the temptation to cater to a wider market by marketing lower-quality and lower-priced goods, Mr Dunhill points to the experience of his uncle, who at the time of the Great Depression in the late 1920s and early 1930s, was taken to task by a shareholder who could not understand why the company did not resort to cheaper products to increase sales

"My uncle resisted this, and I sincerely believe that if he had succumbed to the temptation Alfred Dunhill Ltd would not be here now"

The founder of the company, Alfred Dunhill, ended his direct association with the organisation when it became public in 1923

As the proprietor of a private business, Alfred had been lord and master of all he surveyed, and this included the right to raid the till in the Duke Street shop whenever he needed cash

This privilege ceased abruptly when the company went public in 1923, however, and a sortee to the till on the very day Dunhill went public was aborted when the cashier informed Alfred his previously legitimate till-raiding activities were now taboo

Richard believes this shattering experience may have been the catalyst in Alfred's decision to retire prematurely

With growth in sales from about R14-million in 1973 to R156-million in the year ended March 31, Dunhill's diversification has clearly been successful, and though Richard insists that smoking will continue to be an important facet of Dunhill's business, he sees greater potential in other areas

He defines the company's main objective as follows "To expand the prestige of Dunhill as the world's leading masculine name in the field of luxury personal merchandise by positively widening its product range to take it on from the purely smoker's field"

But perhaps the key to Dunhill's success is the philosophy formulated by Alfred, who, while admitting that he did not know it all, welcomed advice from his customers, set out to produce pipes of matchless quality, and then charged twice the price of any other pipemaker in the world

Richard Dunhill in quiet repose.

 1918

Blacks ask for more time to seek their dead

By LAUREN GOWER

UNCLAIMED black bodies are kept for only seven days at Soweto's Baragwanath Hospital, but the new Johannesburg Hospital holds bodies of whites for up to three weeks before they are buried.

Also, while some of the unclaimed bodies at Baragwanath are made available for medical research, none is made available at the white Johannesburg Hospital.

If unclaimed, they are simply buried

Although the law only calls for hospitals to hold bodies for 24 hours before they are either given a pauper's burial or donated to medical institutions for research, Soweto residents say the time is insufficient to trace relatives.

Because of communication problems in the township, the presence of 'illegal' people, and the migrant labour system, residents are calling for more time to identify and claim their dead

Dr Nthato Motlana, a prominent Soweto medical doctor and chairman of the Committee of Ten, said he favoured unclaimed bodies

WHITES' CORPSES KEPT FOR LONGER PERIOD

being made available for medical research

"But I would be very upset if the usual discrimination went on and black bodies were not entitled to the same kind of storage and tracing facilities available for whites"

Dr Motlana said he realised lack of space was a prime consideration in the storage of bodies but he was "distressed" to hear the Johannesburg Hospital was able to hold bodies for up to three weeks while the maximum time at Baragwanath was only seven days

The anatomy department at the University of the Witwatersrand's Medical School, which receives some corpses for dissection from Baragwanath, has a 10% claim rate for the return of bodies to relatives.

Mr Roland Klomfass, the department's principal technician, was unable to say how many of the returned bodies originated at Baragwanath

Bodies used in the department came from a number of Johannesburg mortuaries

But, he said "In 30 years I have only had one case of a white body being claimed"

Mr Klomfass said the department held bodies for a week before they were dissected

Seldom was a body not handed back to a family

If relatives claimed a body when a lot of work had been done on it, the department usually sought permission to retain it It also undertook to bury the body and to notify the family of the grave number

Mr Klomfass said in most cases people were satisfied with that arrangement

Baragwanath superintendent Dr C van den Heever said he did not believe there was a shortage of refrigerator space at the hospital mortuary

"We have space for 60 bodies here On average that is sufficient, but things don't always work out so neatly On a long weekend like this one, or over the Christmas period, the pressure to get rid of the bodies is higher"

He said the hospital sent out a special car every day to trace relatives and issue death notices but there were still about 15 bodies unclaimed every month

There are, on average, eight deaths a day at Baragwanath

With limited facilities, the hospital keeps the bodies for up to seven days before either providing pauper's burials or donating them to the medical school

(198) Hansard Q. Col 950.

~~220~~ 13/4/83

Tobacco industry customs/excise duty

691 Mr A B WIDMAN asked the Minister of Finance

What amount of (a) customs and (b) excise duty was derived from the tobacco industry in the 1981-'82 financial year?

The MINISTER OF FINANCE

Customs duty—R22 784 051
Excise duty—R351 633 413

198

Remgro buys Cartier

S. Times 17/6/83

By Elizabeth Rouse

THE Rembrandt Group is getting "classier and classier", adding luxury product holdings to its investment portfolio

The latest is Cartier, the famous 136-year-old Paris jewellery firm, now Luxembourg-based

Rothmans International PLC, in which Remgro has a 22% stake with US tobacco group Philip Morris also holding 22%, is paying $45-million for a 20% interest in Cartier

With sales of $4 900-million last year, Rothmans has the financial muscle to help Cartier, which chalks up annual sales of around $250-million, expand its product line

Besides jewellery, the Cartier name can be found on watches, lighters, pens, handbags, and other luxury items

(198) CAPE TIMES 5/5/83

Afrox bids for 85% stake in Ammed

By STEVE ELLIS

JOHANNESBURG — African Oxygen is making a R20m cash offer for 85 percent of Amalgamated Medical Services — the owner of three private hospitals and three blocks of flats in Hillbrow, Johannesburg.

Afrox is offering to buy 2 900 000 Ammed shares for 600c each

The Princess, Lady Dudley and Florence Nightingale hospitals, and the Esselen Towers, Dudley Heights and Baker House apartment blocks will come under Afrox control when the transaction is settled

Afrox, which is 56,1 percent-controlled by British company BOC Holdings, will also get a 20 percent stake in the Eugene Marais private hospital in Pretoria

The manager of Afrox's new health care division, Mr Royden Vice, said that the Ammed purchase would be financed from the proceeds of the group's sale early last year of Dowson & Dobson's mining operation

Coffers

Boart International paid R24m for the mining division — R12m of which is already in Afrox's coffers The balance is to be paid from August this year

Mr Vice said that bridging finance would be needed until the second instalment was received — some of which is likely to be reflected in the group's September year-end balance sheet — but the increased debt would be repaid within six months

The 15 percent of Ammed not bid for is being retained by former major shareholders, the Finger family, who are apparently unwilling to cut ties with the company

However, it is believed that Afrox intends to increase its stake to 100 percent in the medium term

Shareholders

The biggest shareholders in Ammed are Union Cold Storage of SA, which has 47,4 percent, and United Finance Corporation 17,3 percent.

Ammed is expected to increase bottom-line profits by nearly 60 percent from R3 058 000 to about R4m in the year to June 1983 on a 56 percent improved turnover

Afrox's profit in its latest full year, to September 1982, was 19,9 percent higher at R19 166 000

An Afrox spokesman said the profit record of Ammed in the previous five years was "marked by less dramatic, but nevertheless stable growth" Attributable profit in 1978 was R859 000, 1979 R799 000, 1980 R892 000, and 1981 R1 031 000

Benefit

Afrox earnings should benefit from the acquisition in the second half of its September 1983 year but, when the interest income sacrificed to make the offer is taken into account, the increase is not expected to be dramatic

Mr Vice said Afrox sold a large portion of its gases to hospitals and that, with it holding minority stakes in three hospitals for about five years, "we think we now know enough about the industry" to take control

Afrox's other interests in the health care industry are, a 50 percent stake in the City Park Medical Centre project in Cape Town (which last year cost the group R7m), a 42,2 percent holding in the Benoni hospital, Glynnwood, and 32 percent holdings in the Jakaranda and Nedpark hospitals in Pretoria

The City Park venture is being undertaken with Clinic Holdings, which also holds stakes in the three other hospitals

Affiliations

Mr Vice said that Afrox's move into the hospital management area would be helped to some extent by the group's overseas affiliations with hospital materials suppliers

The managing director, Mr Peter Joubert, said the purchase was "an excellent opportunity to buy a viable, major going-concern with soundly-based assets — at a reasonable purchase price"

Mr Joubert said the new health care division would slot "comfortably" into the group's framework.

"The industry is not subject to fluctuating economic cycles — if anything, it is counter-cyclical Like our gases division, it tends to grow at a point or so above the growth rate of the country's gross domestic product."

London

LONDON — Gold producers closed below the day's highs after the bullion price eased from opening higher levels, turnover was modest.

Amgold finished $3 up to $122 and other heavier priced issues showed net rises ranging to $2½ while West Areas was 20c up among cheaper issues at 735c

Other issues in the mining sector were generally higher with Anglos 50c up to 23⅜c, De Beers 20c up to 885c, Zamb Cons 5p firmer at 90p while platinums showed rises of 12c to 25cs

CLOSING PRICES

Closing middle prices in pence unless given in US cents or dollars

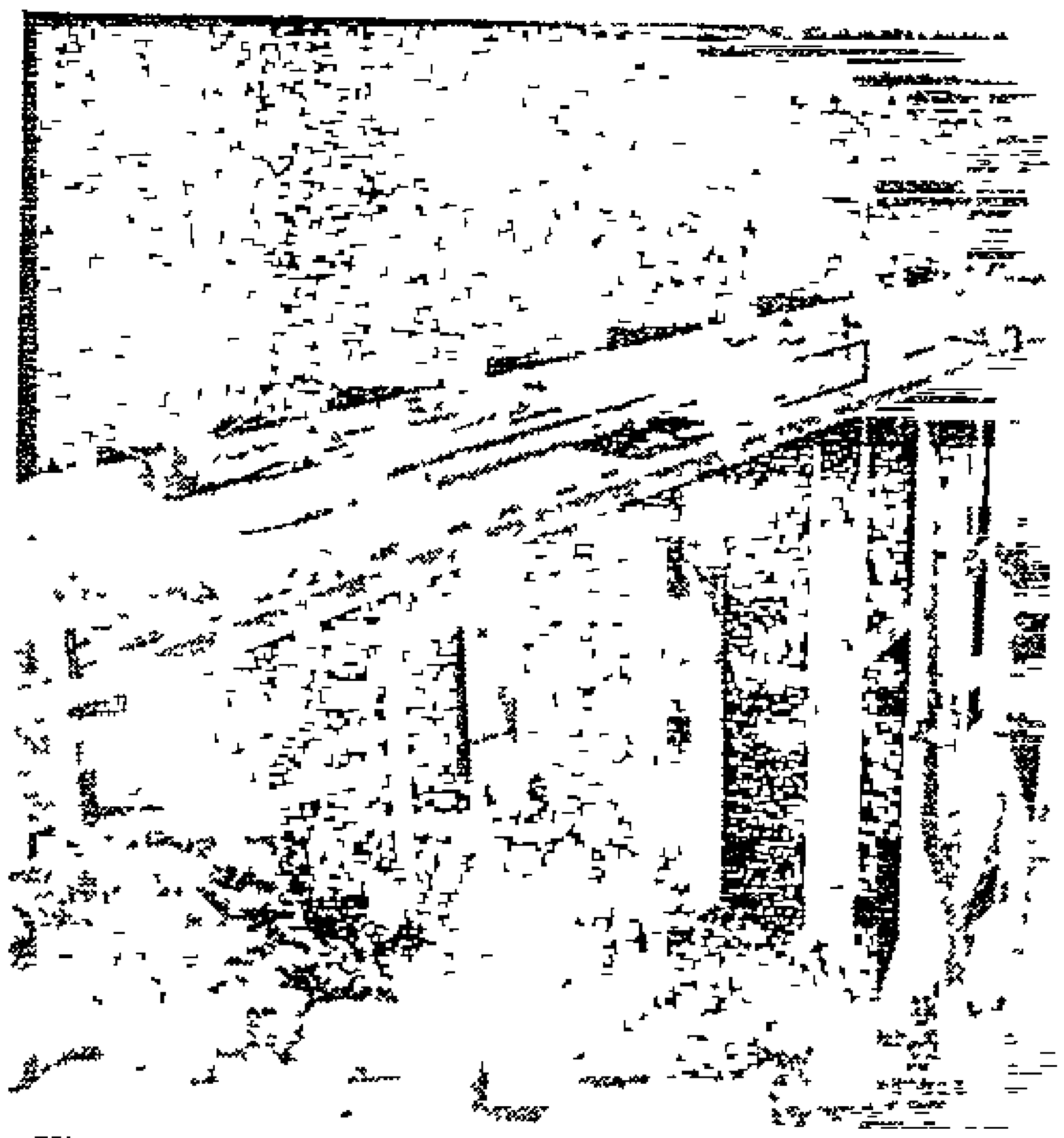
Mining

Afex Corp	126	Kinross	$27¼
Cor Syn	81p	Kloof	$53½
Portlnd	16p	Leslie	460c
Falcon	250	Libanon	$43¼
Glb Phnx	60p	Loraine	770
Lonrho	92p	Lydenbrg	6⅛
MTD (M)	23p	Marievle	520c
Nchart	12	Messina	355p
Elbar	40p	Mid Wits	12¼p
Wankie	22p	N Cnt Wt	635p
Zambia	90	N Wits	9⅞c
ZCI	22	P Brand	$53¼
Am Gld	$122	P Steyn	$58¼
AA Crp	23⅜	Tongaat	325p
AA Inv	$105	Rndftn	$167½
Ang Vl A	$44	Rust Plats	8¼
Barlow	750p	Sentrust	15
Bracken	385c	SA Land	875
Blyvrs	$17⅝	Southvl	$63¾
Buffels	$67	St Helna	$48¼
Chrtr Cn	255p	Stilfont	$21
Cn Gld	539p	Gldfd P	180p
Cn Mrch	450p	Vaal Rfs	$117¼
Debr Dfd	885p	Venters	$20¼
Doorns	$30½	Ang Am	$16½
Drieftn	35½	Vlaks	405
Durban	$38	Vogels	213p
E Daggas	605	W Hldg	$58
ER Prop	$20¾	WR Cn	10⅜
ER Gld	9⅝	GFSA	$147½
Elsburg	460	Wit Nigel	228
Freddies	625	Welkom	$15½
FS Gdld	$53¾	W Areas	740
GM Min	$25½	W Deep	$64¾
Grootvl	18⅞	Rnd Mns	620
Harmny	$23	Winkels	$44¾
Hartles	$88½	Zandpan	$15¼

Industrials

Abercom	170p	Sappi	675p
Nmpck	825p	Sasol Npv	252
CNA Inv	800p	Stancha	457p
OK Baz	14	Tongaat	523
Checkers	330	Tvl Cn	33
Imp Cld	230	Tiger Oat	17½
N Eng	99½	Un Stl Cr	50p
Ntl Cnvs	375p	Unisc Gp	280p
Rennies	565p	Unisel	$15⅛
CG Sug	13½p	Utico	250p
Rex TrlA	585p	Ver Ref	375p
SA Brws	458p		

- Sapa Reuter



The Bloukrans gorge bridge which M & R/C... months ahead of schc...

JOHANNESBURG. — Two Eastern Cape building structures last night won the prestigious Fulton Award, awarded annually by the Concrete Society of Southern Africa for excellence in the use of concrete in new buildings.

The award in the building category went to the Port Elizabeth port control building while the civil engineering category winner was the Bloukrans bridge.

At the presentation ceremony in Johannesb... the Ga... River M... describe... of conc... struction

With ... bridge is ... crete a... longest ...

The bri... the river...

Central banks up gold purch...

By NEILL BEHRMANN

LONDON — After selling in the first half of last year, central banks stepped up their purchases of gold from July onwards

The latest annual bullion review of Samuel Montagu estimates that in the first six months of 1982, central banks, mainly Communist nations, such as Hungary and Romania sold 86 tons of gold

In the second half of the year producing nations such as the Philippines and Colombia withheld gold from the market while other nations, notably the United Arab Emirates bought.

The net effect of these transactions was that central banks and other official institutions bought an estimated 65 tons from July to December last year

Estimates

"This estimate is based on available published information, together with our own estimates of official transactions," said Mr Robert Beale, director of Samuel Montagu's bullion division.

"It should be borne in ...

tion of Portugal's g... reserves of 688 tons w... temporarily exchange... in return for foreign e... change

In terms of such ... agreement the gold ... held as collateral un... Portugal repays th... loan

If the country decid... it still needs the forei... exchange and does n... exercise its right to r... possess the gold, ... bullion will be sold t... the BIS.

BIS officials have em... phasized several tim... that this is normal bu... ness with central bank... Treasury officials i... Lisbon confirmed th... Portugal had obtaine... the £400m from the BI... just before general elec... tions, Monday a wee... ago But they and th... Bank of Portugal re...

Cape Times 5/5/83 198

Inquiry told of 'oysters and trips'

Own Correspondent

JOHANNESBURG. — It was "champagne, oysters and exotic overseas trips" for the people at the top of the Transvaal Provincial Hospital Services according to allegations made at the De Kock Commission yesterday.

The commission is inquiring into the conduct of the two doctors who direct the services.

The hearing opened yesterday and almost immediately the chairman, Mr L V de Kock, said he might have to apply for wider investigation powers because of the extent of the allegations of corruption being made.

Hospital Services employees, who were in a position to sway the allocation of tenders, were offered, and allegedly took, everything from European tours to six-packs of beer and boxes of chocolates.

The commission has been appointed by the Provincial Administrator to examine the conduct of Dr Hennie Grove, the Director of the Transvaal Hospital Services, and Dr Gerhard Scheepers, the Deputy Director.

The main allegation is that a group of medical companies under the umbrella of the Alumina Development Corporation, now taken over by SA Druggists and formerly headed by Mr Isaac Kaye, had operated a favours-for-friends scheme to win provincial and national orders for the supply of drugs and medical equipment.

Evidence from Mr Douglas Gibson, the leader of the PFP in the Provincial Council, was heard yesterday.

Allegations against the doctors included:

- Accepting assistance from Mr Kaye's companies when buying television sets.
- Getting help in buying a washing machine.
- Accepting a trip which took Dr Scheepers and his wife across Europe.
- Champagne, oysters, duckling, venison and baby beef lunches and dinners which cost hundreds of rands at some of the country's finest restaurants.
- Weekend stays at hotels such as the opulent Rosebank and the Kyalami Ranch near Johannesburg for Dr Scheepers and a partner.

RDM (98) ~~230~~ ~~220~~

Rothmans looks around

15/7/83

By NEIL BEHRMANN

LONDON. — Rothmans International intends to extend its diversification programme into non-tobacco products.

Sir David Nicholson, Rothmans chairman, told the Wall Street Journal "I hope to see us with 50% in non-tobacco within 10 years"

Rothmans net profits rose from £47 400 000 (R80-million) to £70 900 000 (R120-million) in the year to march 1983 Sales climbed 23% to £3 412-million

A £30-million gain from currency fluctuations contributed to the sharp improvement in operating profits. But excluding non-recurring gains, underlying profits rose £18-million nearly 13%

Rothmans is 44% owned by Rembrandt Group and Philip Morris

The market has speculated that Philip Morris might increase its stake in Rothmans, but the company denies that its aware of any such plans

Tobacco accounts for 85% of Rothmans sales and 67% of operating profits before interest payments Brewing, notably the Carling division in Canada, contributes 12% of sales and 27% of operating profits Brewing operating profits in the past year more than doubled from £16 500 000 in 1982 to £35 900 000

Rothmans says Carling boosted its market share by one percentage point to 25%. This year the company will upgrade its Western Canada breweries and market more of Philip Morris Miller brand beer in Canada

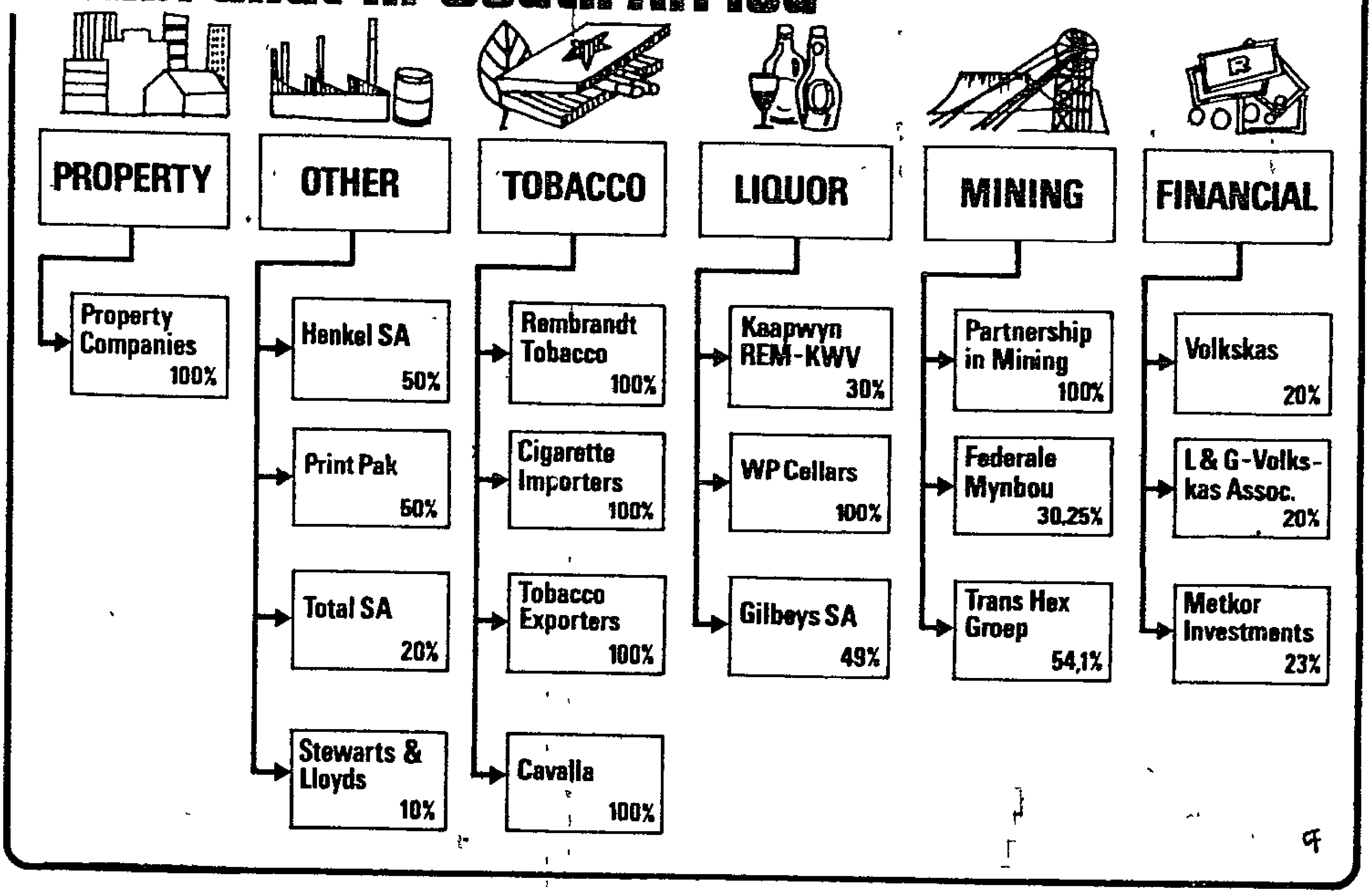
Earnings of Dunhill, Rothman lighter and luxury consumer goods division, rose 11% to £6 300 000.

In April, Rothmans bought 20% of Cartier Monde, the jewellers, and suggested it might increase its stake Cartier's results will have an impact on this year's earnings

Rothmans cigarette sales volume declined 3%, but prices increases helped it to increase revenue The West German market was poor, but the United Kingdom gained slightly

The West German Monopolies Office recently challenged Rothmans link with Philip Morris Rothmans concedes that there is a "remote chance" that the two companies might be forced to separate in West Germany w/ E ARGUS 20/8/83 (188)

Rembrandt in South Africa



The tobacco enigma

By DAVID BRAUN, Weekend Argus Correspondent

REMBRANDT — a giant of commerce even by global standards — is as enigmatic as its founder and master, Dr Anton Rupert.

Said to be the fourth largest cigarette manufacturer in the world, the group owns 70 factories in 30 countries, markets its products to 180 nations and has assets worth more than R9 000-million

Also, it is one of the biggest international distillers and has a stake in an overseas brewing group with 10 breweries

In South Africa — in addition to its vast tobacco and liquor operations - Rembrandt has interests in mining, insurance, banking, manufacturing, trade, chemicals, oil, clothing manufacturing ...

shyness is that some parts of the Rupert empire have been concealed, notably in places like Malaysia, Singapore and Jamaica, where South Africa's racial policies are anathema

Iron grip

Yet if Dr Rupert and Rembrandt prefer the shadows this does not mean that their presence is not felt on the South African business scene

Dr Rupert was an Afrikaans business pioneer, albeit with substantial financial assistance from the Broederbond He is still a local business colussus whose iron grip is felt on scores of companies

Morally just

He controls the group through a complex structure of pyramid companies, enabling him to direct operations with an effective stake of between 5 and 8 percent of the equity The secret of his success is his philos-

What is the basis of this philosophy? Dr Rupert believes that he who covets all loses all Survival is endured only when one is prepared to share and by realising that self-interest does not mean selfishness

Good lessons

As an Afrikaner who had to break into South Africa's English-dominated business, he knew what it felt like to work for a company that was not owned by his countrymen.

By giving local people a share and full partnership there is pride of ownership and prosperity for all, he says

True, he says, to trust is risky But to mistrust is even riskier

Dr Rupert's thinking on the power of big conglomerates was revealed in his book Priorities For Coexistence, in which he said "Large enterprises can learn good lessons from the development of smaller businesses

houses, not more

His battle with Sanlam last spring underscores this view

On the surface the fight between him and the giant assurer was over the manner of control of Gencor, the mining group controlled by Sanlam but in which Rembrandt had a large stake

However, the real fight was said to be over something which ran much deeper

It is claimed that Dr Rupert's concern was to prevent the creation of a precedent which allowed a controlling company to run the controlled company in a way which was prejudicial to other shareholders

Minorities

It had to do with the limiting of power and the preservation of the rights of minorities

It may be argued that Dr Rupert himself controls his empire through ...

partnership system, giving the local board and chairman maximun leeway

It is difficult to determine Dr Rupert's management style Many of his employees are psycophants who have built an impenetrable wall around him They and the shareholders are nonetheless fanatical in their enthusiasm for him

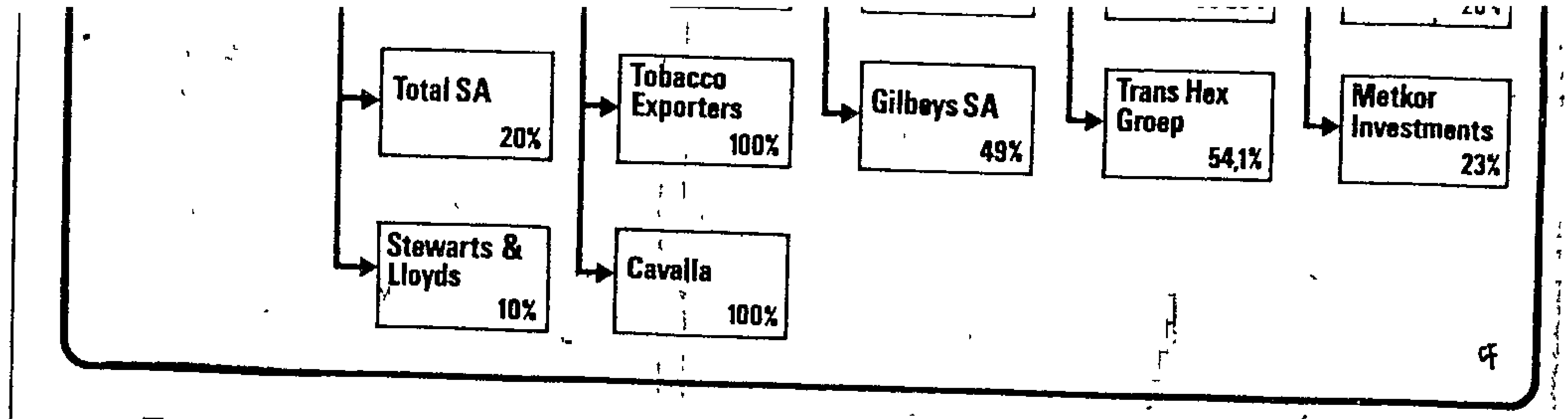
Constructive leader

He once gave a lecture to the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader

His views were an excellent description of himself

He said that in free competition it was always the most recent performance that counted

"The constructive business leader needs a sound philosophy of life and a ...



The tobacco enigma

By DAVID BRAUN, Weekend Argus Correspondent

REMBRANDT — a giant of commerce even by global standards — is as enigmatic as its founder and master, Dr Anton Rupert.

Said to be the fourth largest cigarette manufacturer in the world, the group owns 70 factories in 30 countries, markets its products to 180 nations and has assets worth more than R9 000-million

Also, it is one of the biggest international distillers and has a stake in an overseas brewing group with 10 breweries.

In South Africa — in addition to its vast tobacco and liquor operations - Rembrandt has interests in mining, insurance, banking, manufacturing, trade, chemicals, oil, clothing manufacture, coffee, tea and printing and packaging.

Low profile

The entire empire is run by Dr Rupert and his minions from the group's modest head office at Stellenbosch.

The Group's style has traditionally been to keep the lowest profile possible, shunning Press interviews, saying only what it wants to say, and managing to produce its annual report in all of 20 pages No illustrations No product list

Dr Rupert has given only one Press interview about his business, to an American financial magazine two years ago

It has been suggested that the reason for his shyness, is that some parts of the Rupert empire have been concealed, notably in places like Malaysia, Singapore and Jamaica, where South Africa's racial policies are anathema

Iron grip

Yet if Dr Rupert and Rembrandt prefer the shadows this does not mean that their presence is not felt on the South African business scene

Dr Rupert was an Afrikaans business pioneer, albeit with substantial financial assistance from the Broederbond. He is still a local business colussus whose iron grip is felt on scores of companies

Morally just

He controls the group through a complex structure of pyramid companies, enabling him to direct operations with an effective stake of between 5 and 8 percent of the equity The secret of his success is his philosophy of full and equal industrial partnership.

"Industrial partnership is the only morally just principle in the business world," he once told a gathering of the group's executives in Rotterdam

This philosophy spurred him to making the claim that Rambrandt was in fact the world's first truly multinational company — a globe-encircling partnership of industrial companies in which at least 50 percent of the shares of each separate member company were held locally by the nationals of the host country, and where the chairman and majority of the board members in each country were citizens of that country

What is the basis of this philosophy? Dr Rupert believes that he who covets all loses all Survival is endured only when one is prepared to share and by realising that self-interest does not mean selfishness

Good lessons

As an Afrikaner who had to break into South Africa's English-dominated business, he knew what it felt like to work for a company that was not owned by his countrymen

By giving local people a share and full partnership there is pride of ownership and prosperity for all, he says

True, he says, to trust is risky But to mistrust is even riskier

Dr Rupert's thinking on the power of big conglomerates was revealed in his book Priorities For Coexistence, in which he said "Large enterprises can learn good lessons from the development of smaller businesses.

Less control

"The efforts of a large undertaking to diversify are often unsuccessful because entrepreneurial talent is scarce in the large enterprise, practical experience is often lacking to steer the venture from its inception until it enters the market, there is an absence of the philosophical climate inherent in the management of a small business, too much specialised knowledge is often brought in, and with it, red tape, the management style may be too formal, leading to organisational rigidity"

He believes the economy needs less control by institutions such as Sanlam and the mining houses, not more

His battle with Sanlam last spring underscores this view

On the surface the fight between him and the giant assurer was over the manner of control of Gencor, the mining group controlled by Sanlam but in which Rembrandt had a large stake

However, the real fight was said to be over something which ran much deeper

It is claimed that Dr Rupert's concern was to prevent the creation of a precedent which allowed a controlling company to run the controlled company in a way which was prejudicial to other shareholders

Minorities

It had to do with the limiting of power and the preservation of the rights of minorities

It may be argued that Dr Rupert himself controls his empire through his quadruple pyramid in such a way that the minorities don't get too near the power Ironically, Sanlam, which owns 10 percent of Rembrandt, has not been allowed a seat on the board

Yet Dr Rupert rejects this interpretation, saying that Rembrandt is increasingly an investment trust, with the tobacco and liquor operations contributing only 45 percent of group revenue

Fanatical

Even when he held 44 percent of the British-based Rothmans International (before selling half that share to Philip Morris for R385-million), no Rembrandt director was on the Rothmans board

Rembrandt prefers to retain the full and equal partnership system, giving the local board and chairman maximun leeway

It is difficult to determine Dr Rupert's management style Many of his employees are psycophants who have built an impenetrable wall around him They and the shareholders are nonetheless fanatical in their enthusiasm for him

Constructive leader

He once gave a lecture to the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader

His views were an excellent description of himself

He said that in free competition it was always the most recent performance that counted

"The constructive business leader needs a sound philosophy of life and a sound theory of the functions of business

"He must be a man who realises that prosperity is contagious — one cannot trade with paupers

Noble cause

"He must strive not merely to be successful but to be a man of value For the successful man is a person who gets more out of life than he gives, whereas the man of value gives more than he receives

"A requirement for the constructive leader is that he should have a leitmotif, something worthwhile to strive for — a noble cause to which he is dedicated The greater cause, the greater the man"

EEC forces Rembrandt to review UK link

(198) Star 23/3/84

The Star's Foreign Service

BRUSSELS — The European Commission has forced Dr Anton Rupert's Rembrandt Group and Philip Morris of the US to restructure their substantial share and voting interests in London-based Rothmans International.

The move brings Rothmans into line with the EEC's policies on competition. But West Germany is not satisfied.

The EEC began proceedings against Morris and Rembrandt after the US company bought half of Rembrandt's controlling interest in Rothmans in 1981.

The two companies have agreed to make substantial changes in the way the deal was structured. Rembrandt will separate their shareholdings and voting rights so that they will be unable to influence jointly the decisions of Rothmans.

The EEC's ability to impose the restructuring dashed any lingering hope on the London Stock Exchange that Morris would be allowed to launch a full takeover bid for Rothmans, and the British company's share price lost 18c to 235c.

Although the restructuring has satisfied objections to the 1981 deal under European law, Rembrandt and Morris still face legal proceedings, and a possible veto, by the West German Cartel Office.

Morris has about 16 percent of the West German cigarette market. Rothmans, through its Martin Brinkmann offshoot, has a similar slice.

Under the 1981 agreement Rembrandt and Morris each had an equal share in a holding company, which in turn held 44 percent of Rothman's International and controlled 50 percent of its voting rights.

CML TIMES 23/3/84

198

Rupert restructures stake in Rothmans

LONDON — Philip Morris Inc and Rembrandt Group Ltd have restructured their interest in Rothmans International PLC in a way which makes the possibility of Morris taking over Rothmans even more remote, financial analysts said

Morris and Rembrandt announced agreement on the restructuring yesterday and said that as a result the European Commission has dropped its proceedings against the two companies

Discussions with the West German Federal Cartel office in West Germany, which also raised objections against the 1981 agreement between Morris and Rembrandt, are continuing

Agreement

Under the 1981 agreement, Morris and Rembrandt, which is owned by South African businessman Dr Anton Rupert, had an equal share in Rothmans Tobacco Holdings Ltd, which in turn held 44 percent of the equity and 50 percent of the voting rights of Rothmans International.

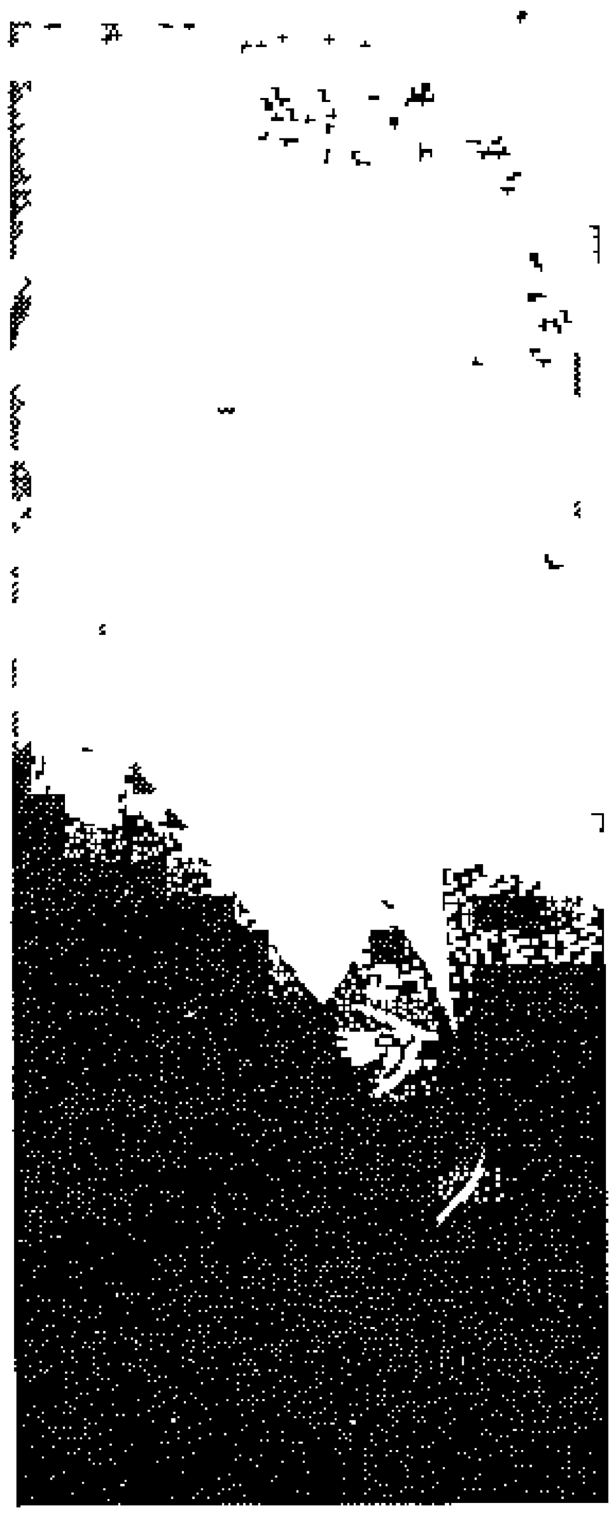
Under the new arrangements, completed on Wednesday, the two companies have increased their equity stake in Rothmans International to around 30,8 percent each to total 61,6 percent, but have weighted the voting rights in Rembrandt's favour

Morris will have around 24,9 percent of the voting rights, while Rembrandt will have about 44 percent

Under the agreement, Morris, which is now a direct shareholder in Rothmans International, undertakes to limit its shareholding in Rothmans so that its voting power would remain under 25 percent

Each party has rights of first refusal in respect of the other's holding of shares and bonds in Rothmans International

The agreement involved Morris and Rembrandt each converting £25m nominal value of 6,95 percent convertible junior sub-ordinated sterling/mark bonds due 2012 of Rothmans International and receiving 34,24m of new shares of Rothmans International, thereby increasing their overall stake



Dr Anton Rupert

Rothmans then transferred 34,24m of the new shares to Morris in exchange for Morris's 50 percent interest in Rothmans Tobacco Holdings, thus making Morris a direct shareholder in Rothmans International

Both Morris and Rembrandt will now each hold, as part of their interests in Rothmans International, £7,36m of 6,25 percent convertible senior sub-ordinated sterling/mark bonds due 1992 and £8 655m of junior bonds

Rembrandt said it had no intention of increasing its holding of shares and bonds in Rothmans International, other than by conversion of its existing holding of bonds, to a level exceeding the position held yesterday

Restructuring

Morris and Rembrandt said the British take-over panel, which supervises the UK take-over code, has confirmed that the restructuring does not give rise to an obligation on either party to make a general offer to the shareholders of Rothmans International group

No representative of Morris is being appointed to the Rothmans International board

A spokesman for Rothmans International said as far as Rothmans itself is concerned the restructuring cleans up the balance sheet by removing £50m of debt through the bond conversion

Rothmans' equity base is also broadened, he said

Shares of Rothmans fell 5p on news of the restructuring to 135p a share from 140 at Wednesday's close — Reuter

Rothmans UK future in doubt

Star 20/8/87

From Christine Moir

LONDON — Rothmans has lost a "clear identity" in the cigarette war, according to a leading London stockbroker The shares should be sold.

For "identity" read ownership Since March when Dr Rupert's Rembrandt Group agreed with Philip Morris to restructure their interests in Rothmans International, the tobacco company has been rudderless.

Now rumours mount that Philip Morris has its eyes firmly fixed on taking over Imperial Tobacco (Imps) and that would mean very bad news for Rothmans and Rembrandt

The March agreement left Rembrandt with 44 percent of the votes in Rothmans, while Philip Morris has 25 percent.

But if Philip Morris has its sights set on Imps the balance of power at Rothmans would have to be overturned.

Either party, for instance, must offer its shares first to the other in the case of a sale. And surely Philip Morris must sell if it wants to concentrate on Imps

In trade terms - at least as London observers see it — Imps is a better investment than Rothmans, whose name is inexorably linked to the declining international gasp for cigarettes

To be sure Imps's attempts to diversify into products as far removed from "gaspers" as chicken raising, have not been successful

But Rothmans hasn't diversified its image at all, despite its Dunhill, brewing and domestic applicance businesses.

At present the talk is just talk The rumours of Philip Morris's predatory strategies have circulated in the London market for more than a year.

But the shares of both Imps and Rothmans International are now beginning to move

It looks as if Doctor Anton will have to play another piece in this chess game

Tucsa unions negotiate wage agreement

Sowetan 1/5/85

TWO affiliates of the Trade Union Council of South Africa, both in the tobacco industry, have successfully negotiated a new wage agreement at the Industrial Council for the Tobacco Industry Transvaal, Miss Christine du Preez, general secretary of the unions said yesterday.

The two unions are the African Tobacco Workers Union and the National Union of Cigarette and Tobacco Workers This agreement came into operation on April 1 when all workers received an increase Miss du Preez said the unions welcomed the increases in these difficult times of economic recession, although they were lower than the inflation rate

She said those workers on agreement rates received an increase of 11.5 percent and those earning premium rates above agreement rates received 11 percent on personal rates The increase on personal rates was obtained at plant level negotiations with the various companies, and although an attempt was made by management to divide the two unions, all workers stood firm because of the unity that exists between the two unions.

"The wage rate laid down in the agreement for artisans is now R272.85 per week, or R6 50 per hour However, all artisans are earning far in excess of agreement rates and thus far received an increase of 11 percent on those rates The labourer's rate is now R94.20 per week or R2.24 an hour. The weekly paid employees received their increases on the first pay week in April,' Miss du Preez said.

In the same breath, Tucsa said it cannot find sufficient words to condemn the rise in the price of maize to the consumer Tucsa said it sees the granting of an increase in the price of this staple food as callous disregard of the welfare of the ordinary worker in South Africa. It further believes that the increase shows that the authorities are completely out of touch with the grim reality of life in the country where retrenchments and unemployment are the order of the day

In a statement Tucsa said "The result of unemployment is poverty and starvation, which this increase can only aggravate With soaring inflation even workers who still have jobs have no slack to offset an increase We warn the Government that by recklessly disregarding the plight of the majority of workers in South Africa, they are fuelling discontentment and creating their own agitators."

(198) B. Day 2/9/85

R1,3bn all set to go up in smoke

CHRIS CAIRNCROSS

THE country's smokers are targeting to light up more than R1,3bn worth of cigarettes this year, according to preliminary estimates provided by Rembrandt and United Tobacco, who together control about 99% of the market.

In value terms this reflects a slight increase in the industry's turnover on a year ago But in real terms cigarette consumption over 1985 has declined

UTC's general manager marketing Rauch van Reenen reckons "stick sales" this year have come off 6% to 7% Last year demand also weakened with volumes down by 10%.

Though the anti-smoking lobby is gaining ground in SA, the softening market is due less to health issues than it is to economic conditions, Van Reenen surmised.

"Cigarettes are a luxury item. People are buying less because they have no option but to be more conservative with their spending"

As with almost every other sector of the economy cigarette manufacturers are having to live with much thinner profit margins.

It is estimated, for example, that if every smoker in SA cut back on consumption by just two cigarettes a year the industry would have to contend with revenue losses of about R20m.

Net income is also being squeezed by ever-rising production costs and the twin demands from the Exchequer in the form of excise duty and GST

Rembrandt executives estimate that excise duty on cigarette sales this year could total as much as R450m

INDUSTRY

1863 B. Day 27/11/85

9% drop likely as weak rand bites

Cigarette sales fall

ALAN PEAT

CIGARETTE sales are expected to drop by about 9% this year compared to 1984.

Industry experts blame the recession and say price rises this year for local and imported cigarettes have been well below the inflation rate.

The pre-GST listed price of locally-made popular brands rose from 75c to 79c in February, and from 79c to 83c on November 13 — a total rise of 10,6%.

Imported cigarettes rose from R1,31 to R1,35 in February and R1,35 to R1,40 in November — a total of 6,8%.

The low rise in imports is attributed to the 3% inflation rate in the US and limited manufacturing cost increases. The two main import brand distributors, Phillip Morris and R J Reynolds, are also understood to budget SA marketing costs in dollars, allowing an area to absorb the effects of the poor exchange rate.

The local manufacturers, Rembrandt and UTC, have also absorbed much of their manufacturing cost increases to keep price rises well below inflation. The bulk of their tobacco is locally grown.

But other cigarette components must still be imported.

These have incurred the penalty of the poor exchange rate, and both importers and local producers have suffered from the imposition of the 10% import surcharge.

Industry experts point to a trimming of margins by the two local manufacturers, but no change in market share is expected.

Market research indicates that Rembrandt will still hold slightly below 80%, UTC just above 17%, and imports the rest.

BUSINESS

COMPANIES ARGUS 27/2/86 198

Rembrandt boosts div payouts by 20 percent

FOUR companies in the Rembrandt stable are increasing their dividend payouts by around 20 percent for 1985

Rembrandt Group is paying a final of 53,5c which with the 46,5c interim boosts the total payout to 100c, up 19 percent on the previous 84c

Rembrandt Controlling Investments' final is 39,6c, raising the total by 19 percent to 74c (62,1c)

Technical and Industrial Investments's total is up 20 percent after the 36,8c final to 68,8c (57,5c)

Technical Investment Corporation's total is also 20 percent higher after the 34,7c finals With the interim of 30,2c this gives a 64,9c total

- Mr Johann Rupert and Dr Edwin de la H Hertzog have been appointed directors of both Rembrandt Group and Rembrandt Controlling Investments

- After a R26 million first-half loss, consumer electronics group Tedelex staged a good recovery and ended with a R4 million net profit for the six months to December.

This trimmed the 1985 loss to R26,3 million after tax, well down on the R87 million loss for the previous 18 months

The R122 million raised from the rights issue of shares helped to lower borrowings by more than R100 million to R147 million and as a result finance costs were trimmed to R48 million from R136 million

The relaxation in August of hire-purchase curbs on consumer durables resulted in an improvement in demand and impacted favourably sales, say the directors

Forecasting remained perilous in the face of continuing political uncertainty and township unrest but prospects were considered encouraging

The level of consumer confidence has improved and the group's 1986 performance will be enhanced by the reduced interest burden and the strong presence of its brand leaders in the market place

- Sentrachem is still not paying dividends although it reports earnings of 8,7c a share for the first half against a loss of 9,8c a year ago.

Group turnover rose 27 percent to R533 million and net profit reached R7,8 million after a loss of R8,7 million

Tom Hood

Tobacco shows upward trend

BDAY 21/3/86 (198)

Industry Reporter

THERE is still a progressive upward trend in the physical volume of manufacturing production.

Latest figures released by Central Statistical Services in Pretoria show increases for the period January 1985 to January 1986 in tobacco products, which rose from 86,1% to 100,7%, wood and wood products (excluding furniture) from 75,6% to 85,6%, paper and paper products from 121,2% to 153,8%, and basic iron and steel industries which rose from 135,1% to 151,9%.

Motor vehicles, parts and accessories showed a drop from 57,1% to 53,8% with transport equipment (excluding motor vehicles, parts and accessories) dropping from 60,7% to 54,3%.

Other categories that declined were electrical machinery (86,2% to 69,9%), metal products and excluding machinery (74,1% to 73,2%).

ER gets its own multiracial and private hospital

(198) 25/9/86 SOWETAN

By MZIKAYISE EDOM

THE first multi-racial private hospital has been opened in the East Rand.

The Delmore-Private Hospital in Boksburg will offer top quality surgical and medical in-patient and out-patient care, according to the hospital's manager, Mr Hector Mackay.

He said medical aid patients and other cases will be accepted.

He said: "We decided to build this multi-million Rand modern and well-equipped hospital to offer advanced services to the East Rand community and neighbouring areas.

"We felt there is a need for such hospital in the area."

The hospital has two doctors' consulting rooms, three X-ray departments three theatres and a dispensary with a qualified pharmacist in attendance

Presently, the hospital can accommodate 88 patients at a time Mr Mackay said they were planning to extend the hospital and add more beds

"We hope to accommodate at least 115 patients at a time in future," he said

The hospital has wards which can accommodate six patients at a time On request, Mr Mackay said, private wards with bathrooms ensuite are available to patients to ensure "absolute privacy"

Visiting hours at the hospital are unlimited Mr Mackay said progress and discharge reports are provided to employers on request, and that occupational health nurses from industry are welcome to visit their patients at any time. "In addition, many general practitioners and a wide range of specialists will visit and treat their patients in the hospital," Mr Mackay said

The hospital is manned by a multiracial medical staff

The nursing manager at the hospital is Mr Sybrand De Beer

Mr HOSEA Mayo . . . a patient at the hospital, receives medial treatment from the nursing staff.

Other Pictures at the Back

P.T.O

BYLAE

I Tarief Item	II Tariefpos en Beskrywing	III Skaal van Reg Aksyns	IV Doeane
128.65	Deur tariefpos No. 92 12 deur die volgende te vervang. "92 12 *Grammofoonplate en ander klank- of dergelike opnames (uitgesonderd opnames vir die leer van tale, godsdienstige opnames wat hoofsaaklik 'n weergawe van spraak is, opnames, wat nie rekenaar- of videospeletjies is nie, uitkenbaar as vir gebruik met rekenaars of dergelike masjiene vir verwerking van data en opnames gewoonlik bekend as boeke-op-band), bereide bande, drade, stroke en soortgelyke artikels van 'n soort gewoonlik vir klank- of dergelike opname gebruik (uitgesonderd media vir outomatiese dataverwerkmasjiene)*	35%	35%"

Opmerking.—Die uitwerking van hierdie kennisgewing is dat opnames gewoonlik bekend as boeke-op-band nie meer synsbare produkte is nie.

No. R. 2262 31 October 1986

CUSTOMS AND EXCISE ACT, 1964

AMENDMENT OF SCHEDULE 4 (No. 4/404)

Under section 75 of the Customs and Excise Act, 1964, Schedule 4 to the said Act is hereby amended to the extent set out in the Schedule hereto.

K. D. S. DURR,
Deputy Minister of Finance and of Trade and Industry.

No. R. 2262 31 Oktober 1986

DOEANE- EN AKSYNSWET, 1964

WYSIGING VAN BYLAE 4 (No. 4/404)

Kragtens artikel 75 van die Doeane- en Aksynswet, 1964, word Bylae 4 by genoemde Wet hiermee gewysig in die mate in die Bylae hiervan aangetoon.

K. D. S. DURR,
Adjunk-minister van Finansies en van Handel en Nywerheid.

SCHEDULE

I Item	II Tariff Heading and Description	III Extent of Rebate
411.00	By the insertion after tariff heading No. 85 01 of the following "85 15 Surveillance systems, incorporating a thermal imaging camera, monitor, power supply unit, control console and telemetry transmitter and receiver	Full duty"

Note.—Provision is made for a rebate of the full duty on surveillance systems incorporating a thermal imaging camera, monitor, power supply unit, control console and telemetry transmitter and receiver

BYLAE

I Item	II Tariefpos en Beskrywing	III Mate van Korting
411.00	Deur na tariefpos No 85 01 die volgende in te voeg· "85.15 Waarnemingstelsels, wat 'n termiese beeldkamera, monitor, kragtoevoereenheid, beheerkonsole en telemetriese sender en ontvanger inkorporeer	Volle reg"

Opmerking.—Voorsiening word gemaak vir 'n volle korting op reg op waarnemingstelsels, wat 'n termiese beeldkamera, monitor, kragtoevoereenheid, beheerkonsole en telemetriese sender en ontvanger inkorporeer

DEPARTMENT OF MANPOWER

No. R. 2243 198 **31 October 1986**

LABOUR RELATIONS ACT, 1956

TOBACCO MANUFACTURING INDUSTRY (RUSTENBURG).—AMENDMENT OF AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the

DEPARTEMENT VAN MANNEKRAG

No. R. 2243 31 Oktober 1986

WET OP ARBEIDSVERHOUDINGE, 1956

TABAKNYWERHEID (RUSTENBURG).—WYSIGING VAN OOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 period ending 31 December 1988, upon the employers and the trade unions which entered into the Amending Agreement and upon the employees who are members of the said unions; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1988, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

INDUSTRIAL COUNCIL FOR THE TOBACCO MANUFACTURING INDUSTRY (RUSTENBURG)

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between

John Chapman Limited

and the

United Tobacco Company Limited

(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

Rustenburg Tabakwerkersvereniging

and the

African Tobacco Workers' Union

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the Industrial Council for the Tobacco Manufacturing Industry (Rustenburg),

to amend the Agreement published under Government Notice R. 372 of 25 February 1983, as amended and extended under Government Notices R. 2142 of 30 September 1983, R. 1231 of 22 June 1984, R. 2443 of 9 November 1984, R. 2766 of 21 December 1984 and R. 207 of 7 February 1986.

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Tobacco Manufacturing Industry (Rustenburg)—

(a) by all employers who are members of the employers' organisation and by all employees who are members of the trade unions who are engaged or employed respectively in the said Industry;

(b) within the municipal area of Rustenburg.

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall apply only to employees for whom wages are prescribed in the Agreement.

2. CLAUSE 3.—DEFINITIONS

(1) Substitute the following for the definition of "examiner, unqualified:"

" 'examiner, unqualified,' means an examiner who has had less than 12 months' experience,".

(2) In the definition "Grade IA employee", insert the following item after item (16):

"(17) operating a process line in the preparation of a tobacco slurry;"

(3) In the definition "Grade IB employee", insert the following item after item 32:

"(33) operating a tobacco sheet casting machine;"

(4) In the definition "Grade II employee", insert the following item after item 63:

"(64) operating a tobacco milling machine,".

3. CLAUSE 4.—WAGES

Substitute the following for subclause (1):

"(1) Subject to the provisions of subclauses (4) and (5) of this clause, the minimum weekly wage which shall be paid by an employer to each member of the undermentioned classes of his employees shall be as set out hereunder: Provided that—

(i) in classifying an employee, he shall be deemed to be in the class in which he is wholly or mainly employed;

Desember 1988 eindig, bindend is vir die werkgewers en die vakverenigings wat die Wysigingsooreenkoms aangegaan het en vir die werknemers wat lede van genoemde verenigings is; en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousule 1 (1) (a), met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1988 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE TABAKNYWERHEID (RUSTENBURG)

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen

John Chapman Beperk

en die

United Tabakmaatskappy Beperk

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

Rustenburg Tabakwerkersvereniging

en die

African Tobacco Workers' Union

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Tabaknywerheid (Rustenburg),

om die Ooreenkoms, gepubliseer by Goewermentskennisgewing R. 372 van 25 Februarie 1983, soos gewysig en verleng by Goewermentskennisgewings R. 2142 van 30 September 1983, R. 1231 van 22 Junie 1984, R. 2443 van 9 November 1984, R. 2766 van 21 Desember 1984 en R. 207 van 7 Februarie 1986, te wysig.

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word in die Tabaknywerheid (Rustenburg)—

(a) deur alle werkgewers wat lede is van die werkgewersorganisasie en deur alle werknemers wat lede is van die vakverenigings en wat onderskeidelik betrokke is by of werksaam is in genoemde Nywerheid;

(b) in die munisipale gebied van Rustenburg.

(2) Ondanks subklousule (1) is hierdie Ooreenkoms van toepassing slegs op werknemers vir wie lone in die Ooreenkoms voorgeskryf word.

2. KLOUSULE 3.—WOORDOMSKRYWING

(1) Vervang die omskrywing "ondersoeker, ongekwalifiseer," deur die volgende:

" 'ondersoeker, ongekwalifiseer,' 'n ondersoeker met minder as 12 maande ondervinding,".

(2) In die omskrywing "werknemer graad IA", voeg die volgende item in na item (16):

"(17) 'n proseslyn bedien by die voorbereiding van tabakflodder;"

(3) In die omskrywing "werknemer graad IB", voeg die volgende item in na item 32:

"(33) 'n masjien bedien wat tabakvelle giet;".

(4) In die omskrywing "werknemer graad II", voeg die volgende item in na item 63:

"(64) 'n masjien bedien wat tabak maal,".

3. KLOUSULE 4.—LONE

Vervang subklousule (1) deur die volgende:

"(1) Behoudens subklousules (4) en (5) van hierdie klousule is die minimum weekloon wat 'n werkgewer aan elke lid van ondergenoemde klasse van sy werknemers moet betaal, dié soos hieronder uiteengesit: Met dien verstande dat—

(i) by die indeling van 'n werknemer hy geag moet word in daardie klas te wees waarin hy uitsluitlik of hoofsaaklik werksaam is;

	Per week R
Grade IA employee, qualified	108,60
Grade IB employee, unqualified—	
during first three months of experience	94,35
during next six months of experience	96,55
during next six months of experience	98,70
during next six months of experience	100,95
during next three months of experience	103,10
Grade IB employee, qualified	106,00
Tobacco packer, unqualified—	
during first three months of experience	94,35
during next three months of experience	96,20
during next three months of experience	98,45
during next three months of experience	100,60
Tobacco packer, qualified	103,45
Grade II employee, unqualified—	
during first six months of experience	94,35
during next six months of experience	96,55
Grade II employee, qualified	99,60
Watchman	97,00
Grade III employee	95,70
Labourer	94,35
Employee not elsewhere specified in this Agreement	99,60".

4. CLAUSE 7.—ANNUAL LEAVE

In subclause (3), substitute the following for paragraphs (a) (b) and (c):

(a) who has been in his employ for a continuous period of five years or more, four weeks' wages based on actual earnings at the time,

(b) with less than five years' continuous service engaged prior to 15 January of the current year, 2,9 weeks' wages at the actual rate being paid at the time;

(c) engaged after 15 January of the current year, one twelfth of 2,9 weeks' wages at the actual rate being paid at the time in respect of each calendar month of service, calculated from the first day of the month nearest to the date of engagement and to include the month of December:".

5. CLAUSE 16.—COUNCIL FUNDS

Substitute the following for paragraphs (a) (b) and (c):

(a) "On the first pay-day after this Agreement comes into operation and on each pay-day thereafter, every employee shall contribute an amount of 20 cents per week;

(b) the employer shall contribute 20 cents per week in respect of each of his employees;

(c) in the case of monthly paid employees contributions referred to in paragraphs (a) and (b) shall be 86 cents per month,".

6. CLAUSE 17.—SICK BENEFIT FUND

Substitute the following for subclause (1) (a) (i) and (ii):

(i) "Weekly-paid employees: R1,20 per week;

(ii) monthly-paid employees: R5,20 per month ".

Signed at Rustenburg, on behalf of the parties, this 4th day of April 1986

L. J. ROELOFSE,
Chairman of the Council.

C. DU PREEZ,
Representative for both trade union parties.

H. J. VAN REENEN,
Secretary of the Council.

No. R. 2255 **31 October 1986**

CORRECTION NOTICE

MEAT TRADE, EAST LONDON

The following corrections to Government Notice R. 2083 appearing in *Government Gazette* 10465 of 26 September 1986, are hereby published for general information:

1. In the English text of the Schedule, in clause 3, paragraph (a), insert the following after "Shop Controller .... 172,50".

"Cutter .... 85,00".

	Per week R
Werknemer graad IA, gekwalifiseer	108,60
Werknemer graad IB, ongekwalifiseer—	
gedurende eerste drie maande ondervinding	94,35
gedurende volgende ses maande ondervinding	96,55
gedurende volgende ses maande ondervinding	98,70
gedurende volgende ses maande ondervinding	100,95
gedurende volgende drie maande ondervinding	103,10
Werknemer graad IB, gekwalifiseer	106,00
Tabakverpakker, ongekwalifiseer—	
gedurende eerste drie maande ondervinding	94,35
gedurende volgende drie maande ondervinding	96,20
gedurende volgende drie maande ondervinding	98,45
gedurende volgende drie maande ondervinding	100,60
Tabakverpakker, gekwalifiseer	103,45
Werknemer graad II, ongekwalifiseer—	
gedurende eerste ses maande ondervinding	94,35
gedurende volgende ses maande ondervinding	96,55
Werknemer graad II gekwalifiseer	99,60
Wag	97,00
Werknemer graad III	95,70
Arbeider	94,35
Werknemers nie elders in hierdie Ooreenkoms vermeld nie	99,60"

4. KLOUSULE 7.—JAARLIKSE VERLOF

In subklousule (3), vervang paragrawe (a) (b) en (c) deur die volgende:

"(a) wat 'n ononderbroke tydperk van vyfjaar of langer by hom in diens was, vier weke se lone betaal gebaseer op die werklike verdienste op daardie tydstip,

(b) met minder as vyf jaar ononderbroke diens wat voor 15 Januarie van die selfde jaar in diens geneem is, 2,9 weke se lone betaal teen die werklike tarief wat op daardie tydstip betaal word,

(c) wat na 15 Januarie van dieselfde jaar in diens geneem is, ten opsigte van elke kalendermaand diens, bereken vanaf die eerste dag van die maand naaste aan die indiensnemingsdatum, en met inbegrip van die maand Desember, een twaalfde betaal van 2,9 weke se loon teen die werklike tarief wat op daardie tydstip betaal word "

5. KLOUSULE 16.—RAADSFONDSE

Vervang paragrawe (a) (b) en (c) deur die volgende:

"(a) Op die eerste betaaldag nadat hierdie Ooreenkoms in werking tree en op elke betaaldag daarna moet elke werknemer 'n bedrag van 20 sent per week bydra,

(b) die werkgewer moet ten opsigte van elkeen van sy werknemers 20 sent per week bydra,

(c) in die geval van werknemers wat maandeliks betaal word, moet die bydraes in paragrawe (a) en (b) bedoel 86 sent per maand wees;"

6. KLOUSULE 17.—SIEKTEBYSTANDSFONDS

Vervang subklousule (1) (a) (i) en (ii) deur die volgende:

(i) "Weekliks besoldigde werknemers: R1,20 per week;

(ii) maandelikse besoldigde werknemers: R5,20 per maand."

Namens die partye op hede die 4de dag van April 1986 te Rustenburg onderteken

L. J. ROELOFSE,
Voorsitter van die Raad.

H. J. VAN REENEN,
Sekretaris van die Raad

C. DU PREEZ,
Verteenwoordiger vir albei vakverenigings

No. R. 2255 **31 Oktober 1986**

VERBETERINGSKENNISGEWING

VLEISBEDRYF, OOS-LONDEN

Die onderstaande verbeterings aan Goewermentskennisgewing R. 2083 wat in *Staatskoerant* 10465 van 26 September 1986 verskyn, word hierby vir algemene inligting gepubliseer.

1. In die Engelse teks van die Bylae, in klousule 3, paragraaf (a), voeg die volgende in na "Shop Controller .... 172,50":

"Cutter .... 85,00".

Rembrandt and secrecy pay off

SUNTIMES 198 14/12/86

WHEN companies decline to provide more than the barest minimum of information about their activities, that generally means the kiss of death for their image in the investment community.

But the Rembrandt group is an exception

Edward L Bateman is another Both companies have shown that investors can be persuaded to forgive poor disclosure when a company offers such assets as consistently sound results, evidence of security for shareholders caused by conservative financial philosophies, and in particular, steady dividend increases

Rembrandt offers a lot more Steady expansion and diversification of its domestic and international interests, with the low-profile but highly regarded chairman, Anton Rupert, in the background, have virtually created an aura of mystique around the group

Strategist

Dr Rupert is a marketing genius and a shrewd strategist He expanded Rembrandt from its early days as a relatively small tobacco company to its position as an important player in the world industry Even so, the tobacco and liquor interests account for only 22% of the group's interests.

For many years, the group has avoided making any official comment on its international interests, but they are extensive. It has, for example, maintained a significant stake in Dunhill International, which apart from its tobacco interests controls prestigious jeweller Cartier

Foreign investments in the portfolio ensured that Rembrandt shares were considered to be among a particularly popular category of stocks on the JSE in the past two years, the so-called rand-hedge stocks

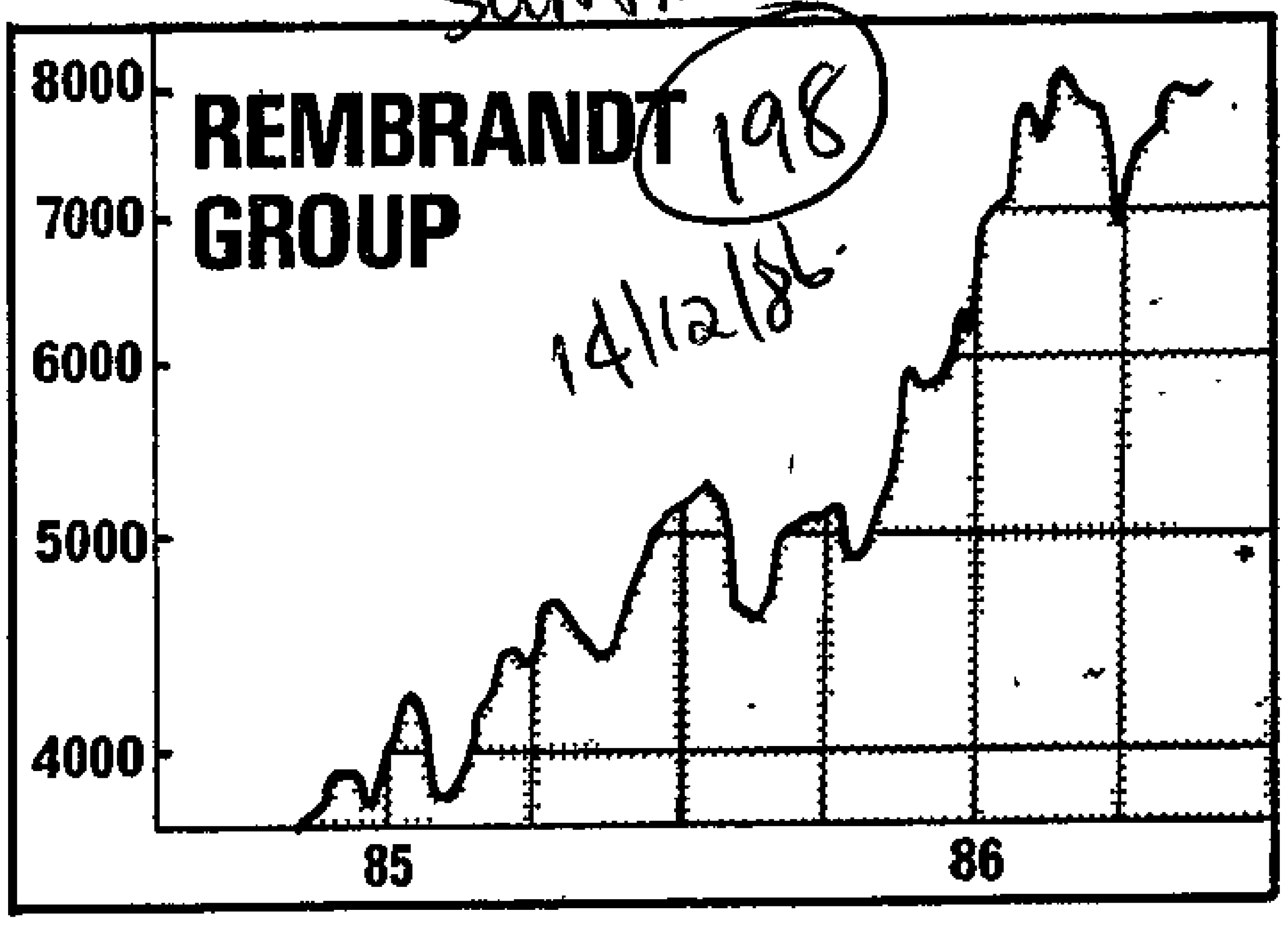
Any renewed weakening of the rand has the potential to magnify both income and the group's net worth

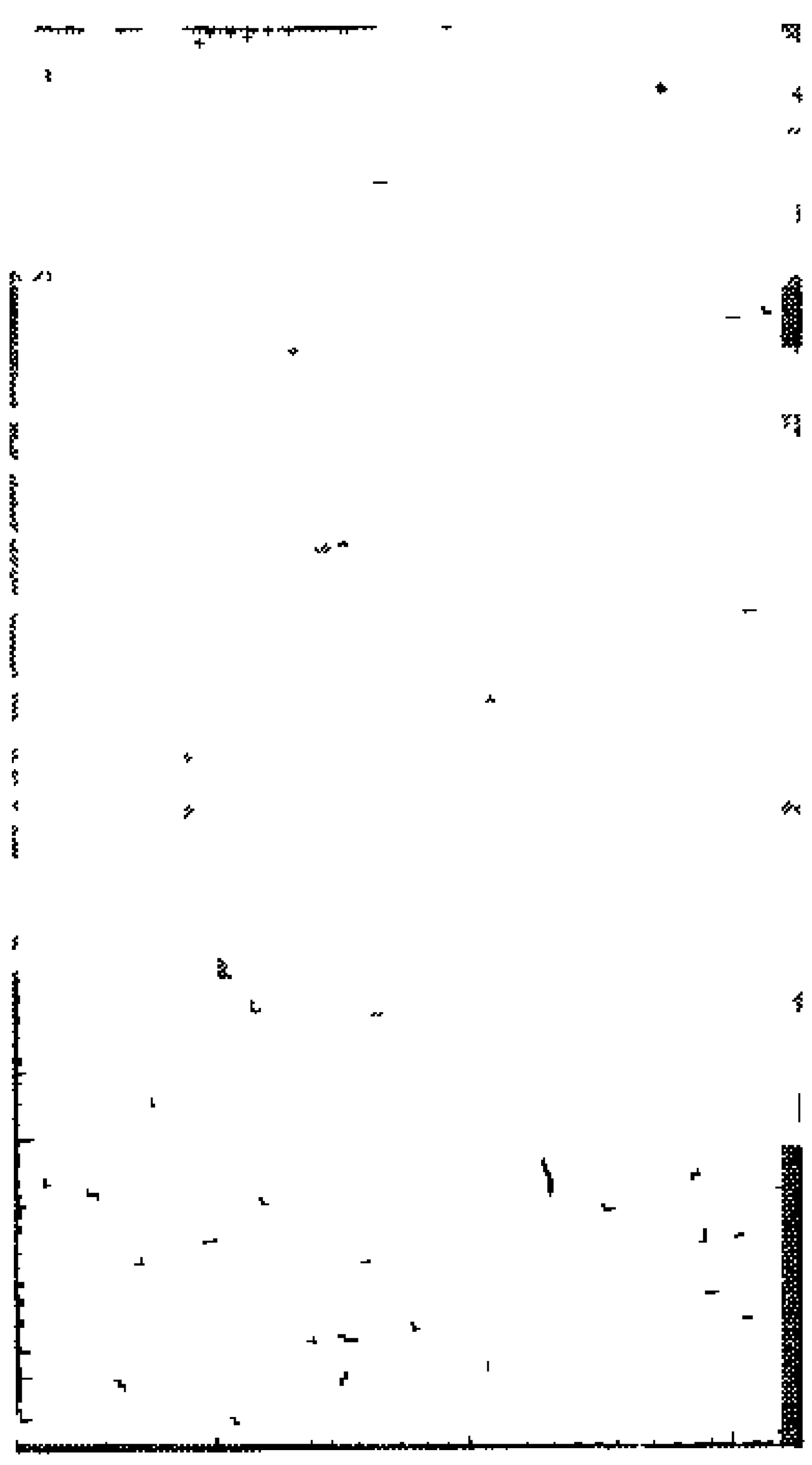
A strengthening of the rand, such as happened in the third quarter of 1986, would have the opposite effect. However, many investors believe that such periods could coincide with improved activity in the South African economy In such times, Rembrandt's large SA interests would make a larger contribution to profits.

Patch record

Earnings achieved by Rembrandt Group (Remgro) have been patchy in recent years In the year to March 1983, earnings a share fell by 4%, rose by 5,2% in 1984, by 6,4% in 1985 and 39,5% in 1986.

But with dividend cover varying between 10 times and 6,2 times in this period, the group continued to pay dividends which matched — or easily exceeded — the rate of inflation The dividend was increased by 23% in 1981, by 30% in 1982, by 30% in 1983, by 16,8% in 1984, by 15% in 1985 and by 19% in 1986





Anton Rupert . . . irons in many fires

Net worth a Remgro share has climbed from R26,80 in 1982 to R54,28 in 1986, up by more than 100% over the five years

The combination of these solid results with the more strategic attractions in the shares persuaded the stock market to push Remgro from its low of R8 in 1982 to a peak of R82,25 at the end of November 1986

In spite of paying out large sums in dividends, the group still has large amounts of fat in its accounts, and would not be hurt easily by any unexpected problems

Remgro's balance sheet for March 31 shows cash resources of R612,2-million, net interest income from cash resources amounted to R64,2-million against interest paid of R18-million

Yet management has not been tardy about putting the group's large financial resources to work Substantial investments have been made Investments abroad totalled R869,2-million in the 1985 and 1986 years — although no real indication is given of what was acquired

In the same time, R400-million was invested in SA Major elements included

- A 27% interest in Sage Holdings.
- The interest in Volkskas Group — one of the Big Four banking groups — was increased from 20% to 30%
- The interest in leading engineering group Methor was raised to 50%.
- The private hospital subsidiary, Medi-Clinic, invested R50-million and was listed on the JSE in 1986
- An 87% interest was acquired in the Huntcor group, the leading supplier of timber to the mining industry
- A 25% stake was acquired in Bonuskor, the Volkskas industrial arm
- A 34,6% investment was made in engineering group Fralex, which supplies equipment to the mining industry.

Key element

Other important South African investments held by the group include Federal Mining (30%), Cape Wine (30%), Henkel SA (50%), W&A Gilbey (49%), Momentum Life (30%), Lifehold (30%), Boland Bank (10%) and Transhex (50%).

As the list underlines, it is rarely Rembrandt's style to acquire outright control of companies in which it invests With few exceptions, — essentially the exceptions are the original investments in the SA tobacco industry — it prefers to hold no more than 50%

This policy is a key element of the "partnership" philosophy developed by Dr Rupert. A committed disciple of free enterprise, one of Dr Rupert's objectives is to ensure that management and staff have a stake in the companies they work for

W/E ARGUS 21/2/87

NEWS

Tobacco and food giant's pre-tax profits up four-fold

198 (7000)

Weekend Argus Correspondent

JOHANNESBURG. — The earnings of tobacco and food giant, Utico Holdings, have gone into orbit.

The results for the year to December 1986, released this week, reflect a mammoth 331 percent gain (to R15,6 million) in pretax income on a mere 17 percent advance (to R215 million) in sales

An 853 percent leap in the tax charge (from R796 000 to R7,6-million) trimmed the bottom line figure, with the result that per share earnings were 184 percent higher at 131,9c (46,5c), comfortably the highest level achieved in this decade.

FINAL DIVIDEND

The final dividend has been upped from 13c to 29c, raising the year's total to 41c against 1985's 20c.

Managing director Bruce Edmunds said that a combination of factors contributed towards Utico's remarkable 1986 performance:

- The higher level of sales had the effect of improving plant utilisation, leading to a more than proportionate increase in operating profit.
- The interest burden was nearly halved to R3,4-million.
- Enhanced operating efficiencies introduced in 1985 bore fruit in 1986.
- Several large capital projects were brought into production during the course of the year.
- A number of new products met with immediate consumer enthusiasm.

Mr Edmunds expects further earnings growth in the current year on the back of an improvement in the economy and expanding benefits from the operating efficiencies already in place.

Cash flow will be boosted by a substantially reduced capital expenditure programme for 1987.

"Obviously, though, it would be unrealistic to expect earnings to grow in the same percentage terms as last year."

ATTRACTIVE

Utico's share price has risen from 520c to the ruling 700c since the beginning of the year.

At 700c, the updated dividend yield is an attractive 5,9 percent and the price-earnings ratio an unusually low 5,3 — ratios which suggest that although Diagonal Street anticipated better figures from the company, the extent of the improvement was grossly underestimated.

Net worth is 1105c (1015c) a share.

198 Star 8/4/87

Tobacco looks for new outlet

HARARE — Zimbabwe's tobacco industry will find alternative export routes in the event of sanctions against South Africa, a tobacco marketing official said in Harare

The domestic news agency, Ziana, quoted the Zimbabwe Tobacco Association's president, Mr Jeremy Webb-Martin, as saying in a television interview that sanctions would disrupt the industry's "traditional routes", but faced with the challenge, alternatives would be found

At present, South African ports handle 90 percent of Zimbabwe's tobacco exports

Beira, which handles about three percent, is a viable alternative, but it would be some time before it could be used to its fullest capacity, said Mr Webb-Martin.

The possibility of delays would have a negative effect on the industry, which earns an average of 23 percent of Zimbabwe's foreign exchange

He added that there were other alternatives to Beira "If it comes to the crunch, we will do our very best, and I don't think we will let anyone down"

He said that this year, as a result of the drought, the industry expected to sell less tobacco than last year and its target was about 135 million kg

He said the industry had embarked on a training and information dissemination exercise to benefit the peasant farmers and create a broader production base. — Sapa.

W/Ehgus 29/8/87

Rembrandt shows its strength

By DEREK TOMMEY,
Finance Editor

THE University of Stellenbosch science lecturer who started his business career in the early 1940s with two dry-cleaning depots — one named to appeal to the patriotic British, the other to the patriotic Afrikaners — has come a long way since then.

Today, Dr Anton Rupert can look back at more than 40 years of solid achievement.

He has built up his Rembrandt Group into an international business empire valued by the share market at around R7 000 000 000 — and in the process he has become known as one of the world's leading entrepreneurs.

The Rembrandt group, because of its extensive overseas operations, does not readily talk about its activities. Its annual reports contain the bare statutory minimum information. But as long as the company continues to grow the way it has, its shareholders will probably not object.

However, once a year at the annual meeting of the Rembrandt Group companies in Stellenbosch, Dr Rupert lifts the covers slightly and gives outsiders a glimpse of the group's strengths and its many activities.

He is also inclined to philosophise a little, which some tend to see as his way of getting a message to the Government.

This year was no different from previous years, and on Thursday more than 100 people turned out at the Libertas Centre to hear him review and discuss another year's activities.

Still hale in spite of his 70 years, and with no traces of grey hair visible, Dr Rupert — who has a pleasant voice and an attractive delivery — outlined his group's achievements in what at times sounded like telephone numbers.

Dividend payments had been increased by 25,5 percent, he said. Net income amounted to R558-million, which was R176-million more than last year, and the company's assets had risen by R706-million — figures that his listeners accepted without a blink.

He also reported most impressive earnings increases from the group's different activities.

Income from tobacco and liquor had risen 69,4 percent to R241,2-million, from mining by 32 percent to R95,8-million, from banking, insurance and financial services by 83 percent to R27,8-million, from engineering by 106 percent to R16,5-million, from cash and portfolio investments by 6,6 percent to R102,3-million and from 'other interests' by 56 percent to R74,5-million.

Then he quietly came out with the news that since February the group had invested R766-million, mainly in buying a 10 percent stake in the country's second biggest mining house, Consolidated Goldfields of South Africa, and a 10 percent stake in one of the country's big two banks, the Standard. A further R600-million had been invested overseas.

He reported that the book value of the company's 1c shares had risen by R1,35 last

(Turn to Page 2)

BUSINESSMAN OF THE WEEK

Macadams firmly on the takeover trail

By DEREK TOMMEY,
Finance Editor

BREAD is increasingly becoming the staff of life for most South Africans, which is good news for Arnold Resnick, chairman and joint managing director of Cape Town-based Macadams Bakery Supplies.

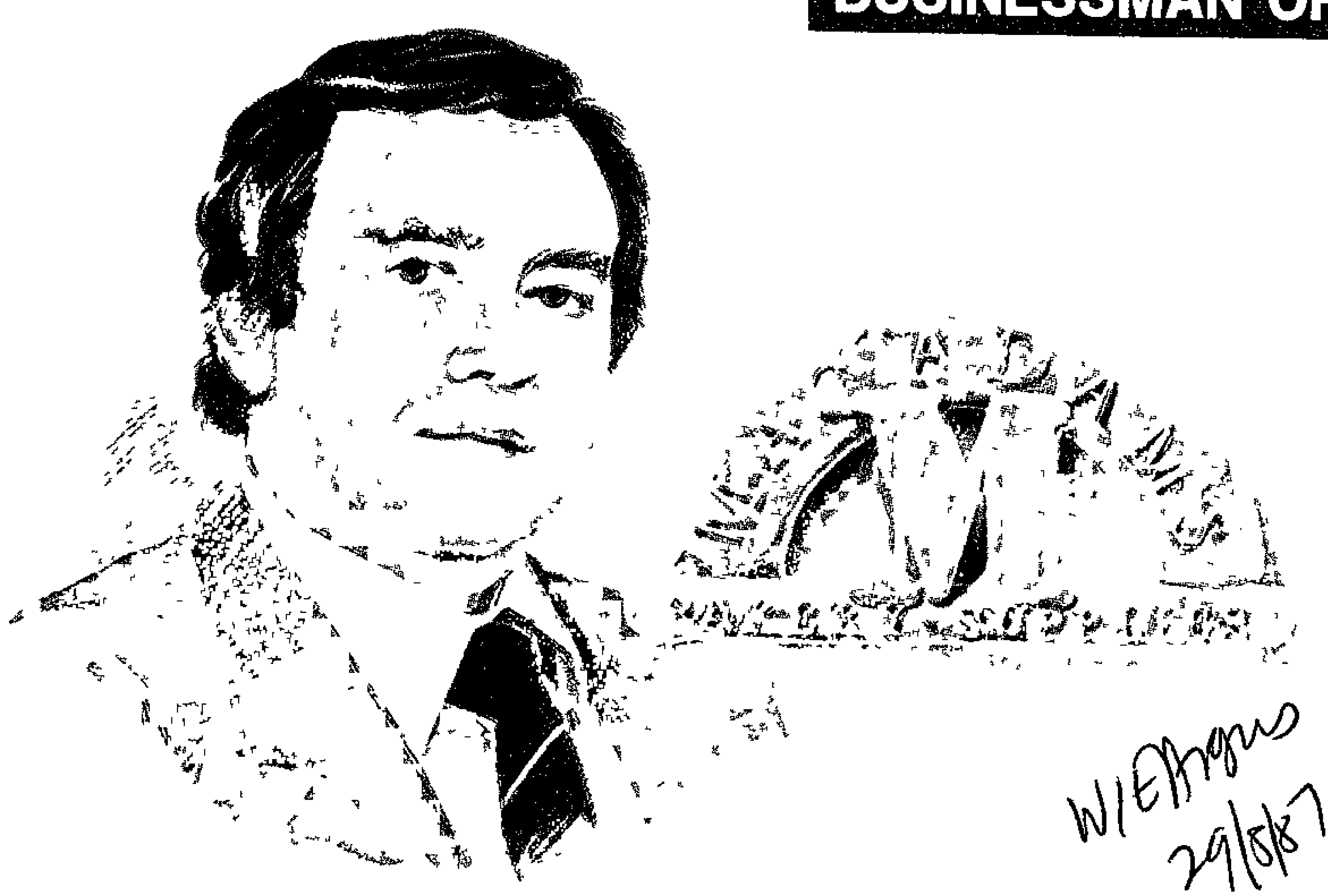
For it means that his company, the country's only national manufacturer and supplier of bakery equipment, can look forward to a steadily growing market.

Bread consumption is rising strongly, and with it the number of new bakeries in both white and black areas. And Macadams is benefiting because it can provide all they equipment they need.

EQUIPPED

The company supplies about 70 percent of the equipment used in the small bakeries and confectionaries markets, said Mr Resnick this week. One reason for this is that the company pioneered the development of the "in-store" bakery concept.

Buyers can now get a fully equipped bakery, which requires a floor area of only 25 sq m, for less than R40 000.



Arnold Resnick . . . ploughing back profits.

W/Ehgus 29/8/87

Mr Resnick is 41. He went to school at Sea Point Boys High and then went to the Cape Technical College.

He started working for Foschini, but after three years he and his wife bought the Macadams agency for bakery equipment.

At the time the firm imported all the bakery equipment, had a staff of eight and an annual turnover of R110 000.

In contrast today the company employs more than 300 people, makes an extremely high proportion of the goods it sells, and expects a turnover this year of R30-million.

Mr Resnick attributes the firm's success partly to the fact that it has always ploughed back its profits and also put something back in to the industry.

"Over the years we've put everything back in the business to allow for expansion — that has been our philosphy. We did not take anything out, even when we listed the company, it all went into the business."

He added that in those days you also had the time to get involved in the firm's activities and learn the business thoroughly.

"You could even take time off to talk to people," he added.

The company was also helped by changes in the regulations in the early 1970s making it easier for people to operate their own bakeries. This greatly enlarged the company's markets.

As business expanded so did Macadams and in 1979 it expanded to Johannesburg, where it now has manufacturing facilities, and then to Durban.

A major development in the company's history was the listing of its shares on the Johannesburg Stock Exchange last year.

Mr Resnick said this had been done for a number of reasons. One was to raise capital and reduce borrowings. A second was to reward employees. Every staff member received shares when the company was listed and most had retained them, he said. A third reason for seeking the listing was to enable the company to make acquisitions.

And since then Macadams has been extremely active in the takeover field.

Its first move was to buy B Joffe Manufacturing for R1,6-million. This was quickly followed up by the purchase of the Port Elizabeth-based Status operation for a mixture of cash and shares.

DIGESTING

It then took over the Johannesburg group, Omega Bakery Equipment and Omega Shop Equipment. And latest of all it has just acquired Cape Town-based Aloe Catering Equipment, which supplies catering equipment to institutions and hospitals and mines.

Macadams is now digesting these acquisitions. "I think we have achieved a lot in a short period," said Mr Resnick. "We're in-house now. We have our manufacturing setup. We are supplying both the catering and bakery side from here. We do not have to rely on outside orders to keep the factory going."

Mr Resnick says the benefits of the acquisitions will become apparent in the next 18 months.

Rembrandt shows growing strength

(From Page 1)

year to R8,26 If the market value of the group's investments is included, the shares are worth R12,96 — or almost 1300 times the price at which they were originally issued 40 years ago.

Then came the philisophising "The only constant is change," he remarked, adding "we are all aware that large businesses, like governments, may succumb to the lot of the dinosaurs unless they make timely adaptions to changing circumstances "

This was followed by the comment "Our philosophy is partnership, and not control We invest with a measure of consultation and give our experienced partners support and room to manoeuvre and progress independently."

GOOD ADICE

Good advice from Dr Rupert for business — and probably good advice for government too

Then came a warning to the Government Commodities (which South Africa produces in large quantities) are diminishing in importance, he said, and a country, as well as a company, should spread its risks and not depend too heavily and solely on raw materials.

It followed naturally that he should next call for the promotion of small new businesses — and for the cutting of bureaucratic red tape.

"We must free the energy bottled up in our communities so that it may create prosperity rather than friction.

DEMOLISH HOLY COWS

"We must also not hesitate to demolish holy cows. It is better to do away with obsolete control measures, than to run the risk of eventually having no control at all," he continued.

After this came the cryptic comment· "Economic freedom is the counterpart of political freedom and only when the two are united, like two sides of a coin, can they function effectively to create a better and safer future.

"The opportunities offered by this vast country are unlimited Let us all move forward without fear," he concluded

So the meeting ended, and his audience, whether shareholder or manager, pensively went outside into the sunshine

REMBRANDT GROUP

Flexing muscles

198

Activities: *Diversified international investment company with major interests in tobacco and liquor Other interests include banking, forestry and timber processing, printing and packaging, financial services, engineering, adhesives, life assurance, medical services, mining, petrochemical products and portfolio investments*
Chairman: *A E Rupert, managing director J A Rupert*
Capital structure: *522m ords of 1c each Market capitalisation R6,9 billion*
Share market: *Price 1 330c Yields 1,0% on dividend, 8% on earnings, PE ratio, 12,4, cover, 8,5 12 month high, 1 460c, low, 672c Trading volume last quarter, 2,6 m shares*
Financial· *Year to March 31*

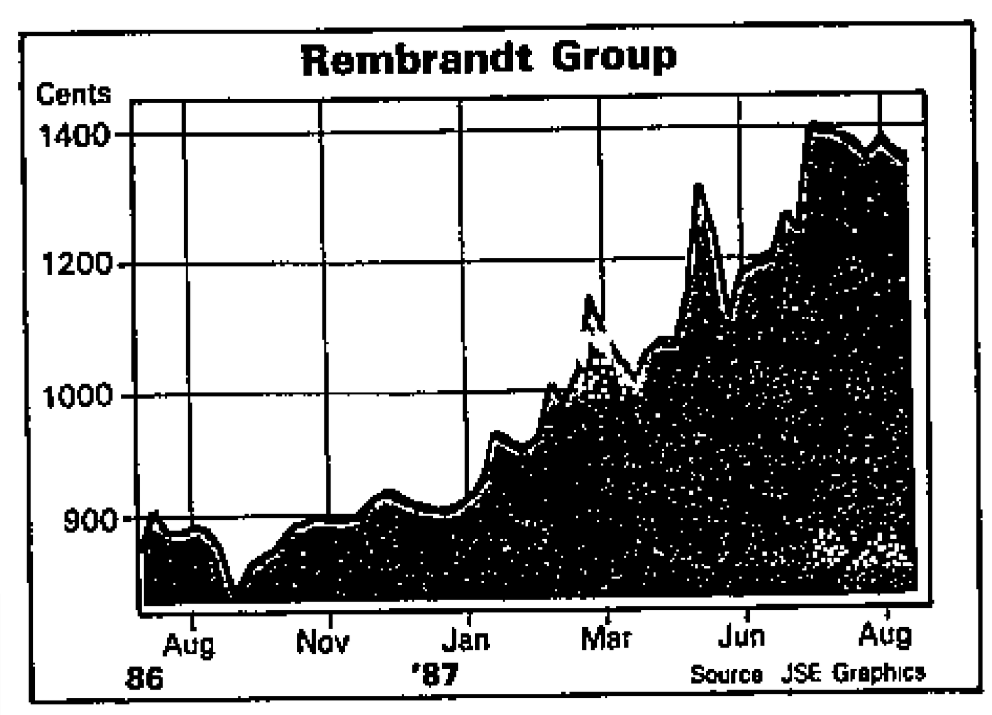
	'84	'85	'86	'87
Debt				
Short-term (Rm)	58,7	8,2	27,1	5,5
Long-term (Rm)	73,2	65,1	76,2	55,8
Debt equity ratio	0,07	0,03	0,03	0,01
Shareholders' interest	0,90	0,91	0,92	0,95
Int & leasing cover	13,3	15,3	22,2	34,6
Debt cover	2,1	2,9	3,2	6,0
Performance	**'84**	**'85**	**'86**	**'87**
Return on cap (%)	8,9	10,9	9,2	8,4
Pre-int profit (Rm)	259	315	410	509
Taxed profit (Rm)	260	218	279	347
Earnings (c)	498,2	524,3	731,6	106,9*
Dividends (c)	73,0	84,0	100,0	12,5*
Net worth (c)	4 930	5 428	7 707	109,6*

* After 10-for-1 share split

After the spending spree of the past several years, the Rembrandt group has steadily shifted the focus of its investments

According to the annual report, at the balance sheet date the original, core businesses lumped together as tobacco and liquor accounted for some 25% or about R1,1 billion of total capital employed of R4,32 billion (at book value). Already this figure has fallen substantially from the level given earlier in the decade, when tobacco and liquor accounted for some 50% of capital employed

Events since the 1987 balance sheet was drawn up will have reduced this figure even further Capital employed on both mining and banking, insurance and financial services was boosted by two major acquisitions



Remgro's Rupert . . . moving into precious metals

— 10% of Gold Fields of SA (GFSA) and 10% in Stanbic — for a total of close on R628m

The GFSA acquisition will have comfortably doubled the group's investment in mining to around R1 billion, making this amount virtually equal to the capital employed on tobacco and liquor Indeed, given the accounting procedures involved, it is safe to assume that the investment and the income derived from tobacco is actually a lot smaller than is suggested by the accounts

The Stanbic acquisition will have added some R190m to the amount employed in banking, insurance and financial services, lifting that figure to some R670m or about 15,5% of the March 30 total

Interesting as the Stanbic purchase was, though, the GFSA investment was larger, more controversial and more capable of being followed by a still greater investment later An important question relating to the true cost of the GFSA acquisition was the funding method used at the time, Rembrandt stated it had not yet decided whether the purchase would be funded from SA through the financial rand, by calling on cash held abroad, or by borrowing.

Precisely what method was adopted has still not been revealed However, I am told it would be a fair bet to conclude that most, if not all, of the funds were drawn from overseas, and that the group did not borrow money for the deal. It could be concluded from this that the group has therefore run down its foreign cash resources, which at year end stood at R343m, but that would not necessarily be realistic; cash inflow is evidently very large, and it may be all too easy to overlook the effects of fluctuating exchange rates.

For those who have bought the share partly on the strength of its international holdings, the investment in a South African mining house may appear somewhat disappointing I understand, though, that the thinking behind the purchase was to make an investment in gold and, in the future, in platinum, rather than to pursue geographic diversification. Apparently there is some concern in the group about economic and financial trends in leading international economies, and a significant hedge in precious metals was considered to be a useful medium to long-term investment

Whether or not these major purchases suggest that the acquisitions will lose momentum for a while is problematic — and, on balance, doubtful The group remains highly liquid, and appears to be considered an acceptable partner, particularly in local markets Faced with slow growth in tobacco consumption, it is evidently determined to continue to diversify Given the problems associated with running large mining operations at present, there seems no particular reason to expect an on-going rush into the mining industry But nor is management likely to simply watch cash resources mounting up

For most of the present decade, earnings and dividends have both remained on a steady upward trend, with the group posting gains of 46% in EPS and 25% in the dividend in the March year. Since the 10-for-1 share split earlier this year, the share has remained in demand, rising during the year by 66% to R13,30 this week Despite the share split this is more than 33% above the level of five years ago, when the share stood at R10,50 in August 1982

On income grounds the share looks expensive. The price stands above balance sheet net worth, and the dividend yield is a mere 1% But the dividend cover is a high 8,6 times, and the p e is not excessive at 12,3 times As chairman Anton Rupert noted at last week's annual meeting, at market value of investments, and taking into account market value of consolidated investments, shareholders' interest amounts to R12,96 per 1c share Even if the growth slows, the share should remain firm in view of the historic record and the sound strategic interests

Andrew McNulty

MANUFACTURING – TOBACCO

1988 – 1989

JANUARY – JULY.

14/2/88 S/1 (128)

Utico stays with the winners

Business Times Reporter

KEEPING to the job it knows has paid off for Utico Holdings, which has concentrated on expanding its share of the cigarette and snack markets.

In spite of fierce competition in both lines, attributable earnings increased by 65% to R13 218 000, which translates to 217,6c a share, according to preliminary figures for the year to December.

The turnaround in the Willards Food operation in the previous year continued.

A final dividend of 62c is proposed, making a total of 87c — more than double the previous year's 41c.

Both the major lines have benefited from the upsurge in consumer spending, says managing director Bruce Edmunds. Momentum on the snack business seems to have been maintained.

Factor launches non-smokers' club — with big perks

Star 2/3/88

By Toni Younghusband, Medical Reporter

Johannesburg discount king Mr Tony Factor declared war yesterday on smokers and vowed that South Africa would be smoke-free by the year 2000.

He was speaking at the launch of the country's first anti-smoking club which has been established in Orange Grove.

The club, which is aimed at all sectors of the population whether they be smokers or non-smokers, will entitle members to discounts on purchases, rentals and other consumer commodities.

"The club will encompass not only the means for an intensive research programme and the dissemination of information, but also a wide variety of recreational activities and personal benefits for those who choose to join the club," said Mr Factor.

According to statistics released at the launch, smoking claimed three lives every two hours and 34,5 percent of all white men in the country died from tobacco-related causes

CIGARETTE ADDICTION

South Africa has the highest percentage of smoking per capita in the western world — 22 billion cigarettes were bought annually by the South African consumer, Mr Factor said.

Statistics showed that more than 12 million South Africans were addicted to cigarette smoking.

Mr Factor praised South African Airways for its smoking ban on domestic flights, saying he was pleased it had had the guts to take a stand.

Mr Factor's decision to establish an anti-smoking club came after years of cigarette addiction, two heart attacks and a by-pass operation.

He gave up the habit last year and has now decided to devote the rest of his life to "the plight of the victims of smoking".

To join Mr Factor's club, a non-smoker must pay R75 per annum and potential non-smokers R95 per annum.

UTICO

Lighting up

(198)

Activities: *Investment holding company operating through subsidiaries in the cigarette, tobacco, snack food and fruit juice industries*
Control: *BAT Industries plc (registered in the UK) is the ultimate holding company with an effective 63,62%. SA Mutual holds 17,59%.*
Chairman *F N Haslett; managing director: D B Edmunds*
Capital structure: *6,1m ords of R1 each. Market capitalisation R82m*
Share market: *Price R13,50 Yields. 6,4% on dividend, 16,1% on earnings; PE ratio, 6,2, cover, 2,5 12-month high, R18,50; low, 810c Trading volume last quarter, 45 000 shares*

Financial: *Year to December 31.*

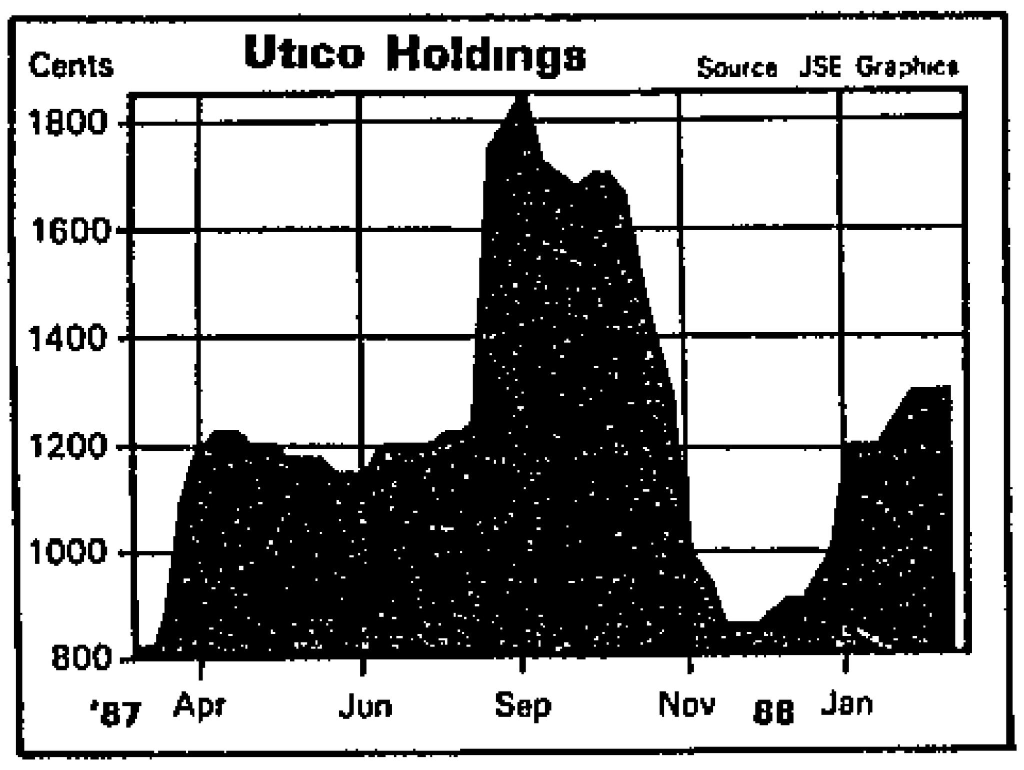
	'85	'86	'87
Debt			
Short-term (Rm) ..	26,5	9,9	1,3
Long-term (Rm)	14,2	8,8	1,7
Debt equity ratio	0,66	0,30	—
Shareholders' interest	0,43	0,48	0,51
Int & leasing cover .	1,45	3,8	8,0
Debt cover .	0,20	0,74	6,9

Performance:

	'85	'86	'87
Return on cap (%)	7,0	13,7	18,4
Turnover (Rm) .. .	185	224	269
Pre-int profit (Rm)	10	19,1	27,0
Pre-int margin (%)	53	8,5	10,0
Taxed profit (Rm) .	2,8	8,0	13,2
Earnings (c)	47	131,9	217,6
Dividends (c)	20	41	87
Net worth (c)	1 015	1 105	1 236

Utico made large strides in its 1987 year, producing strong improvements both in profitability and in its balance sheet. For this year, profit growth looks set to remain strong, but borrowings are likely to rise again. On present indications, that should still leave scope for continued improvements in returns to shareholders.

Sales growth in real terms was achieved, with turnover rising by 20,3%, and this helped operating income to advance by 41,7% Chairman Fred Haslett says that, apart from turnover growth, income growth was derived from improved factory, sales and distribution productivity.



Utico's Haslett ... food profits rising

At attributable level the increase was a still more impressive 65%, thanks to a R2,4m drop in the interest bill. A combination of surging cash flow — gross cash flow jumped from R13,9m to R20,4m — containment of capital expenditure and lower than normal stockholdings resulted in borrowings swinging from the year ago R18,8m to a net cash position of R1,1m at year end.

However, borrowings fell to this extent for unusual reasons and can be expected to rebound sharply. Despite the rate of the growth in sales, stocks rose by only R1m or 1,5%, this was because the 1986/1987 leaf tobacco crop was adversely affected by drought which caused both quality and quantity deficiencies Leaf tobacco stocks were kept low and these are expected to return to more normal levels.

MD Bruce Edmunds says that if sales rise as anticipated, stocks this year would expand by between R15m-R20m, the bulk of which would be funded from borrowings. Depending on cash inflow during the year, that could imply debt would return to at least R10m. In addition, there are plans for a significant increase in capital expenditure, with investments to be made mainly on the upgrading of capacities and modernisation.

Haslett says the cigarette market showed "pleasing real growth" last year, although the pipe tobacco market continued its long-term, modest decline, indicative of changing rural conditions and lifestyles. Profitability of the United Tobacco division, Haslett says, was substantially ahead of the previous year, both in operating income and return on net assets, further benefits being seen from the factory modernisation programme started in 1984.

Willards Foods division continued its profitability turnaround reported in 1986 Haslett says the snack food and fruit juice markets showed satisfactory real growth, but the snack market remains highly competitive with constant pressure on margins The factory was converted from a two shift to three shift operation and this improved asset utilisation and protected margin erosion

While no divisional profit contributions are given, Edmunds says the food division has become a "substantial business" The United Tobacco division evidently remains dominant

For the current year, Haslett expects continued growth in all of the group's business, provided economic recovery endures Overall results should again be better, although the pace may be slower than in the past two years For the present, the share looks fully priced at R13,50, which is well above the low of 850c, and yields 6,4% on dividend

Andrew McNulty

CHEMSERVE FM 18/3/88

Takeover benefits

Since Chemserve's preliminary results for 1987 were announced in early February, the share price has firmed R1 to R19, apparently indicating the market's rerating of the stock has been maintained in the bear market and that investors are again taking note of fundamentals

An important reason for the rerating was that Chemserve, which kept its dividend at 50c between 1981 and 1985, improved its payout to 62,5c and 80c in 1986 and 1987 But the company also lifted dividend cover, which reached 2,4 times last year, up from 1,7 in 1983

Financial director Lex van Vught says internal financing will be important as interest rates rise. It will also be vital to have low borrowings and Chemserve is paying off short-term loans as fast as possible These are not large, amounting to R4,5m net of cash at year-end, but they were increased after the balance sheet date, when the company paid R9m to raise its stake in Industrial Oleochemical Products (IOP) from 45% to 85% and as a result of consolidating IOP, which was highly geared

One of Chemserve's problems was that the market for its original product, formulated

DID 19/3/88 (198)

Cigarettes prices up

CAPE TOWN — Both major tobacco groups in South Africa, Rembrandt and United Tobacco Companies, increased their cigarette prices yesterday

A packet of 20s now costs an extra 2c, while the cost of a packet of 30s went up by 3c

This means that when the recently announced higher excise duty comes into effect smokers will be paying a total of 6c more on a packet of 20s and 9c more on a packet of 30s

A supermarket executive said cigarette prices had increased in price by 10,5 per cent over the past year

19/3/88

which also received ... from the higher gold price.

Bonus as Utico sells brand names

198 8/day 18/4/88

LIZ ROUSE

UTICO shareholders will receive a 308c special dividend as a result of the sale of certain of the title of certain cigarette brand names to a subsidiary of Untico Holdings' UK parent BAT Industries.

Utico shareholders have the option of receiving new capitalisation shares of 100c each on the basis of 35-for-100.

British-American Tobacco Company (Batco), a wholly owned subsidiary of BAT Industries, which has a controlling holding of 63,62% in Utico, will buy the title of some Utico brand names for R11,3m. The brand names could not be established last night.

Batco will take the special dividend in respect of its entire Utico shareholding and R11,3m will be set off against the purchase price for the acquisition of the title to the trademarks.

Utico will continue to use all the trademarks concerned. The Utico subsidiaries will consequently continue to enjoy virtually the same benefits they enjoyed as owners of the trademarks, but will be obliged to pay a royalty of 2% of the net sales value of the cigarette brands concerned.

Reasons for the proposals are: Batco's policy to centralise the ownership of the BAT group's international trademarks; and Utico's opportunity to pay out a special dividend or give its minority shareholders a chance to increase their holdings if they take up the capitalisation share offer.

If shareholders take the special dividend, Utico's forecast earnings for the year to December are 254c a share, and the dividend payment over 95c after deducting tax on the special dividend of 30% — increasing to earnings of 261c a share and a dividend of over 96c if the tax rate is 10%.

● To Page 2

Special dividend as Utico sells trademarks

18/4/88

● From Page 1

198 8/day

Taking the cap issue, earnings should be over 284c a share and the dividend total 114c

Utico shares rose to a year's high of R17 on April 11 before suspension, when unusual activity in the stock continued after a previous cautionary announcement

The shares will be reinstated today

6 277	3 320
706	535
22	13
94	522

27/4/88

UTICO

Finding assets

Utico's planned sale of certain cigarette brand trade marks to UK-based parent company Batco is puzzling But it appears possible that this could be an unusual deal that would benefit both parties

Essentially, the announcement includes an agreement that Batco is to buy the trade marks, with effect from January 1 1988, for R11,3m. Utico would retain a licensing agreement entitling it to the continued use of all the trade marks concerned, but will be obliged to pay a royalty of 2% of the "net sales value" of the cigarette brands concerned.

An offer is also being made to shareholders whereby they will receive a special dividend to be declared of R3,08 per share, payable out of distributable reserves They may, however, elect to receive new ordinary capitalisation shares on the basis of 35 cap shares for every 100 Utico ords held.

Batco has irrevocably agreed to accept the special dividend in respect of its entire shareholding R11,3m of this amount will be set off against the R11,3m it is to pay for the trade marks

What is not adequately explained in the announcement — or by the company — is why this rather convoluted procedure was necessary The statement simply says Batco's policy is to centralise the ownership in Batco of the BAT group's international trade marks Secondly, it enables Utico to offer its shareholders a special dividend related to the consideration received and to increase their shareholding in Utico relative to Batco

On the face of it, this simply looks like a complicated way of going about disinvestment The company gets its trade marks, and, in net terms, does not actually pay for them.

There is another interpretation From Batco's standpoint, it presumably pays the initial R11,3m via the financial rand, which would mean a discount of some 34%, thereby reducing its actual cost to just less than R7,5m. But it would receive the special dividend via commercial rands, making a difference of some R3,8m, based on Batco's stake in Utico of 63,62%

Utico's accounting policy is to write off all trade marks, patents and goodwill as they occur. The trade marks to be sold are thus valued in the Utico balance sheet at zero With the special dividend being effectively paid out of the consideration received from Batco and the disposal of the trade marks apparently not having the effect of reducing Utico's asset value, it may be argued that Utico shareholders are gaining value without ending up with shares in a shrunken company The share price, meanwhile, has risen sharply

However, there are still the royalties to be paid and it remains puzzling as to why Batco should have found it necessary at this stage to retain the trade marks, which one would expect to be used internationally anyway Technically, should Utico ever be unable to pay the royalty, it could lose the trade marks

Analysts are also questioning the apparent dilution of earnings per share that could result from the optional capitalisation offer As the offer is for 35 cap shares for every 100 held, the new shares are effectively being issued for about 880c each. Given that this compares with Utico's current market price of 1675c on the more favourable interpretation outlined above shareholders should most certainly take the shares.

On that basis, Batco's percentage shareholding could be significantly reduced Whether it would end up much below 50% is unclear Apart from the minorities, that would depend on the other major shareholder, Old Mutual, which holds 17,59%

Andrew McNulty and Louis Venter

Rembrandt gets Cartier jewels for its crown

Star 29/4/88

198

By Magnus Heystek,
Finance Editor

The Rembrandt Group has emerged as the dominant player in the world watch market after the take-over of Swiss luxury watchmaker Piaget by the French jeweller Cartier, announced earlier this week.

Cartier said it had acquired Piaget and its subsidiary, Baume et Mercier, in a move which would give it more than 40 percent of the world watch market, which had sales of more than $2,2 billion last year

Cartier, a leading maker of prestige jewellery, clocks and watches, is 46,5 percent-owned by British tobacco group Rothmans International

Societe Generale de Belgique, Belgium's biggest company, and US investment house Drexel Burnham Lambert are other shareholders

The Rembrandt Group is the major shareholder in Rothmans International, with a controlling stake of 33 percent.

A spokesman for Rembrandt confirmed yesterday the deal, but declined to disclose the price paid.

Cartier chairman Alain Dominique Perrin said in Paris the new line-up, grouped under Geneva holding company PMB Holding International, would be the largest in the business and would mount a challenge to prestige Swiss watchmaker Rolex.

The new group would aim for 1988 turnover of $1 billion, against Cartier's sales of $680 million last year in a global market worth about $2,2 billion annually.

"Cartier has about 25 percent of the world market. With its (Piaget's) acquisition, its share rises to over 40 percent and overtakes Rolex, our biggest rival," Mr Perrin said

Cartier will control 60 percent of PMB's capital, leaving the remaining 40 percent in the hands of the Piaget family

"We do not plan to absorb our acquisitions They will continue to be autonomous and separate. What we will share will be technology and trade know-how," he told Reuter

The accord brings Baume et Mercier and Piaget, each small businesses employing about 600 people, into the net of multinationals which, in recent years, have been seeking out niches in the luxury market, industry sources say

The jewellery house employs 2 600 people directlu About 16 000 more work worldwide under licence producing pens, cigarette lighters, glasses and leather goods bearing the Cartier logo

The French press sees the agreement as Rothmans' first step in bringing the Swiss company into the international fold

● Mr Robin McGregor, publisher of Who Owns Whom, said yesterday that Rembrandt's share of quoted companies on the Johannesburg Stock Exchange had increased to 4,9 percent, compared with the 4,3 percent it held before last October's crash

All other significant shareholders on the JSE, with the exception of Anglo Vaal, had seen reductions

"This indicates the quality of the investments made by Rembrandt over the years," Mr McGregor said

Tobacco farmers unhappy over anti-smoking drive

DIO 5757.88

198

CAPE TOWN — Tobacco farmers were unhappy about certain tendencies and arguments that were being raised in the campaign against smoking, the Minister of Agriculture, Mr Greyling Wentzel, said yesterday

Mr Wentzel said it had to be realised that however much the health people fought against tobacco, people in South Africa would continue to smoke

As long as there was a demand there would continue to be tobacco producers, he said

"The Tobacco Board has a very responsible attitude on the health problems associated with tobacco "

Mr Wentzel added that tobacco farming was an important industry and was tremendously labour intensive

Earlier Mr W D Meyer (NP Humansdorp) said the PFP spokesman on health, Dr Marius Barnard, should temper his pronouncements on smoking

Dr Barnard knew that banning and restricting smoking would not work, for as soon as a substance was banned it went underground and was then all the more difficult to control, he said

"The government's view was very clear — it believes in negotiation and persuasion, not in making laws

"Everything that has already been achieved in the field of smoking and health has been as a result of this process," Mr Meyer said

"The tobacco industry provides a livelihood for 1 540 farmers and 64 000 labourers on their farms, bringing those farmers a gross income of R200 million a year "

It was one of the few agricultural activities that was able to stand on its own feet without asking for handouts from the State, he said

This sensitive and very important industry should not be inflicted with injustices it did not deserve, Mr Meyer added — Sapa

Major restructure at Rembrandt expected

Star 6/5/88

198

By Ann Crotty

The four listed companies involved in control of the Rembrandt Group's widespread interests showed strong advances in yesterday's market after an announcement about a possible restructuring of certain domestic and unquoted international interests

Remgro moved up 140c to R11,80; Rembeh added 65c to 830c, TIB firmed 55c to 730c and Tegkor gained 50c to 700c

Although it was not possible to get the publicity-shy group to add any flesh to the announcement, the market seemed sufficiently encouraged by the statement that if the restructuring was implemented it could have a material effect on the share prices of the four companies involved.

Further information is expected to be made available to shareholders to coincide with the preliminary announcement of group results at the end of June

Between now and then analysts will no doubt be constructing a myriad of potential organisational structures

At this early stage, the feeling seems to be that the move has been prompted by the need for Rembrandt to get a better hold on its widely scattered investments

Because of the veil of secrecy that surrounds group activities, it is difficult to put an exact figure on the extent of those investments But according to Robin McGregor of Who Owns Whom, Rembrandt's share of quoted companies on the JSE had now increased to 4,9 percent, compared with the 4,3 percent it held before last October's crash

At end-March, the total market capitalisation of the JSE was R233 billion On a simplistic assumption, this would put the current value of Rembrandt's JSE investments at R11,4 billion These are spread across four major sectors tobacco and liquor, mining, engineering, financial services In addition, there are "other" interests and portfolio investments.

These interests have been accumulated over the years and have been added onto a fairly simple organisational structure which sees the Rembrandt Group at the centre operating on a philosophy based on partnership with the individual management teams This philosophy has had the advantage of allowing Rembrandt to keep a low profile — an important consideration in regard to group accumulation of assets overseas

Analysts say although Rembrandt's founder-chairman Dr Anton Rupert professes to adhere to a philosophy of "progress through partnership", it is usually the case that Rembrandt is the controlling partner

It may be the Rembrandt board now feels its relatively simple organisational structure is no longer adequate to ensure the most effective use of the group's massive asset base If this is so then the most obvious change would see the creation of four divisions under Rembrandt to manage more closely their four major investment areas

One such division would comprise a financial holding company which would bring together Rembrandt's financial interests, chief of which are a 30 percent stake in Volkskas group, 20 percent in Sage Holdings, 10 percent in Boland Bank, 10 percent in Stanbic and 20 percent in Lifegro In addition, the Rupert family has a 30-percent stake in Rand Merchant Bank and the group has access to an even wider spread of financial interests through various cross-holdings.

A separate division to manage these interests might be able, more effectively, to implement a more focused strategy from Rembrandt's point of view It would also imply a greater degree of overt control by Rembrandt management

As a focused entity, Rembrandt's financial division has remarkable potential One leading Rembrandt analyst, taking a long-term view, speculated on the creation of a major financial force through the merger of Donald Gordon's Liberty Group, and other financial interests with the Rembrandt financial interests. (Mr Gordon and Mr Rupert are reported to have a very high regard for each other.) Such a force would see the bringing together of majors Volkskas, Standard and Liberty, as well as the other smaller banks and insurance companies, and would offer enormous scope for rationalisation. In addition, Mr Gordon has considerable overseas financial investments and Rembrandt also has significant international interests.

There may be similar potential in the streamlining of Rembrandt's other three "divisions" And it may be that what is eventually announced will be considerably tamer than what analysts are currently speculating on

198 B/days

Dazzling 48% profits increase for Rothmans

MIKE ROBERTSON 24/6/88

LONDON — For the second year running Rothmans International has announced a dazzling set of results, increasing pre-tax profits for the year to end March by 48% to £288,8m.

Rembrandt owns more than a third of tobacco and luxury items group Rothmans International's equity and more than 43% of voting shares through Rothmans Tobacco Holdings. The latter is under the effective control of the Rupert Foundation Société Anonyme, which in turn is controlled by Rembrandt.

Earnings per share, on a fully diluted basis, rose by 49% to 42,7p. Last year they more than doubled from 10p to 28,6p.

Rothmans announced a final dividend of 7p, bringing the total for the year to 10p, up 30% on 1987.

Even before the release of the results, Rothmans shares rose 5p to 452p on rumours that it or Rembrandt was to buy Consolidated Gold Fields' (Cons Gold) remaining stake in GFSA.

A Cons Gold spokesman dismissed the reports as market speculation arising from "the modification of our stake last year".

The company has in the past stated its commitment to SA. But with the SA contribution to total group profits falling rapidly — it was 47% in 1983 and is expected to fall to just 10% in 1991 — brokers believe that commitment is not what it used to be.

"No sale is expected in the immediate future, but nothing is forever, and a further modification of the stake cannot be ruled out," said one broker who closely monitors Cons Gold's activities.

In a statement released with the results, out-going Rothmans chairman Sir Robert Crichton-Brown said the tobacco subsidiaries continued to benefit from

● To Page 2

Rothmans profits rise a dazzling 48%

198

● From Page 1

B/days 24/6/88.

rationalisation measures.

Operating profit, was up 31% to £266,6m, while the consolidated balance sheet showed a further strengthening of the group's financial position with net liquid funds advancing from £328,3m to £442,4m

The company's interests in luxury consumer products had again achieved outstanding results, the chairman said.

Dunhill Holdings, a 51% subsidiary, had reported a 44% increase in attributable profits, while Cartier, in which Rothmans has a 47% stake, had made a substantial advance in sales and profit

Crichton-Brown said: "By disposals, and by reducing the working capital requirements of continuing businesses, we have halved the sum of net operating assets employed by the company and its subsidiaries That smaller base of assets has produced in 1987/88 an operating profit 2,5 times what was achieved three years ago."

Rembrandt plans unveiled today

Star 28/6/88

198

By Magnus Heystek

The business community will be presented with its second major company reconstruction within days when the normally secretive Rembrandt empire of Dr Anton Rupert unveils details of its multibillion rand regrouping at a Press conference today

This follows on the restructuring of the FSI/Waicor group, announced over the weekend

This sudden rush of major reconstruction of large companies is partly a result of the moratorium declared on stamp and transfer duties relating to group restructuring announced in this year's Budget

The shares in the Rembrandt fold have been very strong since the cautionary announcement on reconstruction was posted last month

Due to technical problems at the JSE last night, the closing prices could not be ascertained But at noon, Rembrandt Beh, Rembrandt Group, Tegkor and Tegniese Industriele Beleggskorporasie were trading at 1020c, 1400c, 860c and 920c respectively

In all instances, this was up nearly 50 percent from lows the various shares dropped to after the Great Crash of 1987.

With prospects of a major re-

Dr Anton Rupert

construction and, hopefully, greater declaration in the wind, coupled with renewed weakness of the rand, Rembrandt shares have outperformed the market as a whole

It is believed that results for the Rembrandt group, due out last week, have been held back to coincide with the announcement of the new structure

If the results of its major international subsidiary, Rothmans International, in which Rembrandt holds a controlling 35 percent, are anything to go by, these should be sound

For years, chairman Dr Rupert has managed to throw a veil of secrecy around his multibillion rand international operation, with shareholders having to accept the barest of information

But a study by the Bureau for Financial Analysis at the University of Pretoria has found that shares in the Rembrandt group have been the most consistent performers in respect of income plus capital growth

With the company delivering the goods year after year, shareholders have had no reason openly to question this lack of information

Scattered assets

Since its inception in 1946, the Rembrandt group has evolved into one of South Africa's truly multinational companies, with assets scattered around the globe

Initially a manufacturer of cigarettes and tobacco, the group now has vast, and in many cases dominant, interests in liquor, mining, insurance, finance, luxury goods, hospitals, banking, engineering, appliances and other consumer goods

Its overseas interests include major stakes in brand names such as Rothmans, Cartier-Monde, Piaget, Dunhill, Cavalla, Carling O'Keefe and Rowenta

Rembrandt last year acquired a significant stake of 10 percent in Consolidated Gold Mines (Cons Gold), with a preferential option to increase this stake even further

Rumours in London last week were that the recent strengthening of the share value of Cons Gold might be linked to this possibility

One line of thought suggested is that the group will be split into local and overseas components, with investors holding shares in both entities

But comment from Stellenbosch, headquarters of the group, has not been forthcoming

Rembrandt plans to set up international holding company

Star 29/6/88

198

By Sven Lunsche

The Rembrandt Group yesterday said it would float off its vast international interests into a new European-based investment holding company to be listed separately on a European stock market and the JSE.

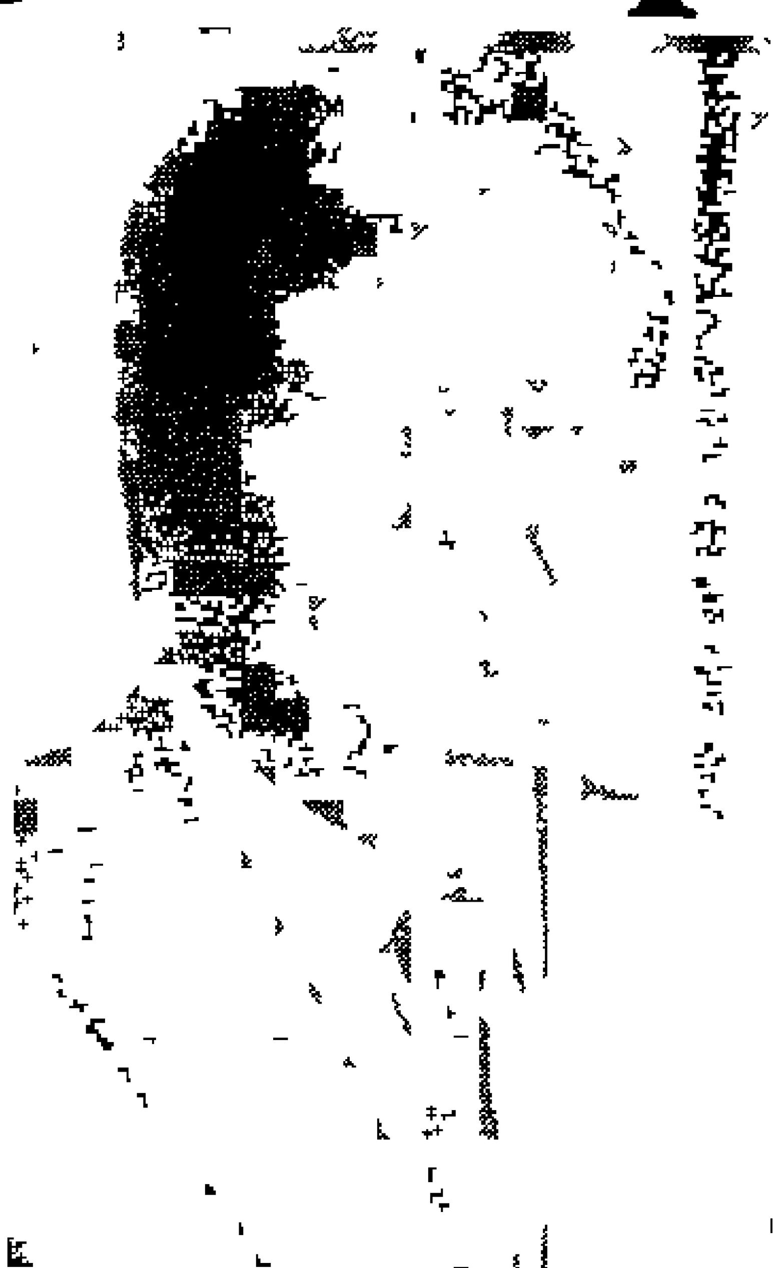
The group will control virtually 50 percent of Rembrandt's current worldwide earnings of R1 billion

However, at a Press briefing yesterday, Rembrandt director Johan Rupert remained secretive about details of the deal, which would be presented to shareholders in August.

He said shareholders in the four main listed Rembrandt companies — Rembrandt Group (Remgro), Rembrandt Controlling Investments (Rembeh), Technical Investment Corporation (TIB) and Technical and Industrial Investments (T & I) — would be offered shares in the new world group on a pro rata basis to their current shareholding

Shareholders in Remgro and its three pyramid companies would have the chance to retain existing holdings, while also taking up shares in the new company, representing Rembrandt's offshore interests.

Between 40 and 50 percent of total earnings of the Rembrandt empire are off-shore based. While Remgro's and its three pyramid companies' future earnings would be without the contribution of the overseas investments, Mr Rupert stressed "Every shareholder in all our listed companies will have a precise interest in the new holding company, depending on the stake of his company in the underlying assets of the whole group"



Mr Johan Rupert

He said the new company would have to adopt a more generous dividend policy, in keeping with norms in Europe.

South African shareholders will receive dividends from the new holding company without deductions So the dividend yield, being more generous than for the South African companies, is likely to lift the price of the shares

Mr Rupert said the overseas rationalisation would involve Rembrandt's unquoted investments While Rothman's would play an important part in the new group, it would not be restructured, as had been reported recently

The arrangements seem likely to force the group into somewhat fuller disclosure Mr Rupert said the European holding company would obviously have to meet the requirements of the major overseas market on which its shares were listed.

He denied that the deal was being done mainly to disguise Rembrandt's South African lineage

Mr Rupert said the group wanted to be prepared for the unification of the European market in 1992 and had been working on the deal for about three years.

"Following this unification, it will be very difficult for outsiders to participate on any scale in this market, which is the major reason why we are going for a distinct European-based operation," he said

Mr Rupert said Remgro would rearrange its local investments into five operating divisions, "in order to exploit opportunities for expansion and further growth".

The division would have trademark-orientated products, mining and engineering, financial services, diverse interests and internal group services

The announcement of the restructuring coincided with the release of results for the year to March, which showed that Remgro's earnings had risen by 33 percent to R740,6 million. The total dividend has been raised from 12,5c to 17c

Rembrandt Beheer's earnings rose by 33 percent to 105,08c, with the dividend up from 9,25c to 12,58c TIB's and T & I's earnings improved by just over 32 percent each to 92,16c and 97,65c They are paying respective total dividends of 11,04c and 11,70c.

Remgro is to split up its interests

198

B/day 29/6/88

HELENA PATTEN and CHERILYN IRETON

THE Rembrandt Group (Remgro) is to split its local operations and unquoted offshore interests in a reorganisation which will see the formation of a new European-listed holding company, housing all foreign investments

Scant details of the rearrangement were disclosed yesterday — coinciding with the publication of the group's final results which show a 33% growth in Remgro's earnings A final dividend of 10,1c has been declared, taking the total distribution to 17c

● RUPERT

Director Johann Rupert said yesterday that until the restructuring was complete, shareholders should exercise extreme caution in share dealing and should consult professional advisers before selling their shares.

He said the deal would position the group as a major player in the post-1992 open European market.

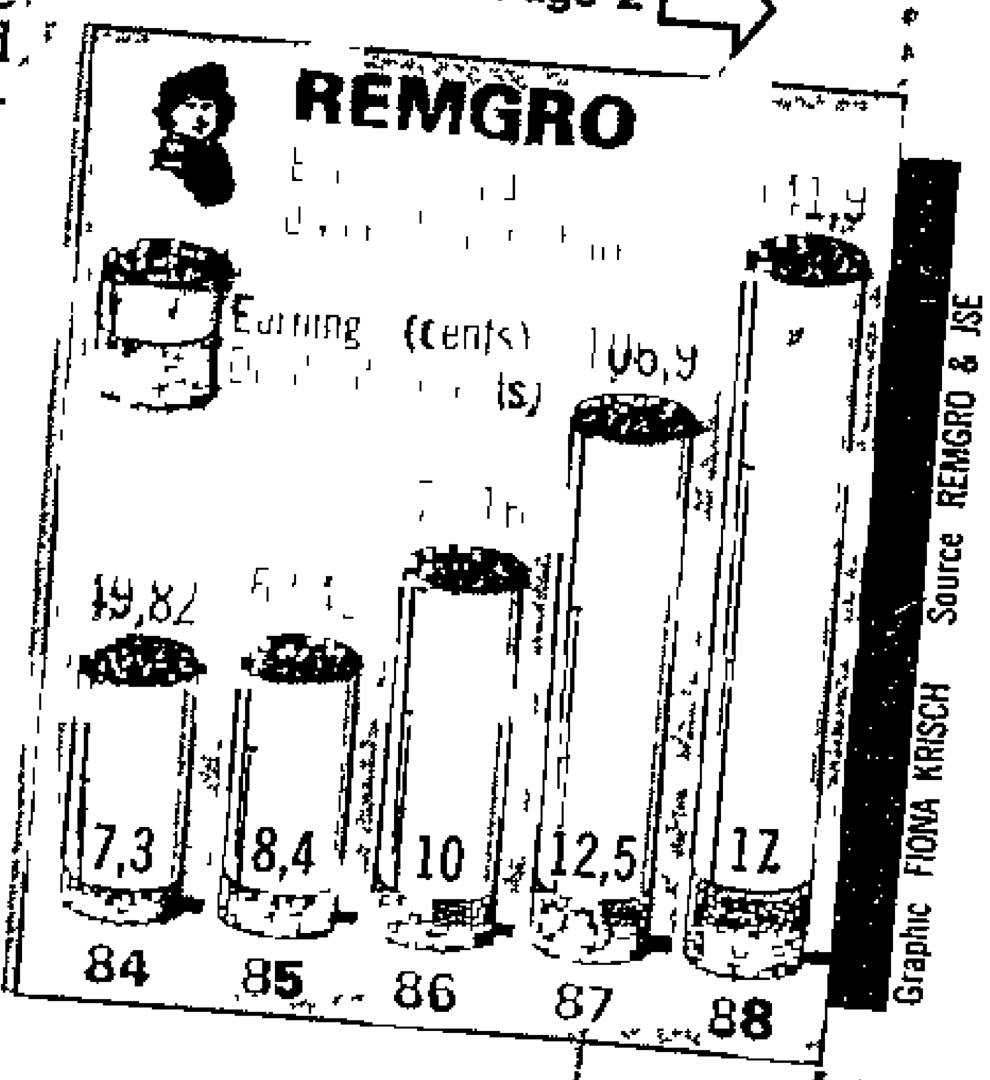
All shareholders of Remgro, Technical and Industrial Investments (TIB), Technical Investment Corporation (Tegkor) and Rembrandt Controlling Investments (Rembeh) will get a stake in the European company for no consideration in proportion to shareholdings The shares will be listed on a continental stock exchange and on the JSE

Local interests will be rearranged under five operating divisions Trademark Oriented Products will probably house the tobacco and liquor interests, while Mining and Engineering will incorporate Fedmyn, GFSA, Transhex and Metkor Volkskas and Sage will fall under Financial Services and Medi-Clinic will probably slot in under the Diverse Interests division Internal group services will include a reduced head-office team.

Remgro will have no stake in the new company — removing its rand hedge element The group will lose its earnings from foreign interests which account for an estimated 45% of attributable profits

Rupert said the directors believed the implementation of a single European

● To Page 2



Remgro to split local-offshore interests

● From Page 1

market in 1992 would result in a consolidation of economic strength, making it essential for companies operating in Europe to be able to raise money in the major capital markets.

The group's move had been in the pipeline for two-and-a-half years, after recognising that rationalisation in Europe was inevitable A detailed document of proposals would be sent to shareholders in August.

As the restructuring consists of a rearrangement of assets, it will not have any effect on the underlying net-asset value and attributable earnings of the aggregate of the group and the European company

One advantage for shareholders who keep their stake in the new company is that, in keeping with the overseas markets, it will have a more liberal dividend policy than that of the Rupert companies This should boost the aggregate dividend payment materially

Meanwhile Remgro, which has a market capitalisation of about R7,5bn, has increased its bottom-line earnings by 33% to R740,6m (R558,1m) in the year to end-March About R307,3m was from associates

Rembeh, which has fewer shares in issue, earned 105,08c a share (79,11c) from which a final dividend of 7,47c has been declared (5,18c)

Earnings from Tegkor increased to 92,16c (69,45c) and the board raised the final dividend to 6,56c (4,54c)

TIB's results tell a similar tale, with equity accounted EPS up to 97,65c (73,79c) of which 6,95c will be distributed as a final dividend

198 B/day 29/6/88

Rembrandt offers free shares in new company

198

The toast of the week: Thank you, Dr Rupert

Star 2/7/88

TOM HOOD

The toast this week from the tannies of the Boland to the tycoons of the Rand must be Thank you, Dr Rupert

For Anton Rupert's Rembrandt Group has disclosed it will give give them free shares in a new company to be based in Europe

Remgro and its listed subsidiaries have 1,18 billion issued shares, so hundreds of millions of shares could come their way

More generous payouts than in the past have been promised, in line with European standards. And as tax-free dividends flow back to South Africa, the sinking rand will increase their value even more

Many of the hundreds of shareholders have been with the company since 1945 Some knew nothing about ratios, EPS or dividend yields when they answered Dr Rupert's SOS for funds to start the business he had only £10 capital of his own

As one woman shareholder, wearing her Sunday hat, said at an AGM in Stellenbosch "We knew little about the share market, but we felt we could trust Dr Rupert with our money."

Those who stood by him in the early days of the tobacco-based conglomerate have been amply rewarded over the years

Take 1945 Shareholders' interest then was £250 000 (R500 000) Today, shareholders interest has increased to R4,3 billion

This means a £100 investment in 1945 is now worth R1,7 million

In 1945, total assets amounted to R1 million Today the worldwide empire is worth R4,3 billion in the balance sheet, but the market value is something in the region of R12 billion

After four years of business, earnings for 1949 were stated to be 0c a share The latest figure is 141,9c earnings for the year to March

If the shares had not been subdivided at least twice over the years — shareholders were given 10 new shares for every share they owned last year — earnings would have been at least R15,60 a share for 1988

Almost as incredible is the amount of dividends paid despite complaints of stingy payouts emanating from some commentators

Company records show a dividend of 6c was paid on a 50c share in 1950-51

The latest, after a 40 percent rise in the final dividend, is a 17c total for the year on a share of 1c This 17c, however, is worth 850c if assessed on a 50c-share basis

But the free share offer is not entirely due to generosity — it is to compensate for the loss of future overseas earnings by Remgro and the three companies

The group has been compelled to prepared itself for the unification of European Community markets in 1992, according to Mr Johan Rupert, managing director

He denied suggestions earlier this week that the float-off was also intended to disguise its South African links

More details of the new company are to be disclosed next month

The new group will control virtually 50 percent of Rembrandt's current worldwide earnings of R1 billion. Between 40 and 50 percent of total earnings of the group are based off shore

Mr Rupert said that shareholders in the four main listed Rembrandt companies - Rembrandt Group (Remgro), Rembrandt Controlling Investments (Rembeh), Technical Investment Corporation (TIB) and Technical and Industrial Investments (T & I) — would be offered shares in the new world group based on their current shareholdings

REMBRANDT'S RESHUFFLE

198

Dissecting the assets

Rembrandt has revealed the planned equity structure that will separate its SA and international interests Still to be given in a prelisting prospectus due in late September are details of the foreign assets.

On this point, investors are now told only that the overseas interests are principally in luxury consumer goods, tobacco products and financial services

Though the 43%-odd voting interest in Rothmans International is well-known, Rembrandt executive director Johann Rupert says Rothmans represents less than half the assets concerned There is, for example, a stake of more than 20% in Liberty's Transatlantic

Most of the overseas interests are held in a Luxembourg-incorporated company, Richemont SA, whose pro forma accounts for the year to end-March show net assets of £730m, or just over R3bn, and net profit of £77m (£66,9m)

The Rupert family and the other ultimate controlling shareholders control Richemont via Remgro and its pyramid companies — Rembrandt Controlling Investments, Technical Investment Corp (Tegkor) and Technical & Industrial Investments (TIB).

After the restructuring, the same ultimate shareholders will control Richemont through a newly constituted Swiss-based holding company, CFR **(see diagram)**

CFR will acquire the entire issued capital of Richemont from Rupert Group Holdings SA, a wholly owned subsidiary of Remgro This will follow an effective merger of Richemont with Business Control SA, which provides management services to some group companies

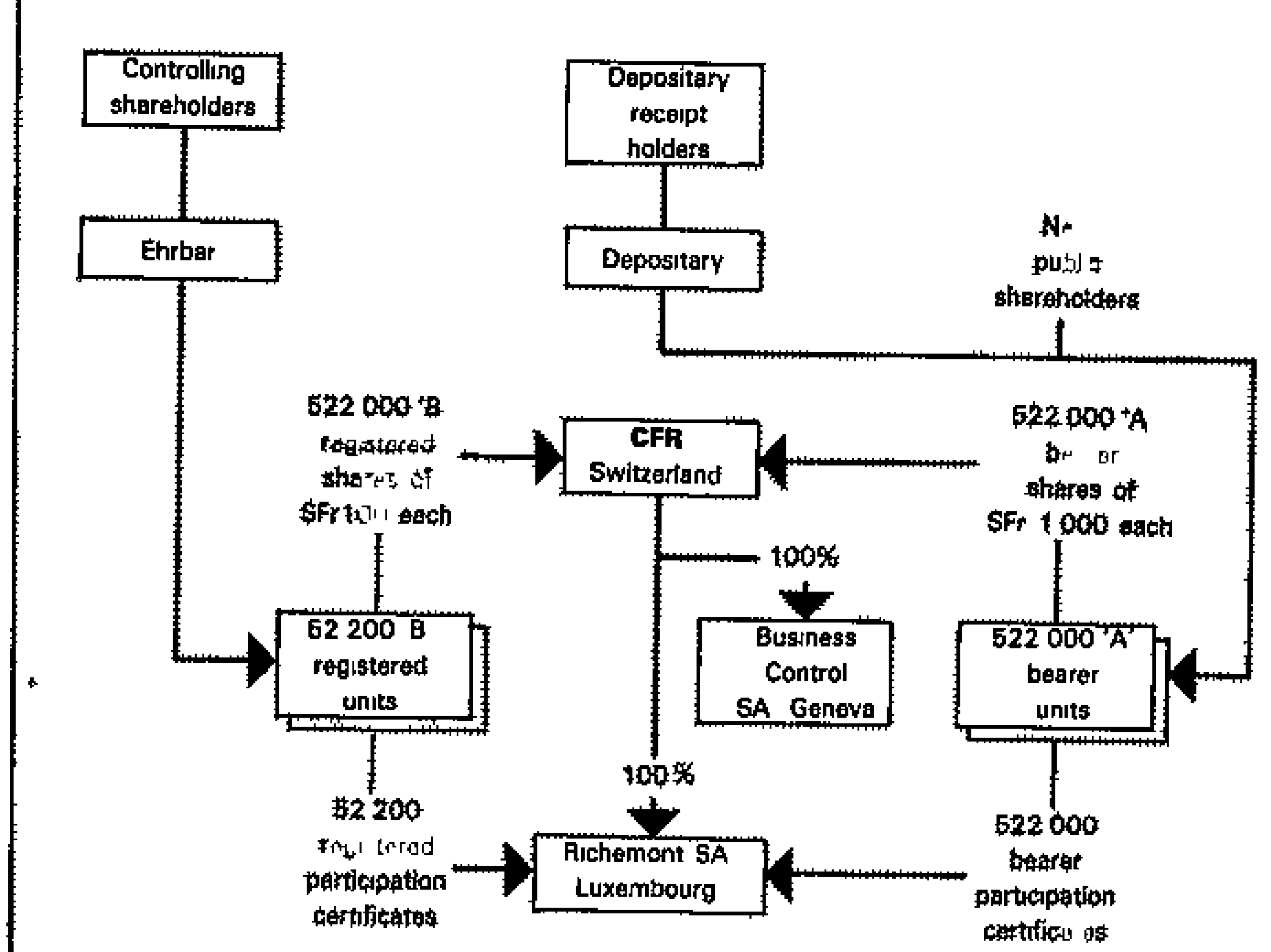
Union de Banques Suisses, acting as a fiduciary, will then issue renounceable letters of allocation to present shareholders on a proportional basis

Remgro shareholders, for example, will receive one renounceable letter for every Remgro share held

Union de Banques Suisses will split each depositary receipt into 1 000 and issue them to local shareholders through its agent in SA. Several reasons are given for issuing depositary receipts instead of ordinary shares to be readily marketable on stock exchanges in different countries, to gain exchange control protection, and to ensure that all Rembrandt shareholders are given stakes that fairly reflect their current interest

Depositary receipts will be traded on the JSE, will be transferable and will confer voting rights and rights to dividends in the same way as a share

Resulting equity structure



They will represent a claim to 1 000th of an indivisible A unit, consisting of an A bearer share in CFR and a participation certificate in Richemont

The existing controlling shareholders will retain control through a company called Ehrbar (named after the chairman of Rupert Group Holdings) by exchanging their entitlement to A units for all the B units These consist of 10 B registered shares in CFR and a participation certificate in Richemont While the A units carry one vote each, the B units carry ten votes each

Total votes of all the B units will equal the total votes of all the A units, but it can be assumed that the controlling shareholders will hold some A units as well

Apart from the control structure, there will be financial and tax effects Richemont's share capital will be restructured into 191 400 new ordinary shares with par value of £750 each and 574 200 new participation certificates with no par value, evidencing rights in respect of a participation reserve of £430,7m

After conversion into A and B units, there will be 522 000 A bearer units and 52 200 B registered units

The participation certificates will not carry votes, but the ordinary shares and participation certificates will represent 25% and 75% respectively of the economic interest in Richemont

CFR will hold 100% of the share capital and voting rights in Richemont Thus — and this is where financial efficiencies come in — the A and B units will hold a direct 75% interest in Richemont and a further indirect 25% through CFR.

Dividend payments from CFR will be subject to deduction of Swiss federal withholding tax but no withholding tax is at present levied on Luxembourg holding companies Presumably, having the controlling company in Switzerland offers strategic advantages that justify CFR's existence

The A bearer units are to be listed on the Zurich, Basle and Geneva exchanges, but B units will be held by Ehrbar and will not be listed

The controlling shareholders will control Ehrbar through ordinary shares, lodged with an agent of the Reserve Bank in SA

Rupert contends that the structure has as far as possible been made "bullet-proof" from the exchange control standpoint No holder of depositary receipts who is resident in SA will be able to exchange these for the underlying A units overseas without prior approval of the exchange control authorities. Non-residents, for purposes of exchange control, will, however, be able to exchange their depositary receipts for A units and vice versa on a normal basis

Similarly, Inland Revenue has ruled that distribution of the depositary receipts will not constitute a dividend for tax purposes

To achieve the listings and the needed public spread, Union de Banques Suisses has agreed to underwrite the placing of the controlling shareholders' entitlement to 52 200 A units in the Swiss domestic market This will result in a dilution of about 9% in the ultimate shareholders' equity, which Rupert says will apply to B as well as A units, but he believes the dilution will be offset by the share commanding a higher multiple

Asset values of locally listed Rembrandt companies will be reduced by an amount about equal to the value of the new units But Rupert, who is concerned by ideas that Remgro will be considered the rump, stresses that the published asset value figures are historical and understated Official estimate is that Remgro's net worth will fall from 1 030c to 502c per share

Rupert estimates a more realistic revalued net worth for remaining SA assets at 869c.

Aggregate dividends paid by the local companies and CFR and Richemont to qualifying shareholders are expected to in-

2/9/88 FM (198)

crease by about 60%

Remgro's dividend cover will fall from the present eight times-plus but will be at least five times

Rupert says Remgro's current 17c dividend can be adequately covered by local dividend income *Andrew McNulty*

MURRAY & ROBERTS

Back on track

Among the Sanlam/Sankorp "strategic" investments that have recently reported improving fortunes is Murray & Roberts (M&R), whose earnings and dividend for the 1988 year have surged ahead of what appeared to be the most optimistic forecasts.

M&R was patently one of Sanlam's better acquisitions made during the assurer's 1984 buying spree on the JSE, but it too ran into problems within a couple of years. In 1986 M&R notched up a loss of 55c per share after the previous earnings of 155c, and during much of the JSE boom its share price lagged the indices for the industrial holding, building and construction and industrial sectors

Changes in strategy

Management responded to the loss two years ago with a restructuring programme and changes in strategy, which included new emphases and withdrawal from certain problem areas, with international operations notable among them The 1987 figures were buoyed to a considerable extent by figures at non-operating level, and last year the group recognised early on that major improvement would have to come in the pre-interest profit performance Achievement of this was a major factor in the 83% leap in EPS

Even accepting that M&R's profits are still coming off a relatively low base, the pace of growth was well ahead of the average now being reported for large, diversified groups. Operating EPS more than doubled from 106c to 289c, and the dividend was lifted from 42c to 80c. With debt:equity down to 0,18, interest cover was up from the year-ago 6,9 times to 9,1 times

Among the divisions, the outstanding performer was suppliers and services which doubled its pre-interest contribution to earnings from R14,1m to R33,9m and its percentage contribution from 16% to 23%. Earnings from the industrial division jumped from R41,8m to R71,2m with the percentage contribution remaining about stable, construction and engineering showed an unexpectedly strong surge from R29,7m to R40,3m, but, as forecast, properties dropped from R4,9m to R4,1m

CE David Brink says that the return on assets — given as 16% — still does not meet the group's objectives. He says that the group is concerned about recent economic developments and the implications for consumer spending, but M&R is not heavily exposed to consumer markets "Our advantage is that we are really in niche markets," he says "We would expect to show a fair degree of resilience in an economic downturn and are quite confident for the current financial year " *Andrew McNulty*

FSI

Fancy juggling

Working through the figures for the new FSI rights issue proposals makes for some complicated calculations The result is in the accompanying table and shows some material differences But to what extent have the queries and problems raised by ourselves (*Leaders* July 8) and analysts been addressed?

First of these was whether the prices paid for the various assets which are being moved around the group are fair These prices have been left unchanged

Second is the amount which the W&A company minorities were being expected to contribute This is improved, as the total from outside shareholders has been reduced from R121m to R111m, but only R73m of this is from Waicor group minorities, who were previously to be asked to provide the full amount

Third criticism was that the top companies were not putting up funds to reduce debt incurred in buying W&A This is now much better, as shareholders in FSG and FSI supply R25m and R13m respectively. But FSI remains the place to be and is still scoring in the reorganisation Whereas in the June structure FSI would have ended up with R66m cash, it will have R120m

The fifth query was about Hunts Apart from the value of the assets Hunts is to acquire, there is the size of the rights issues and effect of the dilution on minority shareholders in Hunts Here the impact is difficult to calculate, as the rand amount to be raised is unchanged, but the price has not been announced As Hunts is paying W&A for Burhose and Hygenia with R100m in debentures rather than R100m cash raised by a rights issue of debentures, the amount demanded from minorities has been cut to less than half. The rights issue — now of preferred ordinary shares — is being reduced to R110m.

Sixth was the impact on W&A It is now marginally (R4m) better off in terms of assets, but in terms of cash it is considerably (R64m) worse off. CE Jeff Liebesman points out that the R80m (R20m of which was raised offshore) paid by W&A to AAF for its holding in Hunts has given AAF cash to expand overseas and thus should not be seen as simply a cash outflow from W&A, given that AAF is a W&A subsidiary

But all of this assumes that the rights issues will be fully taken up by outside shareholders The pitching prices will determine whether the offers will be successful, and they will have to be lower than indicated in June, as the market has marked the group's share prices down considerably Some brokers who originally had reservations about the deal now think it may be worthwhile to take up the rights at new low prices.

RINGING THE CHANGES

Changes due to restructure Rm

	Hunts	Waicor	W&A	FSI	FSG
June announcement					
Cash	—	—	−16	+66	—
Dilution					
Debs	82	26	52	—	—
Pref ords	128	24	48		
	210	50	100		
Last week's announcement					
Cash	—	—	−80	+120	—
Debs	—	—	100	—	—
Pref ords	—	—	—	—	—
Rights issue values					
Pref ords	110	34	72	38	25
Debs	100				
	210				

There is a strong possibility that not all rights will be taken up, though, so the underwriting commitments are vital Whereas most of the underwriting was previously to be done by Senbank, presumably with considerable sub-underwriting, most is now to be inhouse. Only the FSI and FSG issues, of which R38m are offered to minorities, are to be underwritten by Senbank. Waicor and W&A (R35m to minorities) will be underwritten by a wholly owned subsidiary of FSI, so any shares they fail to take up will increase the FSI holding in Waicor and W&A. W&A itself is to underwrite the Hunts issue (R38m).

Cash demands

The last development means that W&A could be supplying up to R38m to FSI via Hunts. This would make further cash demands on W&A, though with its low gearing it is certainly able to raise the funds But the holding in Hunts will be increased from the existing 40% and the planned 65% Again, the question is what can be expected from Hunts in the way of performance

An interesting aspect is that while the rights offers were previously for debentures and preference shares, they are now only for preferred ordinary shares, though Hunts is to pay W&A in debentures, which are variable rate instead of 13% coupon

Further assessment must await details of pitching prices *Pat Kenney*

FERTILISER CARVE-UP

Quick impact

As anticipated August 26), Sentrachem is withdrawing from the fertiliser business and Fedmis is to go to the remaining players, AECI's Kynoch, Sasol Fertilizers and Omnia The deal takes effect from September 1, and could have a swift and sharp impact on profitability for certain groups involved.

Rembrandt continues on growth path

198

Cape Times 16/9/88

By AUDREY D'ANGELO
Financial Editor

TOBACCO and liquor are still the main sources of profit for the Rembrandt group, which invested R790,5m in SA and R288m overseas in the last financial year, executive chairman Anton Rupert disclosed at the 40th annual meeting in Stellenbosch yesterday.

Rupert forecast an after-tax profit of at least R500m in the current financial year

"The company has virtually no debts and has the ability to finance developments, which must necessarily take place in Southern Africa, from its own resources"

He said in his annual report "The continued growth in the profits of your group was mainly due to increases in income derived from.

- Tobacco and liquor including certain international trademark products, up by R104,8m to R346m,
- Mining, up by R22,5m to R118,3m,
- Banking, insurance and financial services up by R33m to R61m,
- Other sources, up by a total of R21,9m

Rupert said that at the end of March about 38% of the group's interests were in diversified investments including forestry and timber processing, printing and packaging, engineering, medical services and the petrochemical and chemical industries.

About 25% were in tobacco, liquor and certain international trademark products, about 19% in mining and about 18% in banking, insurance and financial services

He said that "subsequent to the financial year-end new investments and additions to existing investments totalling R53,1m have been made"

Rupert said that in addition to acquiring a 10% stake in the Standard Bank Corporation and a 10% stake in Gold Fields of SA the group had taken an additional 14% of Total (SA) at a cost of R33,5m, an additional 25% in Bonuskor at a cost of R40m later exchanged for shares in Hunt Leuchars & Hepburn, and an additional investment of R67,5m in Volkskas Group

The overseas investments were long-term and mainly additions to existing interests.

Emphasizing that the group's foreign investments had "placed no unnecessary pressure on local capital resources" Rupert continued. "On the contrary, over the years almost R1 000m was brought back to SA from overseas as opposed to the R1,5m initially taken out All the other overseas assets were generated abroad

"In the last financial year your group has sold foreign assets to the value of R635m to help finance investments totalling more than R790m in SA"

Richemont earnings increase by 57 pct

star 30/11/88

198

By Sven Lunsche

Rembrandt's international arm, Switzerland-based Compagnie Financiere Richemont AG, reporting for the first time, recorded excellent results for the six months to end-September

Earnings in rand terms increased by 57 percent from a pro-forma R124,9 million in the 1987 half-year to R196 million this year. Earnings were boosted by a substantial fall in the rand exchange rate as attributable income, in pound sterling terms, was only up by 26 percent to £46,7 million.

Earnings per depositary receipt were up from 22c (6,44p) to 34c (8,13p), while Richemont will only pay a full-year dividend in line with normal Swiss practice'

All the companies in the Richemont stable traded satisfactorily and income from associated companies and other investments rose by 14,3 percent to £68 million Total income was up by 16,5 percent to £75 million, after interest income improved by £2,1 million to £7 million

Richemont is expected to report substantial earnings growth in the second half, as many of its associates, like Cartier and Dunhill, are placed in the luxury good market, which generally picks up over the Christmas period Earnings of over 60c per depositary receipt are expected for the full year.

Richemont reportedly acquired joint control over diversified Spanish group Fosforera Espanola, through a £13 million investment, and further investments are expected in the second half

Rembrandt increases interim earnings by 33 pct to R268,7-m

Star 1/12/88

198

Finance Staff

The Rembrandt Group has increased taxed profits by 33 percent to R268,7 million for the six months to end-September The group has raised its interim dividend by 8,7 percent to 7,5c

Earnings per share for Rembrandt's normal business interests were 51,74c (38,62c) while tax for the six month period increased substantially from R2,3 million to R15,1 million

The statement from the board says these figures exclude any earnings from Compagne' Financiere de Richmond during the period which became the overseas operation for Rembrandt earlier this year

They also state that consideration must be taken of the fact that Federale Mybou has changed its year end to August 31 and that the figures for the current quarter reflect reflect eight months to the end of August The previous year end was end-December

Rembrandt Controlling Investments has reflected a pre-tax profit of R137,9 million, 34 percent up on last year, which translates to earnings per share of 38,31c (28,58c) A interim dividend of 5,5c (5,11c) was declared

Both Technical Investment Corporation (TIC) and Technical and Industrial Investments have also reported improved taxed profits

TIC, which has its main thrust in investment in Remgro shares, increased its net income by 33,5 percent to R55,7 million and declared a dividend of 4,87c (4,48c)

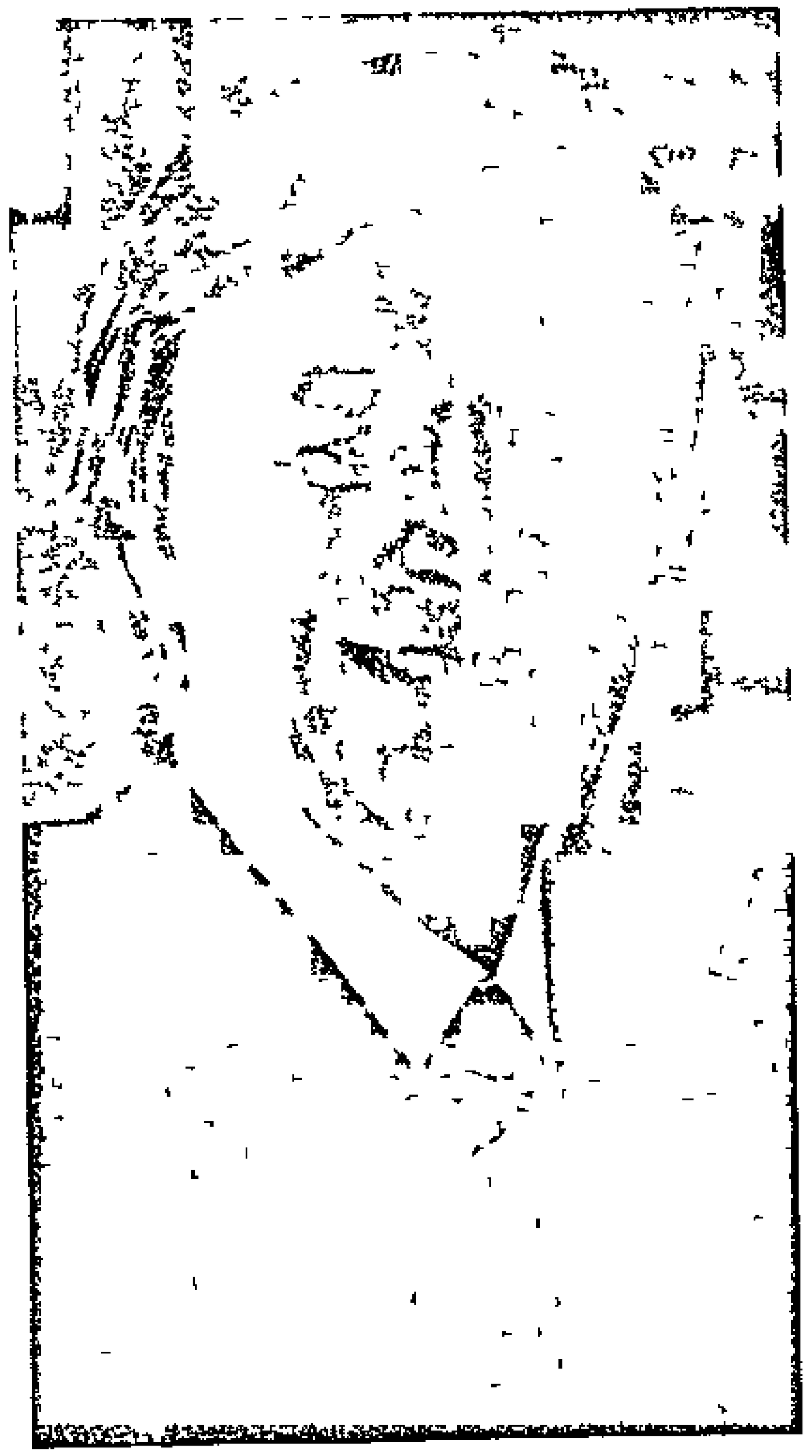
Earnings per share for normal business activities were 33,65c (25,05c)

Technical and Industrial Investments had a net income of R46,7 million (R35,1 million) with earnings per share up 9c to 35,61c The interim dividend was 5,16c (4,75c)

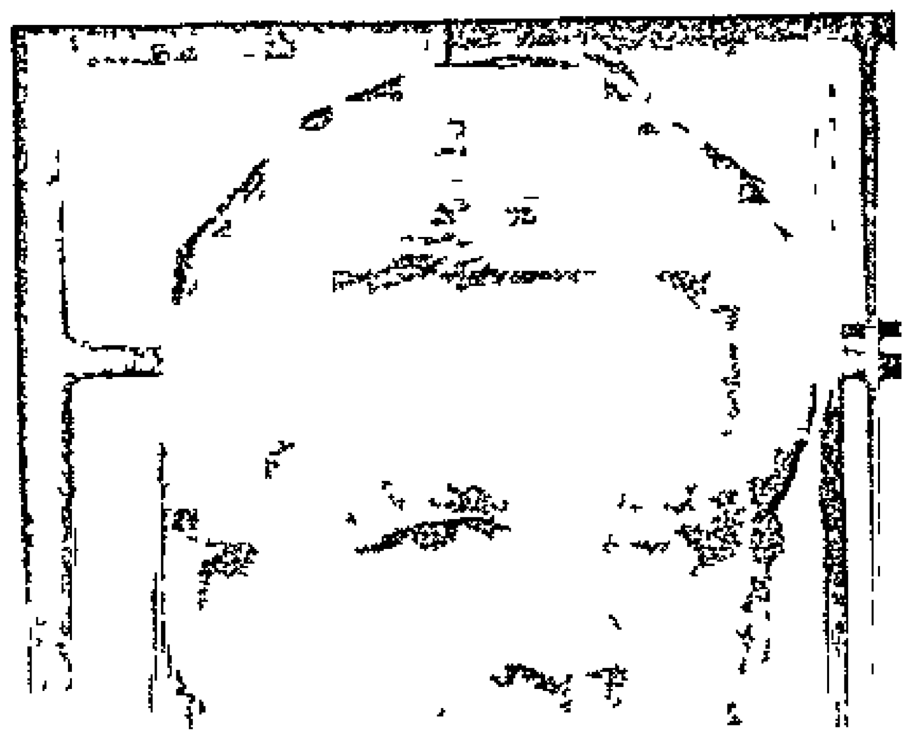
The directors for the companies also stated that profits were being eroded and that it was likely that they would not not be as much as they were for the first six months of the year

S/Times 4/12/88 · 198

It's no secret that Rembrandt likes to be in front



ABOVE. The founder, Dr Anton Rupert
BELOW His son, Johan Rupert



By JULIE WALKER

THE Rembrandt Group hardly springs to mind as a Japanese lookalike, but chairman and founder Anton Rupert says his group has unwittingly developed a style of management similar to that in Japan

The third best performer in the top companies survey over five years cannot be accused of what the Japanese call "an nouncementitis"

'We are often accused of secrecy says Dr Rupert, "but we believe in doing first and disclosing afterwards '

Rembrandt works on the philosophy of three levels of responsibility — to its shareholders its personnel and the communities in which it operates

The philosophy seems flawless especially when Rembrandt s financial results are considered

Proud

As one analyst says anyone who has sold Rembrandt shares in the past has always been proved wrong The share price reached an all time high of R22 before the recent separation of foreign interests into Richemont shares

Net income from normal business operations reached R741 million in the year to March 1988 earnings a share hit 142c and the well-covered dividend grew to 17c

Dr Rupert is proud of Rembrandt s much criticised dividend policy 'Fortunately the group has always been able to withstand the pressure to opt for short-term benefits at the expense of the long term welfare of the organisation'

He points out that inflation creates fictitious profits and shares can be dumped on the market when a company cuts back its dividend for the sake of essential investment.

Reserves

Over the last five years Rembrandt s reserves have increased from R2-billion to R5.3-billion Shareholders funds exceed R5 3 billion and

"Sharing and helping others Corporation, Boland Bank and Dorbyl.

Rembrandt holds first option on the outstanding 38% stake in GFSA held by Consolidated Gold Fields plc which sold 10% to Rembrandt earlier this year

Rembrandt already has a significant interest through Fedmyn in Gencor another of SA s big six mining houses

It bought the 10% stake in GFSA with funds which were already offshore and could have been invested anywhere in the world but it chose to buy South African

Growth

Dr Rupert emphasises how important gold has proved throughout the ages and how it has always retained its value during periods of great instability 'Every prudent investor should keep at least 5% of his assets in gold

Forty years ago a fledgling company manufactured its first cigarettes at the old flour mill in Paarl

The history of the group goes back another seven years to the time when young Pretoria University graduate Anton Rupert and his colleagues bought a small tobacco factory only a block from the present Carlton Centre in Commissioner Street, Johannesburg

In those intervening seven years the parent company of Rembrandt, namely Technical and Industrial Investments (TIB) established itself in coal mines, wool broking coffee and tea as well as tobacco and liquor

Since 1954 the Stellenbosch based Rembrandt spread its wings outside SA, concentrating on building stakes in the liquor and tobacco industries until 15 years ago when a shift in mood away from those areas lead to diversification.

It established operations in more than 27 countries on every continent in which management is effected by and at least half of the shares are held by the local population

Over the years almost R1-billion has been brought back to South Africa as o[illegible] [illegible]ed

"Sharing and helping others to help themselves involves no risk. If the opportunity is created for others to work for themselves they will serve not only their own interests but yours too

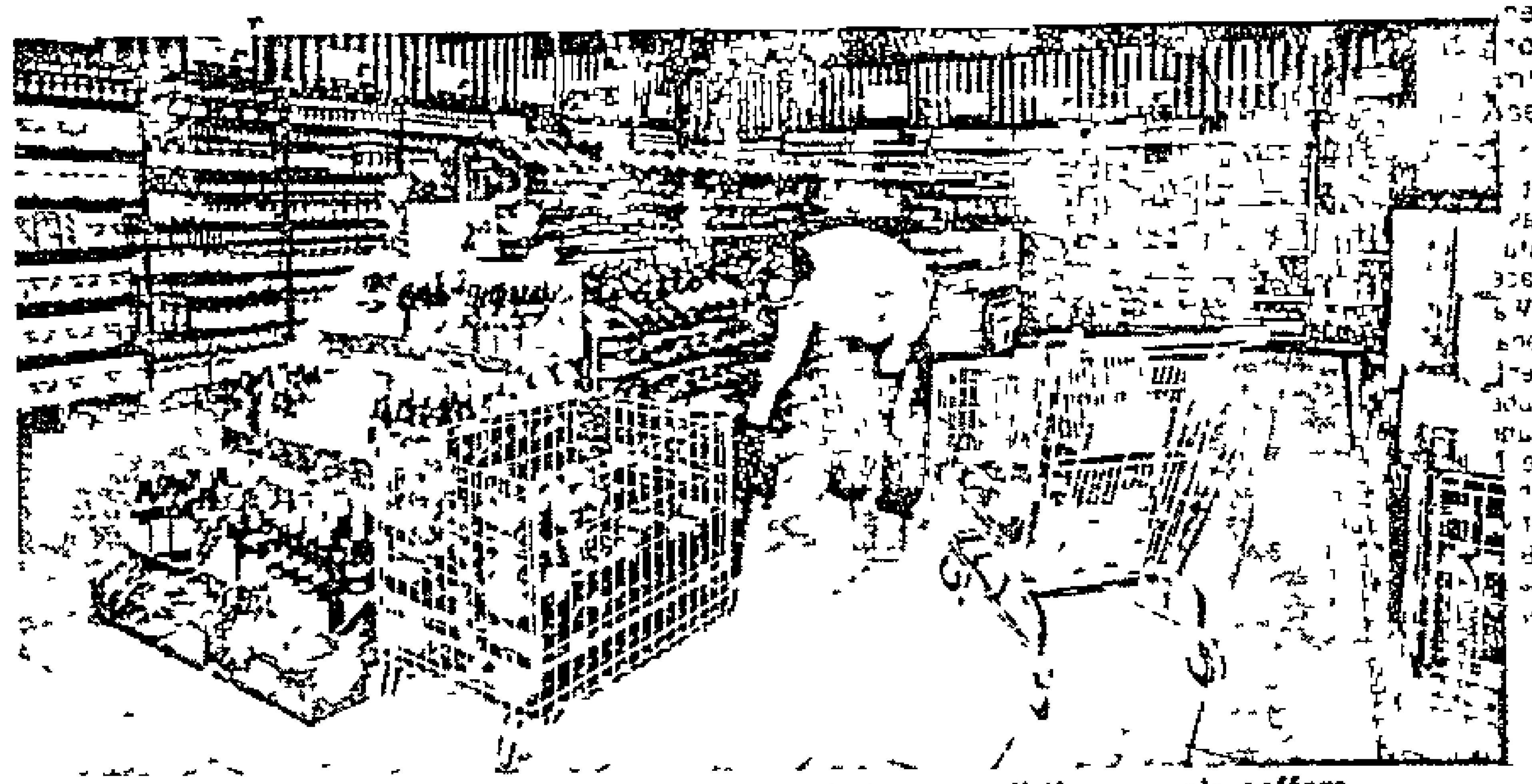
"Partnership is not exploitation. It is the joint creation of wealth and the fair sharing thereof

In sponsoring nature and historical conservation small business partnership and private enterprise Rembrandt is at pains to be a deeply moral organisation

But it has tended to brush the burning questions about smoking drinking and health under the carpet over the years

No-one in SA has yet followed the American example and sued a tobacco or liquor company for millions for damage to health.

The health questions are troubling ones and Remgro appears to know it, for its strategy has been to move quietly away from cigarettes and liquor into less controversial fields such as hospitals Swiss watches and high fashion



LIQUOR OUTLETS Supermarket shoppers help to swell the group's coffers

ANALYSTS QUERY OFFICIAL FIGURES

BRUCE ANDERSON

THE accuracy of official figures that show a decline in the percentage share of retail sales for beverages, cigarettes and tobacco over the past 10 years has been questioned by retailers and analysts

The figures, compiled by the Central Statistical Service (CSS), depict the percentage share of retail sales for cigarettes, tobacco and beverages as falling from 14,7% of total retail sales in 1978 to 7,1% of total retail sales last year.

Generally analysts expressed doubts that the share of total retail sales for beverages, cigarettes and tobacco had halved over the past 10 years.

The accuracy of the figures for beverages (which are shown as falling from 11,8% in 1978 to 5,2% in 1988) were especially doubted

One analyst said beverages had performed well in recent years and it was doubtful whether there had been a decline in the percentage share of retail sales for beverages

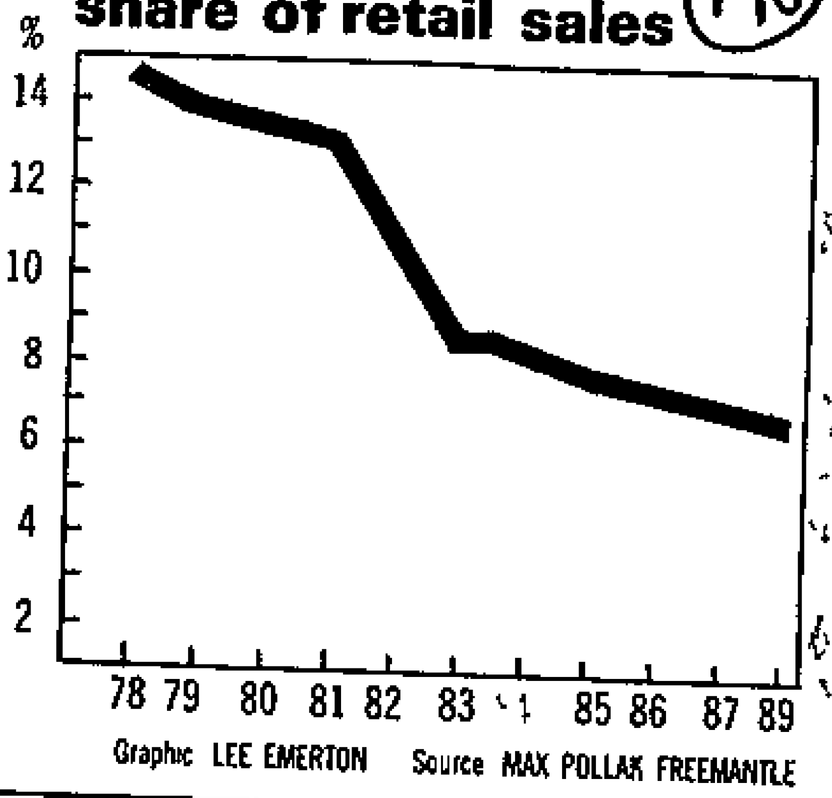
SAB beverages division chairman Peter Lloyd also expressed his doubts "In recent years there have been real growth rates of 10% in beverages I am absolutely certain that beverages have out-performed the rest of the economy."

United Tobacco MD John Woodcock said he did not believe that the percentage retail share of cigarettes and tobacco had declined

Analysts said the consumption of cigarettes and tobacco by the white market had declined in recent years

However, any shortfall in white consumption would have been offset by the growth in consumption of cigarettes and tobacco by the black market.

Beverages, cigarettes & tobacco-percentage share of retail sales 198



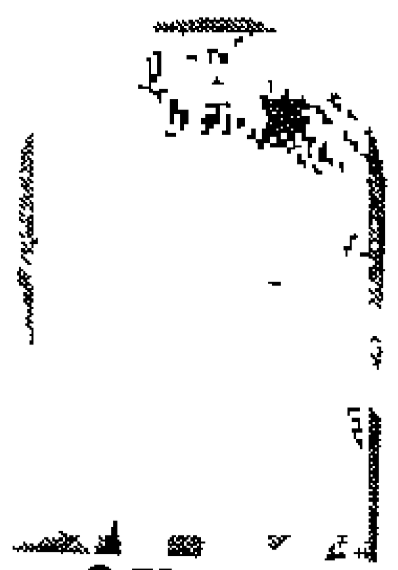
Graphic LEE EMERTON Source MAX POLLAK FREEMANTLE

BDay 23/2/89

198

Crisp 20% earnings growth from Utico

BRUCE ANDERSON



● EDMUNDS

STRONG performances from a number of its cigarette and snack brands enabled Utico Holdings to increase its attributable profit by 20% for the year to end December

From earnings of 260,2c a share (217,6c), a final dividend of 70c has been declared This brings the total dividend for the year to 110c — up by 26% from 87c the previous year

The group's turnover rose by 15% from R269,3m to R310,7m and profit after tax increased by 20% from R13,2m to R15,8m

Utico, controlled by its parent company, the British American Tobacco Company, is divided into two main divisions, the one concentrating on snack foods and drinks and the other on cigarettes.

Utico MD Bruce Edmunds said yesterday that both Utico divisions had turned in strong performances

Edmunds said the Benson & Hedges special mild and ultra mild brands had contributed especially well to the tobacco division results

In the food division, the Flanagan's range of kettle-fried crisps — launched two years ago — had proved to be an outstanding success in the snack market

Although Edmunds would not say what contribution each division made to Utico's operating profit, he said the contribution of the food division was accelerating faster than the tobacco division.

Utico financial director Stuart Sutherland said a marginal decrease in the group's dividend cover — from 2,5 to 2,4 — was a reflection of the company's liquidity

Gearing has improved Interest-bearing debt now constituted 2,5% of shareholder's funds, down from 4% last year

Sutherland said an 81% decrease in interest paid, from R1m to R191 000, was due to much lower borrowings (mainly because of lower stockholding in the tobacco division) and good working capital management

There was a 15% increase in retained income from R7,9m to R9,1m

Star 23/2/89 (198)

Utico puffs up its earnings by 20%

By Ann Crotty

United Tobacco (Utico) has managed to turn in a 20 percent increase in earnings to 260,2c (217,6c) for the 12 months to end-December A final dividend of 70c has been declared which is just 13 percent ahead of the previous year's 62c It brings the total payment to 110c — 26 percent ahead of the previous 87c

Turnover was up only 15 percent to R310,6 million (R269,3 million), while operating income rose 17 percent to R31,5 million (R26,9 million) A drop in interest payments helped to lift this to a 20 percent advance at the earnings level to R15,8 million (R13,2 million)

The figures reflect an improvement on the first half performance which was dogged by insufficient capacity in the face of unexpectedly high demand for cigarettes and the unexpectedly strong market support for the group's Flanagans chips Management states that the problems have been tackled and that it was looking to a real increase in earnings

The increase in the final dividend is in line with the dividend policy evident during financial 1987 In that year the interim dividend was increased 108 percent on a 68 percent earnings rise but the total dividend was 2,5 times covered by full year earnings

The latest results put the share on a price/earnings rating of 5,7 times and a dividend yield of 7,3 percent compared with the sector averages of 8,2 times and 3,6 percent respectively

City's smoke ban angers Anton Rupert

Cape Times 8/3/89

198

Dr Anton Rupert

By CHRIS BATEMAN

TOBACCO tycoon Dr Anton Rupert, angered by the City Council's proposed non-smoking by-laws, has turned down a civic appeal for Aids awareness campaign funds and lashed out at the city's medical officer of health, Dr Michael Popkiss.

Two letters of "dismay" from Dr Rupert to the council have resulted in Dr Popkiss receiving a departmental rebuke from the Mayor, Mr Peter Muller.

There is also consternation among Cape Town Symphony Orchestra (CTSO) members that their R50 000 Rembrandt and Oude Meester sponsorship, due for its five-yearly review later this year, may be revoked. The CTSO has been privatised but retains strong council links with a R4-million civic subsidy this year.

Mr Emile Riese, CTSO acting chairman, has asked Mr Muller to intercede on his behalf "as it comes up", Mr Muller confirmed yesterday.

In a letter to Dr Popkiss late last month, Dr Rupert expressed surprise at the request for Aids funds "from an industry you have decided to destroy".

Enclosing a newspaper front page cutting headed "It's War! MOH sends out smoke signals", in which Dr Popkiss proposes dates for legislative measures, Dr Rupert accuses him of being "hell-bent to create new regulations against the freedom of the individual to decide for himself".

In a second letter to Mr Muller two days later, Dr Rupert accuses the council of taking measures unmatched by any city in the European Economic Community "or any authoritarian state".

Enclosing a copy of a Radio Today interview between journalist Mr Nigel Murphy and Dr Popkiss, Dr Rupert said that for a city that wanted itself to be known as "verlig", Cape Town was now so "verkramp" as to enforce regulations that "according to Dr Popkiss will be enforced by the SAP".

The City Council was making inroads on the rights of restaurants and hotels to "take their own decisions, especially where the government has now decided to deregulate".

The council by-law proposes that restaurants demarcate at least half their seating for non-smokers.

In Mr Muller's official rebuke of Dr Popkiss, he details the CTSO's annual cash donations from Dr Rupert's companies and says he finds it "incongruous that the MOH can write a financial appeal only four days before a major smoking debate — he must either think that Dr Rupert is foolish or alternatively, he's totally devoid of any sensitivity".

Yesterday, Mr Louis Kreiner, chairman of the Amenities and Health Committee, described the non-smoking measures proposed by Dr Popkiss and anti-smoking lobbyist Dr Derek Yach as "total overkill; we are in favour of educating people, not setting a legislative timetable".

Mr Muller said of the CTSO request for "intercession": "Morally I'm not on very good ground — you don't weaken a guy's commercial stance and then ask him for some rands from his bottom line"

CAPE TIMES 11/3/89 198

Rupert 'leaks' his reply

TOBACCO magnate Dr Anton Rupert yesterday fired another salvo in his attack on Cape Town's anti-smoking medical officer of health, Dr Michael Popkiss, by "leaking" a letter to the Cape Times

The gesture is in reply to Tuesday's leaking by council sources of three items of correspondence to the Cape Times in which

- Dr Rupert refused a request by Dr Popkiss for Aids education campaign funds, accusing him of trying to "destroy" the tobacco industry,
- Dr Rupert told the mayor, Mr Peter Muller, that his council was guilty of "verkramp" anti-smoking regulations, and
- Mr Muller criticised Dr Popkiss for "bad timing" in approaching Dr Rupert for Aids education funds

The latest letter is written to Dr Popkiss but contained in an envelope addressed to the editor of the Cape Times

Dr Popkiss said yesterday that he had not received the letter, dated March 9 "When I do I will reply to it confidentially through the mail as I have done with all correspondence to and from Dr Rupert," he added

In the letter to Dr Popkiss, Dr Rupert says that he had not realised that his turning down of the Aids request for assistance "would be leaked to the press by one of your supporters"

If he had suspected this he would have mentioned that one of his privately funded family foundations (of which there were five with assets of R10 million each) had previously funded Aids publications

He describes Dr Popkiss' proposals to council that smoking on public property be prohibited by 1992 and that smoking be confined to private dwellings by 1993 as "not only dictatorial but clearly impracticable"

The council has accepted a by-law that proposes that restaurants should demarcate half of their seating for non-smokers but rejected a legislative timetable

Dr Rupert adds "In view of the leak to the press of my previous letter to you, this letter is *not* confidential"

Anton Rupert sends retort over no-smoking issue

Cape Times 13/3/89

Staff Reporter

TOBACCO magnate Dr Anton Rupert, angered by the leaking of his correspondence to the Cape Times, has fired another salvo in his attack on Cape Town's anti-smoking medical officer of health, Dr Michael Popkiss

Dr Rupert sent a copy of his letter to Dr Popkiss to the editor of the Cape Times.

Dr Popkiss said last week that he had not received the letter, dated March 9 "When I do I will reply to it confidentially through the mail as I have done with all correspondence to and from Dr Rupert," he added

In the letter to Dr Popkiss, Dr Rupert says he had not realised that his turning down of the Aids request for assistance "would be leaked to the press by one of your supporters"

If he had suspected this he would have mentioned that one of his privately funded family foundations (of which there were five with assets of R10 million each) had already previously funded publications on Aids

"These foundations will obviously carry on with their work regardless of what you and your council decide," he says

He describes Dr Popkiss's proposals to council, that smoking on public property be prohibited by 1992 and that smoking be confined to private dwellings by 1993, as "not only dictatorial but clearly impracticable"

(Council have accepted a by-law that proposes restaurants demarcate at least half their seating for non-smokers but rejected a legislative time-table)

Dr Rupert says tobacco companies manufacture "perfectly legal products", which are "most efficient tax collectors"

If the government banned smoking and drinking the "mafia" would seize control of these industries as they did with liquor during the prohibition days in the USA, he says.

"The mob" would then not pay taxes.

As a postscript Dr Rupert adds "In view of the leak to the press of my previous letter to you, this letter is *not* confidential"

Let smokers be, says Noakes

By CARLA DE VILLIERS

Cpt Tms 13/3/89

PROFESSOR Tim Noakes, well-known sports doctor, has entered the anti-smoking controversy

He said yesterday that the campaign to remove "smoking or smokers" from the city was "more than a little unfair"

"In fact, if it wasn't for my father being a tobacco farmer, I wouldn't have received an education! I remember him selling the stuff to (Anton) Rupert as far back as the early 50s " he said, at the finals of the M-Net "In Shape" competition at The Point yesterday

"It's quite hypocritical to say the least Spend one Saturday night in the casualty ward at any hospital in the Peninsula, and you'll find 99 percent of all the blood and gore there is alcohol-related

"Car accidents, fights, shootings, drownings — the common denominator is inevitably alcohol"

While not in favour of smoking because of its relation to heart disease, he called the current anti-smoking campaign ricocheting around Cape Town as "totally over-reactive"

"I would personally much prefer to see a constructive campaign against alcohol than against smoking any day"

However, regarding heart disease, he did concur that smoking, along with cholestrol, genetic factors and bad diet, was a killing factor

But he stressed that people had the right to choose whether to smoke or not and that there was a lot of "quite senseless double standards" in the current in-fighting — "though we do know there is a direct link between lung cancer and smoking"

Professor Noakes

Riding high on ailing economy

Penpin posts 89% profits increase

Cape Times 30/3/89

199

Financial Editor

CAPE-based Pennypinchers Holdings (Penpin) has lifted after-tax profits by an impressive 89% in the year to December

And — in spite of signs that the economy is headed for a downturn — group chairman Fasie Malherbe forecasts a spectacular rise in turnover in the year ahead

The group is continuing with expansion plans and John Collier, MD of its buildings division, Penbuild, said yesterday "We have not been affected badly in previous downturns because we are in the Do-it-Yourself (DIY) market

"When the economy is doing badly and the property market is affected people turn to DIY"

Penpin lifted turnover by 71% to R110m (R64m), breaking the R100m barrier for the first time

After-tax profits rose to R2,6m from R1,4m the previous year and earnings were 48% higher at 16,2c (10,9c) The final dividend is 4c making a total of 7c (4c) for the year

Malherbe says that although the group's budgeted turnover for the current year is R185m it is "aiming to break the R200m mark"

Listed subsidiary Pennypinchers Boards (Penboard) of which Penpin holds 83%, lifted turnover by 76% to R30,9m (R17,5m)

After-tax profit rose by 66% to R1m (R0,6m) Earnings at share level were 59% higher at 9,67c (6,08c)

Penboard MD Garnett Carr said the 11 new outlets opened in the past year were already contributing to profits More new outlets were planned for the present year and he expected turnover to rise to R45m

Malherbe said that splitting the group into three specialized divisions — Penbuild, Penboard and Penprop, which held the properties from which outlets traded — had contributed towards its increased success

In the past year Penbuild had opened outlets at Woodstock and in the Eastern Cape at Jeffreys Bay

The group had acquired the Craig Hardware Group in the Transvaal with effect from November 1 resulting in further outlets in Randberg, Lanseria and Ferndale

Penpin financial director Percy Bishop said the property division had expanded substantially in the past year

"The properties owned by the group have a book value of R5m but carry a market value of R16m which is not reflected in the shareholders' interest of R14,5m in the balance sheet"

Fasie Malherbe

Garnett Carr

Timber preservers merge into Manro Products

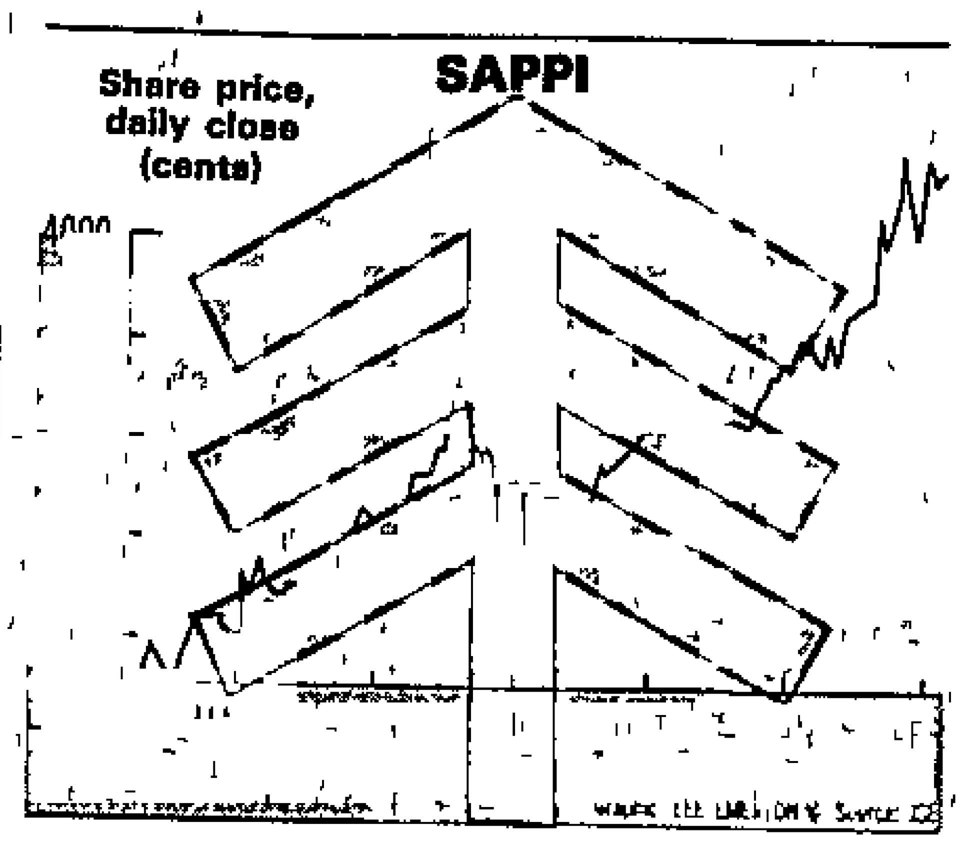
(199) ZILLA EFRAT

TWO specialist timber preservation companies, SA Wood Preservers and Hickson Chemtech, have merged to form Manro Products in a restructioning programme following the acquisition by Hickson UK of Manro Holdings UK

Joint MD Morris Allnatt says Manro Products SA will incorporate three other firms — Bevaloid in Natal, Manro's organic chemicals manufacturing operation, and the inorganic chemicals division of Hickson Chemtech B/Day 4/4/89

He expects the merger to have significant benefits, including economies of scale. Alternate supply sources will be investigated to contain price increases.

Manro will be well placed to provide timber treaters with quality back-up and technical services to assist them in optimising treatment efficiency, he says



Rising prices add to Sappi's growth

BDay 11/4/89 ZILLA EFRAT 199

RISING world market prices, the weakening of the rand/dollar exchange rate and the Saiccor acquisition contributed to pulp and paper manufacturer Sappi's 57% growth in earnings a share — calculated on an annualised basis — for the 14 months to February

Earnings rose to 604c (331c) a share despite the increase of 16,5-million in the average number of shares in issue A final dividend of 135c has been declared, bringing the annual total to 190c (130c) a share.

All manufacturing units operated well with new production records being achieved.

The Ngodwana mill, damaged by an explosion in 1987, has fully recovered and increasing production levels are expected

● To Page 2

Gencor earnings surge 55%

199

REINIE BOOYSEN

STRONG performances by Gencor subsidiaries Samancor and Sappi countered poor results from the house's gold investments and boosted its earnings for the six months to February by 55% to R456m (R294m)

Earnings per capital unit were also 55% higher at 465c (300c) The board declared an interim dividend of 120c — 20% higher than last year's 100c Dividend cover was more conservative, at 3,8 times (3,0 times)

The improvement was largely attributable to a surge in profit from Gencor's two happiest divisions.

☐ Metals and minerals — including ferrometals producer Samancor and heavy sands processor Richards Bay Minerals — which lifted attributable earnings by 195% to R186m (R63m), and

☐ Paper/pulp producer Sappi, which lifted its contribution by 64% to R128m (R78m)

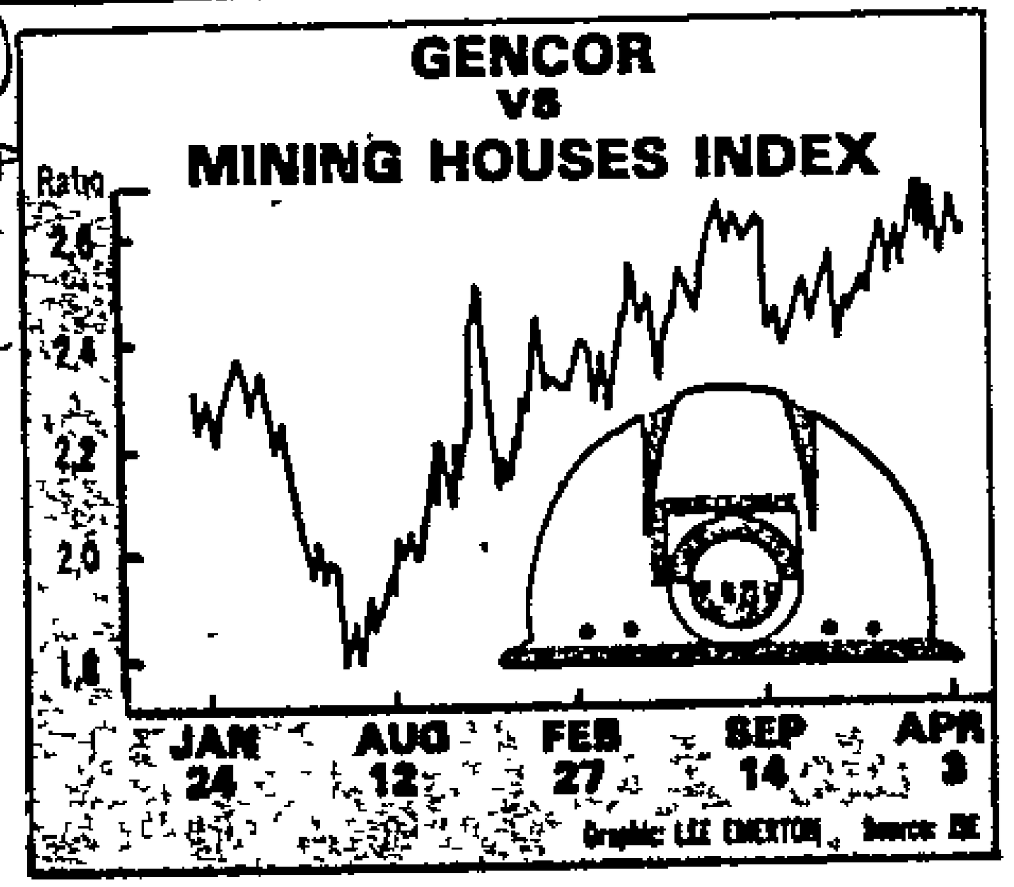
Executive chairman Derek Keys said Sappi moved quickly to bring its greatly enlarged responsibilities under control. "Export price movements are no longer only upward but are nevertheless firm enough to be attractive in prospect."

B/D 21/4/87

Less impressive, but nonetheless good improvements were recorded by Malbak and associates, which lifted earnings by 39% to R64m (R46m); Gencor's platinum producer Impala which lifted its contribution by 24% to R31m (R25m); and coal producer Trans-Natal, to R16m (R3m).

These performances overshadowed the cost of investing in mining exploration (R52m as opposed to R42m last year) and in Gencor's energy programme, which includes Mossgas, the Torbanite project and oil and gas exploration (R22m as opposed to R7m).

They also countered the following burdens a 14% decline in gold's contribution,



to R78m (R91m), and a 7,5% decline in earnings from Genbel and investments to R74m (R80m)

Gencor's 55% rise in earnings outstrips that of all three mining houses reporting

● To Page 2

Sappi, Samancor boost Gencor earnings

B/D 21/4/87

● From Page 1

199

interim results to December

Johannesburg Consolidated Investments lifted attributable profit, before non-recurring item, by 20% to R121m (R100,5m) Gold Fields of SA lifted attributable profit by 14% to R150,8m (R131,9m) Anglovaal lifted attributable earnings by 12% to R78,6m (R70,2m)

Keys said "The group is enjoying its best year yet and in consequence all past benchmarks of financial excellence are in the process of being surpassed"

Rainbow squares up for hen fight in the Transvaal

(198 B/Day 20/4/89

LESLEY LAMBERT

NEW Rembrandt Group (Remgro) interest, Rainbow Chickens, plans to take on major competitors in the Transvaal by developing its Rustenberg operation and increasing the volume of broiler chickens produced there from 400 000 a week to over a million

Rainbow, one of SA's largest private companies and broiler producers, has recaptured the market's attention since Remgro announced it, or a nominee, would buy a 25% stake from the Methven family The group had been the subject of speculation since the death in 1986 of its founder, Stanley Methven

This week the Rainbow directors announced they would apply for a listing on the JSE in June

Development in the Transvaal, the breeding ground of its major competitors, is part of a new expansion phase "We want to be closer to our main market, which is in the PWV area We have a large stake in the black market, much of which is concentrated in the Transvaal," says group MD John Geoghegan

Rainbow's major national competitor, Bonny Bird, has a large Transvaal presence through Farmfare and is expected to produce 500 000 broilers a week at its Krugersdorp plant once it has finished modernising it

Rainbow produces about 400 000 a week at its Rustenberg farm Top Transvaal competitor, ICS subsidiary, Festive, is estimated also to produce about 500 000 at Rustenburg

"We are developing substantial infrastructure at Rustenburg and hope to increase supply over a number of years to 1,3-million weekly This will obviously depend on demand," Geoghegan said

Besides being one of the major broiler suppliers, with an estimated 35% market share, Rainbow is also the country's single largest maize buyer

Responding to speculation that it may also become the largest maize grower if the Maize Board pushes up the selling price by as much as R25 a ton, Geoghegan says the group has indeed been increasing its volumes annually

"We have been farming maize in the Natal Midlands mainly to test its feasibility I doubt we intend to grow as much as the 250 000 tons we use annually," he said

With annual turnover for the year to end June 1988 at around R400m, Rainbow is thought to be the most profitable of all broiler producers with last year's taxed profits estimated at R60m Geoghegan said the sale of shares to Remgro did not suggest disinvestment by the Methven family, who are resident in Monaco

3/Day 12/5/84

DIANNA GAMES

Call for curbs on tobacco

198

THE promotion of the harmful substances of tobacco, alcohol and high-cholesterol food — the "anti-health mafia" — should be curbed by law as voluntary agreements on the issue had never succeeded, Prof Harry Seftel said this week.

Seftel, professor of African diseases at Wits University, was speaking on heart disease at the SA Institute of Medical Research as part of its 75th anniversary.

Commonest

The incidence of coronary heart disease had fallen markedly in the higher socio-economic bracket levels of Western countries but there was little evidence in SA to show the same, he said. It was still the major cause of death in whites and Asians.

It was also the single commonest cause of death in coloured and black adults.

Seftel attacked cholesterol and smoking as the highest contributers to heart disease, saying the message about their dangers could never be repeated too often.

Among whites and Asians high cholesterol contributed to 80% of coronary cases, and smoking 50%. "There is no such thing as a moderate smoker" he said.

Giving up smoking reduced the risk of coronary heart disease by 50% in one year and in five-to-10 years the risk was totally removed, he said.

"There is no medicine that comes close to that benefit."

Stress, he said, "creates great executives" and, while there was little evidence to show it directly caused heart disease, it invariably led to smoking, alcohol, obesity, lack of exercise and high blood pressure — all potential killers.

S Africa burns 5-million kilos of tobacco each year

Medical Reporter

South Africans smoke more than 20 000 million cigarettes a year, burning some 5 million kg of tobacco, the National Council on Smoking and Health has reported

According to the council, tobacco claims 390 000 lives worldwide each year Two thirds of those deaths result from cardiovascular disease, lung cancer and chronic respiratory ailments like emphysema.

In South Africa, three people die every hour of smoking-related causes

"The average male smoker is 22 times as likely to die from lung cancer as is a non-smoker," the council says.

In an attempt to highlight the hazards of smoking, the council is to promote "World No Smoking Day" on May 31. The emphasis will be on clean indoor air and the rights of non-smokers

B/Day 22/5/89

198

Richemont rumour rekindles tobacco share

ROBERT GENTLE

LONDON — Renewed speculation Rembrandt's Swiss-based offshore vehicle Richemont might mount a bid for Rothmans International has sent the potential quarry's share price climbing

It closed at £5,33 on Friday for an increase of 28p over five days

Dunhill, in which Rothman's has a controlling interest, gained 12p on the week to finish at £3,13

Richemont already has a 34% equity stake in Rothmans

This translates to 44% of the voting rights because of Rothmans's articles of association

The other shareholder is US tobacco giant Phillip Morris with 30% The 36% balance is held by the public

Richemont could theoretically gain more than 50% of the equity solely by mopping up shares in public hands, but the situation is more complicated

A special agreement Richemont has with Phillip Morris gives each party right of first refusal over the others' shares

Rothmans said it was aware of bid rumours but there had been no approach from Richemont or Phillip Morris

"We would have no comment to make until such an offer was actually put on the table," a spoksman said

Neither Richemont's London nor Zurich offices were able to comment

An analyst said that, with Minorco's vain battle for ConsGold now over, another bid by an SA-controlled company for a famous British company would be interesting ped

in. During this ir act together lon and better

gislation could h Parliament, d indication of go.

as emphasised Mr Johan Bos- Government on with people ultations with tes.

em was being tees would be pply a code of hopefully to

re regulations that was nec- y a registered hy and had in re," he said.

Smokers pay higher price

Star 7/6/89 (198)

Staff Reporter

South Africa's smokers will have to cough up more for their cigarettes from today

A spokesman for the United Tobacco Company (UTC) last night confirmed the price increase, saying that a packet of 20s would go up by six cents and a packet of 30s by nine cents

The increase will not, however, affect the price of cigars and pipe tobacco

The two largest cigarette manufacturers, UTC in Johannesburg and the Rembrandt Group in Stellenbosch, effected the increase

The price of cigarettes was last increased when the 1989-90 Budget was announced in March The duty on cigarettes increased by one cent per 10 cigarettes

Star 8/6/89 (198)

The Star Finance

Swazi losses cut into Interboard's profits

Star 8/6/89

Finance Staff

Interboard pushed turnover for the year to end-February a useful 97 percent, from R95,4 million to R188,1 million

The directors attribute the strong rise to increased capital expenditure throughout the year which enhanced activities in all divisions

The rate of growth in earnings per share before extraordinary items was a lower 30%, having risen from 9,98 cents in the previous financial year to 12,98 cents The dividend was increased from 6 cents to 7 3 cents

The more subdued increase in the per share payouts is partly the result of dilution in view of an increase in the number of shares in issue

Another contributory factor is the decline in the group's operating margin from 17,7 percent to 11,5 percent The directors say that this is a direct result of the losses sustained by the Swaziland subsidiary and the Tilecor operations They went on to reassure shareholders that "as these areas of activity are corrected, the percentages will recover"

The highlights of the year under review include the acquisitions of the business operations of Tempest and Truckor, the establishment of Interboard Forestry, the transfer of Interboard's listing to the industrial holdings sector, and the disposal of the Neville Forbes operation

Subsidiary, Buildcor, posted a disappointing set of results Notwithstanding a 34 percent increase in turnover from R44 million to R59 million, net income fell by a similar percentage from R6 million to R4 million Although the dividend was maintained at 2 85 cents, earnings per share fell dramatically from 6 cents to 3,27 cents

The directors attribute the poor results almost exclusively to the difficulties experienced in Studio Ceramic They say the disruption of operations by the installation of the second new kiln was grossly underestimated

Hi-tech industry booms

Star 8/6/89

Turnover in the electronics and information technology industries should top R10 billion this year, Altron chairman Bill Venter says in his annual review

The market was reported to be worth R8,43 billion last year and is expected to continue growing at 20 to 25 percent a year

Telecommunications products and services accounted for 18 percent of the market, with components at nine percent, electronic systems 13 percent and other items 18 percent.

Mr Venter says that the rest of the market is increasingly dominated by information technology-related products and systems such as electronic data processing, which now account for 27 percent of turnover, and office equipment, which stands at five percent.

Mr Venter warns that economies of scale militate against SA becoming totally self-sufficient.

The achievable limit of 50 to 60 percent local content would require an additional R270 million in capital a year, increasing 20 percent a year for the next five years — Sapa.

More good earnings at Rembrandt

The Rembrandt Group yesterday reported a rise in taxed profit for the year to March of 34 percent to R413,6 million (R309 million)

Pre-tax income was up 37 percent to R662,1 million (R482,4 million) Net income from normal business operations rose by 32,6 percent to R600,9 million (R453 million)

Earnings per share from normal business operations were 115,1c (86,8c)

A final dividend of 12,5c (10,1c) has been declared, bringing the total to 20c (17c)

The comparative figures have been restated because of last year's transfer of overseas assets to Richemont

The contribution these assets made to local income from normal business operations in 1988 was R287,6 million, or 55,1c a share

Rembrandt Controlling Investments' earnings per share were 85,3c (64,3c)

A final dividend of 9,26c (7,47c) has been declared, bringing the total to 14,81c (12,58c)

The comparative figures were restated because of the transfer of overseas assets to Richemont In 1988 these assets contributed R147 million, or 40,8c a share

Technical & Industrial Investments' earnings per share were 50,4c (40,12c)

A final dividend of 8,62c has been declared, bringing the total to 13,78c (11,70c)

The Technical Investment Corporation's earnings per share were 74,8c (56,42c)

A final dividend of 8,13c has been declared, bringing the total to 13c (11,04c) — Sapa

S/Times 25/6/89 198

L Suzman celebrates centenary

By Don Robertson

THE R700-million-a-year L Suzman tobacco group will celebrate its centenary next month

It began as a small shop which was opened in 1889 by Russian-born Lewis Suzman on the corner of Commissioner and West streets in Ferreirastown

Since then the company has become the largest wholesale distributor of cigarettes in SA with a market share of about 30% It now has 26 branches around the country

This year, the company expects to sell about 12-billion cigarettes in a market of 36-billion and R25-million worth of confectionary through 10 000 outlets, a similar amount in tobaccos and about R4,5-million in cigars

Mr Suzman emigrated to SA in the mid-1880s and before entering the tobacco industry, was involved in mining claims in the Spitzkop, the Murchison Range and the Zoutspansberg on behalf of other interested parties

After opening in Ferreirastown, the company, which was involved largely in importing tobaccos, was moved to Cape Town because of difficulties experienced in shipping

A new office was established at 22 Lowry Road where it stayed until 1902 The rapid development on the Reef after the Anglo-Boer War resulted in a return to Johannesburg into the Eloff Building in Sauer Street between President and Market Streets

The company operated from these premises until 1960, when the building burnt down. It is now occupied by the Bank of Lisbon

Sold

The Suzman family held control when the company went public in 1946 until it was sold to Slater Walker in 1971 It then became a wholly-owned subsidiary of the Unisec Group and subsequently the Standard Bank Investment Corporation (Stanbic)

The company is not only the largest distributor of cigarettes, but also has links with cigar makers Ritmeester and King Edward as well as Cote d'Or chocolates, Holland House tobaccos and R J Reynolds, which makes Camel cigarettes

It also distributes Beacon, Cadbury, Nestle and Wilson Rowntree sweets

Guest speaker at the function at the Sandton Sun Hotel will be Anton Rupert

CAM. Times 3/7/87

Rothmans boosts earnings by 30%

Own Correspondent

LONDON — Rothmans International, the tobacco and luxury goods group in which Rembrandt's Swiss-based offshore arm Richemont has a 34% stake, has boosted year-end attributable earnings by 30%.

These increased to £175m (£134m), and yielded earnings per share of 52,3p (42,6p)

Although this year's results suffered marginally from the strenghtening of sterling, operating margins once again improved for tobacco, and more significantly for luxury products.

With improved results from both Dunhill and Cartier, luxury products and other activities now contribite 35% of net sales — £2,6bn this year — and 32% of total operating profit

Dunhill's products include fashion accessories, watches, writing instruments and frangrances under the brand names of Dunhill, Montblanc and Chloe

Cartier is a leading force in the market for luxury Swiss watches It has also recently introduced a line of perfumes which are selling well.

Net interest income of £32m (£22m) increased significantly, reflecting both higher average cash balances and higher interest rates

The bottom line was buoyed by an extraordinary item of £10,1m which escaped tax liability

A final dividend of 8,8p (7p) a share was declared, making a total of 12,3p for the year

B/Day 6/7/89.

Rembrandt flagships shine again

(198)

STELLENBOSCH — An investor who originally bought shares valued at R1 000 when the Rembrandt Group was founded in 1948 would now be a millionaire twice over

Chairman Anton Rupert said in his report at Stellenbosch yesterday that the same shares were now worth more than R2m

For the investor who originally invested in the group, the value of a 1c share amounted on May 30 to R22,85 — the combined value of a Rembrandt Group and Richemont share

It was reported that tobacco and liquor continued to be top money-earners in the Rembrandt Group and contributed R236m or 39% of the R600m net profit for the year to March 31

Mining interests increased their contribution to 32% from 25% a year ago, the figure rising to R190m (R117m)

Profits from other sources were industrial interests R94m (R66m), financial services R42m (R38m), and corporate finance and other interests R37m (R29m)

Rupert said that after hiving off its overseas interests into Richemont, the South African business growth expectations had been fully realised

Earnings of 109,4c a share without foreign interests compared favourably with the earnings of 106,9c of two years ago when foreign interests were still included — Sapa

Richemont buys stake in Saint Laurent

Star 21.7.89

198

By Lynne Peach

Luxury goods and tobacco group Richemont, Rembrandt's overseas arm, has acquired a 6,1 percent stake in Groupe Yves Saint Laurent, the French fashion and perfume house, for FFr200 million (about R83 million).

Richemont acquired the interest in Group Saint Laurent through its Luxco subsidiary, adding to Luxco's stake in Cartier Monde, Piaget and Baume & Mercier

Richemont's stake complements existing holdings and demonstrates the group's commitment to expanding its trademarks in the upper end of the luxury goods sector, a statement by Richemont said

Joseph Kanoui, an executive director of Richemont, has joined the supervisory board of Groupe Saint Laurent.

Mr Kanoui is also chairman of Luxco SA and Cartier Monde SA.

Group Saint Laurent, listed on the stock exchanges of Zurich, Geneva and Basel, was to be listed on the Paris Stock Exchange yesterday, but so many investors rushed to buy a stake that the flotation has been postponed until next week.

Shares in the first French fashion house to seek a Paris listing were over-subscribed more than 250 times, broker Francois Dufour-Kervern said

The issue, representing slightly more than 10 percent of Saint Laurent's share capital, has been rescheduled for July 10

The offer price of FFr853 will remain, but investors will be asked to place deposits equal to the number of shares requested to prevent speculative bids

The shares on offer will put 10,9 percent of the company in the hands of the public, alongside the 37,3 percent already placed privately with institutional investors, including Richemont.

Group Saint Laurent has changed radically from the small company founded in 1961 by Mr Yves Saint Laurent and Mr Piere Berge, the groups chairman, reports the *Financial Times*.

Three years ago, it changed dimension and pumped up group debt when it paid $630 million to buy back the the Yves Saint Laurent perfume business owned by Charles of the Ritz.

For 1988, perfume accounted for 86 percent of group sales of FFr2,63 billion and 73 percent of operating profits of FFr439 million — the couture business accounted for the balance.

Bid for BAT lifts Rothmans price

Star 12/7/89

198

By Sven Lünsche and Neil Behrmann

LONDON — Shares of Rothmans International surged to new heights on the London Stock Exchange yesterday after a record £13 billion bid for tobacco conglomerate BAT Industries.

Richemont, the Swiss-based international arm of the Rupert empire, which holds 30 percent of Rothmans, also rose sharply in response.

BAT's R228 million stake in three major South African companies is also in question, as analysts expect a major restructuring of the group if the bid is succesful.

At the close in London, Rothmans was 637p, up nine percent on the previous day Its low this year was 425p

Rothmans volume was a high 2,8 million shares.

Analysts felt a restructuring of Rothmans was on the cards and that the offer for BAT showed the company was undervalued.

The investor group, Hoylake Investments, yesterday launched a £13 billion offer for BAT in Britain's biggest-ever takeover The group offered 850p for each BAT share

BAT operates in 90 different countries, but if the bid is succesful, Hoylake is expected to sell off some of its non-tobacco interests to finance the transaction

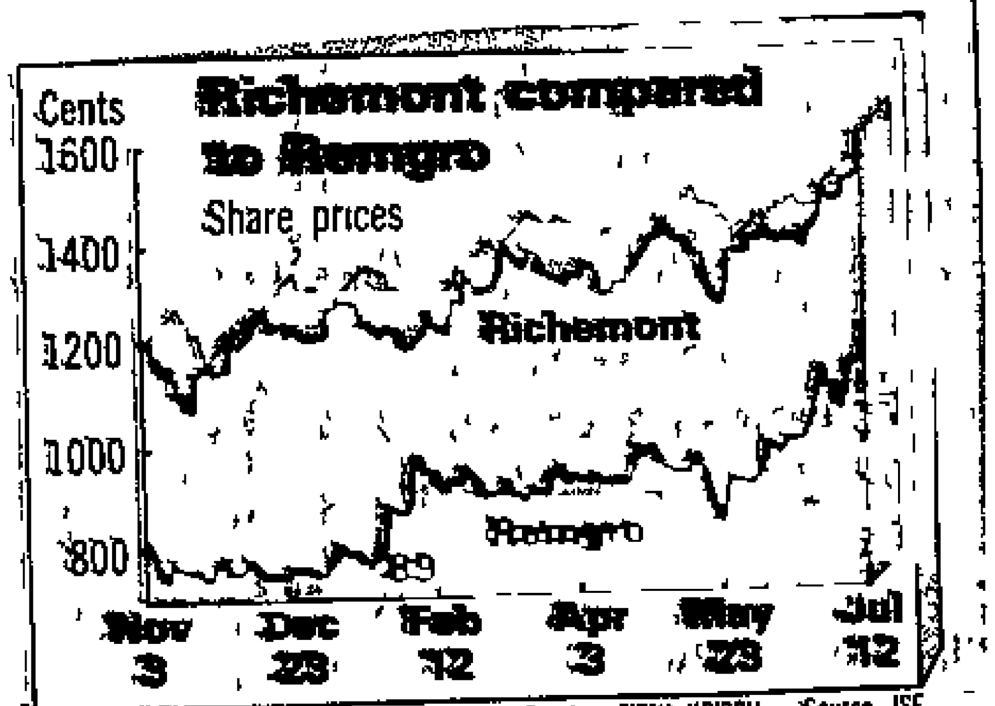
In South Africa, BAT's holdings not related to tobacco, include a 59 percent stake in short-term insurer SA Eagle, valued on the JSE at about R166 million, and control of unlised Willards Food, which controls over a third of the local snack food company.

SA Eagle managing director, Peter Martin, said this morning that it was too early to speculate on BAT's stake in the group, as the bid might not even succeed. "We have had no notification from London as yet," he said.

Anglo American is the other major shareholder in SA Eagle, with a 26 percent interest in the group.

BAT also holds a 63,6 percent interest in tobacco group, Utico, whose market capitalisation is currently at R63 million. The Old Mutual controls over 17 percent of Utico.

● See Page 12



Graphic FIONA KRISCH Source JSE

BDay 13/7/89

Tobacco fever on Diagonal Street

MERVYN HARRIS

TOBACCO fever raging in Britain in the wake of the huge £13bn bid for BAT Industries spilled over into Diagonal Street yesterday to boost Rembrandt group shares and its separate overseas arm Richmon

Sharp gains by the four Rembrandt shares in the tobacco sector, and Richmon in the industrial holding sector, were the major factor propelling the JSE industrial index up 25 points to a new high of 2 671.

Fuelling the rise of shares representing the group's local interests was speculation on Rembrandt's right to buy ConsGold's remaining 38% holding in Gold Fields of SA (GFSA) following the acquisition of ConsGold by Hansom Trust Rembrandt already has a 10% stake in GFSA.

Remgro leapt to R12,50 before closing 65c (5,7%) up at R12,45 and Remb Beheer touched 900c before closing 35c (4,2%) up at 875c

While the Rembrandt group has first right of refusal to buy GFSA, analysts say it might have problems in financing such a deal which could cost more than R2,5bn

The group had R350m cash at the end of March, but this figure has since been reduced by its recent acquisition of Rainbow Chickens through its subsidiary Huntcor

A scenario mapped out by some analysts is that Federale Mynbou, which controls mining house Gencor, would buy GFSA. Rembrandt would then increase its holding in Federale Mynbou

The hostile bid for BAT by three prominent international entrepreneurs had a knock-on effect on shares of Rothmans International, which rose sharply on the London stock exchange.

Richmon surged to R16,15 before a firmer financial rand pulled the price back to end 40c higher at a fresh peak of R16

● See Page 7

198

Contents

Appendix A FURTHER READINGS 3
BOOKS 3
JOURNALS 3

Tobacco companies fight back

SMOKING in public places in South Africa is continually under fire from local authorities and anti-tobacco groups There is no advertising of tobacco products on television and various lobbies here have been trying for years to have a complete ban placed on the advertising of tobacco products

In Canada the no-smoking lobby has managed to persuade government to ban tobacco ads altogether but the cigarette industry has spared little effort in exploring every possible loophole

Star 15/7/89.

198

Tough law

Canada's tough new Tobacco Products Control Act, which banned all advertising and promotion of tobacco products with effect from January this year, sharply restricts how tobacco companies can promote their goods in Canada The law bans all print and broadcast advertising of tobacco products, orders the phasing out of all existing billboard and in-store tobacco advertising and requires stronger health warnings on tobacco packaging

According to a recent report in the *Wall Street Journal*, Canada's three tobacco companies are challenging the law in court, mainly on free-speech grounds, but the cases are expected to take years

In the meantime, the companies are using what little latitude they have left to continue marketing their products they're placing greater emphasis on sports and arts sponsorships and beefing up efforts to give their products prominence in stores

Without advertising, however, major shifts in brand loyalties will be increasingly difficult to achieve "I think the strong will become stronger and the weak will die," says Mr Wilmat Tennyson, president of Imperial Tobacco, which has a commanding 56 percent share of the Canadian cigarette market, including the country's two leading brands, Player's and Du Maurier

The Canadian experience may be instructive for South African tobacco companies, which could eventually face similar restrictions Sponsorships survived the Canadian ban in part because arts and sports organisations argued that there were few alternative sponsors available Under a compromise, tobacco companies were barred from using brand names in sponsorships but may use corporate names So Imperial created incorporated subsidiares named after its three major brands Du Maurier Ltd, Player's Ltd and Matinee Ltd

Thus, the Du Maurier Classic, the golf tournament, became the Du Maurier Ltd Classic But the rules bar Imperial from linking these sponsorships directly to tobacco products "As long as we're very careful to keep it corporate and not brand-oriented, we can do it," says Imperial's Mr Tennyson "Our best legal advice is that we can use the same colours but not the same typeface or emblems"

But the Canadian health department is watching carefully An agency official says the cigarette give-away at the Du Maurier Classic news conference recently appears to have violated a section of the law that forbids sampling.

Mr R Don Brown, Imperial's vice-president of marketing, says "If it's a private function, we can have products available"

Mr Tennyson says he expects Imperial's spending on sponsorships to jump about 25 percent this year to 14 million Canadian dollars (US$11,8 million).

The competition is reacting. RJR-Macdonald recently set up an Export A Inc subsidiary, named after its principal brand The unit has taken over full sponsorship of a series of auto races

Shelf space

At the retail level, marketing battles are expected to intensify through rebates and competition for shelf space, areas unregulated by the legislation.

The wild card, according to the *Wall Street Journal*, remains so-called spillover advertising Although tobacco ads are banned in all Canadian publications, two-thirds of magazines sold in Canada come from outside the country, primarily the US, where there are no such restrictions Canadian tobacco companies argue that this will lead Canadians to switch to US brands, which now account for only 1 percent of Canada's cigarette sales.

Lift-off for SA Eagle and Utico

By Julie Walker

SA EAGLE and Utico shares flew to new heights this week, on the back of a £13-billion bid for British American Tobacco (BAT) by Hoylake.

BAT listed interests in SA are 59% of SA Eagle and 63% of Utico. Should the bid succeed, analysts expect the SA parts to be sold off as part of the unbundling (asset stripping).

The combined market value of the two stakes is R250-million.

Coupled with the threatened sale of 38% of Gold Fields of SA, there does not look to be much upside for the financial rand.

Slowly

A JSE dealer says the finrand has been behaving mysteriously. "The view is that it should be lower," he says. "But it could have received some support since its range of use was broadened."

But if the sales are done slowly, as was the case when Barclays plc sold out, the downward pressure on the finrand would not be as acute as feared.

Speculators rushed to buy shares in the listed concerns both on the JSE and foreign bourses. But British analysts do not believe the bid for BAT will succeed.

They say British financial institutions would require some cash before they sold. Only paper has been offered, and the offer document has not yet been lodged. The bid could also run into political barriers as well as the British Monopolies and Mergers Commission.

In America trouble could come from BAT's Farmers Group, the California insurance concern. Its sale would require the approval of nine state insurance companies.

BAT has had to withdraw its $400-million five-year Eurobond issue, due for completion tomorrow, to protect investors' interests. The bonds had technically been bought by an underwriting syndicate, but not paid for.

Cadbury Schweppes in the UK is also the subject of takeover talk, the favourite contender being Swiss confectioner, Jacobs Suchard. The British chocolate leader owns 54% of Cadswep SA, whose shares rose to a high of R17 on speculation that it would be sold. The stake is worth more than R300-million.

Cadswep is near the top of Anglovaal Industries' shopping list. Anglovaal owns 16% and has board representation.

Short-term insurer SA Eagle's biggest SA shareholder is Anglo American, which also has a large stake in Southern Life.

Rembrandt shares moved up. It has tobacco interests, which might make Utico attractive. However, it has the first right of refusal on Gold Fields of SA, which could cost a cool R2,7-billion at current market value.

B/Day 17/7/89

BAT: antagonists line up their soldiers for US-style war

198

LONDON — The takeover battle for UK tobacco-retailing giant BAT Industries is developing into a US-style fight, underscoring the American dominance of the worldwide corporate buyout scene

The hostile, $21bn offer from an investor group led by Anglo-French financier Sir James Goldsmith is of the size for which US mergers have become renowned

It would be the second-largest takeover in the world after the record $25bn purchase of US-based RJR Nabisco by New York investment firm Kohlberg Kravis Roberts earlier this year, and four times the size of the previous biggest British bid

The bidders offer no cash and instead are using a US financing technique not readily accepted in the UK junk bonds

Both sides have lined up US soldiers leading American investment bankers In addition, many of the battles are expected to take place on US soil in American courts and before US insurance regulators, due to BAT's ownership of US insurance companies

London-based BAT, a diversified conglomerate, has wide-ranging interests in the US It owns Brown and Williamson Tobacco Corp, Farmers Insurance Group and the Saks Fifth Avenue and Marshall Field's department stores

Forty-one per cent of BAT's pre-tax profit and 30% of its revenue came from North America last year

The bidding group, which includes British investor Jacob Rothschild and Australian entrepreneur Kerry Packer, launched the bid last Tuesday through a newly formed company, Hoylake Investments BAT immediately rejected it

On Thursday, BAT said it had dropped a planned $400m note issue, which was to have been completed today It would have been one of the biggest Eurobond offerings ever by a non-US company

"The issue has been withdrawn following the disruption of the market for these securities as a result of the Hoylake bid," BAT said in a statement

BAT's shares fell 15p, to finish at 862p on Thursday on London's Stock Exchange The bidding group's offering price is 850p

Junk bonds, such as the ones the Goldsmith group is offering, are not as widely used or accepted in Britain, where high-debt ventures are less common Junk bonds are high-yield, high-risk securities

Also new to the relatively staid British takeover scene would be the breakup of such a large company Goldsmith said he wanted to "unbundle" BAT by selling its non-tobacco interests

In the BAT war, the offence has lined up US junk bond pioneers Drexel Burnham Lambert and Bankers Trust financing pros

The defence quickly enlisted Goldman Sachs and Shearson Lehman Hutton to help Lazard Brothers plot its strategy All three are US brokerages

US investment firms, which are particularly aggressive, have been leaders in developing sophisticated takeover and anti-takeover techniques,

BAT's defence was likely to be a management buyout, said one analyst "I'm sure that it would be led from the States and therefore by having American advisers they would have a more direct line to the cash" — Sapa-AP

198

Fmail 28/7/89

REMBRANDT GROUP

After the restructuring

Activities: *Investment company with interests mainly in banking, forestry and timber processing, printing and packaging, financial services, engineering, adhesives, life assurance, medical services, mining, petrochemical products, portfolio investments, tobacco products, food, wine and spirits, and various trade mark products*

Chairman: *A E Rupert, managing director J A Rupert*

Capital structure: *522m ords of 1c each Market capitalisation R6,1bn*

Share market: *Price 1 170c Yields 1,7% on dividend, 9,9% on earnings, PE ratio, 10,1, cover, 5,8 12-month high, 2 200c, low, 600c Trading volume last quarter, 4,2m shares*

Financial: *Year to March 31*

	•'88	'89
Investments:		
Unlisted (Rm)	925	1 189
Listed (Rm)	1 450	2 224
Performance:	•'88	'89
Net income (Rm)	449,6	598,0
Earnings (c)	86 8	115,1
Dividends (c)	17	20
Net worth (c)	502	622

•Figures restated after transfer of international interests to Richemont

Rembrandt Group (Remgro) is a very different animal compared to a year ago The year 1988 saw the transfer of all its international interests into Richemont, leaving Remgro holding investments only in SA The composition of the present interests has been substantially disclosed, so investors can at last evaluate the share with something more than an act of faith

Yet an act of faith may be needed to justify buying now On a dividend yield of 1,7%, the share looks fully priced on historical performance What potential investors need to ask is how effectively the group might invest its funds in the future — there should be plenty of cash generated by the tobacco interests Also important is what the implications may be of a sale of Consolidated Gold Fields (Cons Gold)'s interests in SA

The structure and content of the portfolio (see graphic) is essentially that of a mining house with major interests in tobacco Investments or associates rather than managed businesses form the bulk of the portfolio

Net income last year was R600,9m (R453m), an after-tax figure given as income from normal business operations, including earnings from associates Of this 71% (70%) was from two divisions 39,3% (44,6%) from the trade mark group, comprising the wholly owned tobacco subsidiaries and the liquor investments, 31,2% (25,8%) was from mining interests

The industrial interests provided 15,7% (14,6%), financial services 7,1% (8,4%) and corporate finance and other interests 6,3% (6%) Looking at existing holdings in these, growth prospects are likely to be steady rather than spectacular In the industrial sector, the interest in Huntcor fell from 87% to 65%, while Huntcor's interest in Hunt Leuchars & Hepburn (HLH) rose from 63% to 78% This followed the acquisition by HLH of 100% of Bonuskor and of food company Robertsons HLH's food interests were expanded with its purchase since March 31 of 25% of Rainbow Chicken

Chairman Anton Rupert describes the broiler-chicken sector as a strategic industry with the potential of developing into the largest agricultural industry in the next few years He contends the growth rate of the industry is evident from the consumption of white meat which has increased from 1,95 kg per capita in 1956 to 15 kg in 1988, Rainbow produces 2,2m broiler chickens a week of which 330 000 are consumed by the mining industry

In the financial services sector, the year has been one of restructuring The insurance interests were rationalised with the takeover by Momentum Life Assurance of Lifegro Assurance. Momentum was listed, and the new operation is considered to be among the five largest life insurance companies in SA Sage Holdings is also reorganising

Medi-Clinic for the first time showed a profit of R3,6m after deduction of interest of R8,7m on the convertible debentures Rupert ascribes the R6m improvement to better cost-effective management, better utilisation of, especially, the larger hospitals, and to the fact that those hospitals which were being built during the previous period are now functioning

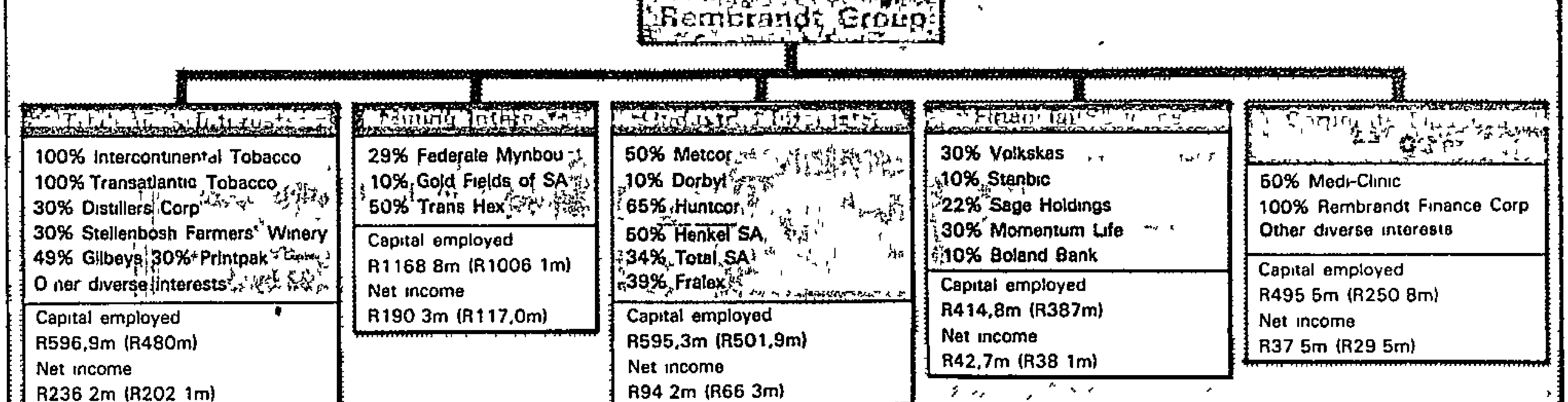
While such developments may bear more fruit later, it is difficult to be greatly enthusiastic about the investment proficiency which management has so far shown in building up the local portfolio — unlike the evident quality of the international portolio that's now in Richemont Much of the mining division consists of Federale Mynbou/Gencor, Gencor only became a good performer a couple of years ago

However, major changes could come before long As noted previously (*Leaders* July 14), there could be many permutations to a Hanson sell-off of Cons Gold's interests in SA, including its holding in GFSA on which Remgro has first refusal An effective merger of GFSA with Gencor must be among the options being considered J D Anderson research director, Charles Booth, feels that conceptually such a move would make sense, as it is one way that value could be created

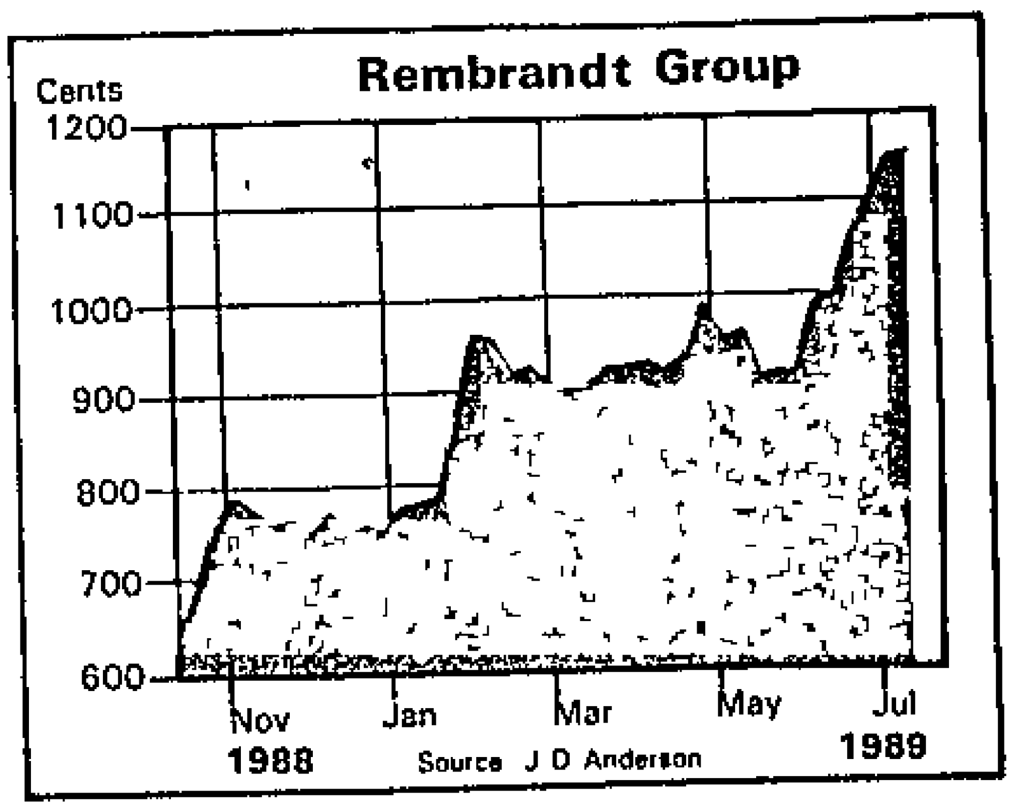
In such a deal Remgro would presumably emerge with a bigger stake of an enlarged Gencor Gencor now gains about two-thirds of earnings from Samancor and Sappi A merger — or a bigger direct holding of GFSA by Remgro — would mean a much larger element of precious metals and base minerals in Remgro's portfolio And it would further reduce the relative importance of the directly managed businesses

Though the trade mark group is the biggest income contributor and accounted last year for 18,2% of capital employed, Remgro continues to provide little detail of its tobac-

P.T.O



(198) Finweek 28/7/89.



co activities The published figures show, however, the return on capital employed in the trade mark group is a high 39,6% Rupert does say that in the tobacco sector a start has been made for expansion of production requirements of the tobacco subsidiaries A factory building has been acquired at Brits which will be equipped as a new production unit

The expansion appears to support analysts' view of tobacco as a steady growth sector Statistics published by the Tobacco Board in its 1988 report show that consumer spending on tobacco products increased annually between 1981-1982 and 1986-1987, with expenditure more than doubling R1,96bn The board's figures show rising output of tobacco and derived products, and it says a noteworthy trend is the increasing demand for cigarettes; it can probably be assumed that, like that of beer, this demand is driven by black smokers

Remgro's tobacco operation is clearly an expanding business which is a big cash generator Booth suggests it could be compared with SA Breweries' beer division, with the important difference that it apparently does not require the huge capital investments needed by beer This implies a steady flow of liquidity should be available for future investment by Remgro

The dividend cover has been reduced but remains high This, too, should help towards sustainable future growth Full use has yet to be made of the balance sheet, which at year-end held net cash of some R230m.

Given the restructuring as a wholly SA-invested group, investors might wonder whether or not in the long term this will impose limits to growth However, there is much that could be done over the next few years At least in the medium term there seems no reason why Remgro should not continue to maintain healthy real growth in earnings and dividends. Despite the thin yield, the share should appreciate over time, particularly if management takes a more active investment profile.

Andrew McNulty

Rembrandt aims for control of Rothmans

Star 4/9/87

1987

Finance Staff

A stockbroking team at UK brokers Hoare Govett is expecting Rembrandt to bid for the stake in Rothmans International it does not already own.

The vehicle for the takeover offer is likely to be its international investment arm, Switzerland-based Richemont, which has 43 percent of the votes at Rothmans US tobacco giant Philip Morris has a further 25 percent, while the remaining shares are owned by the Rupert family with Dr Anton Rupert as chairman.

William de Winter at Hoare Govett likes to think of Rothmans as the "last tobacco stock that offers value on a fundamental basis It would be a lucrative acquisition for any group," the *Financial Times* reports

The diversification performance of other tobacco giants — which have been taken over or are currently subject of takeover bids — has been mixed, "but the Rothmans story is one of unalloyed success".

It can be measured by the enormous cash pile the group generates — £454 million at the last count.

Rothmans has diversified highly successfully into luxury goods through its 55 percent stake in Dunhill, the quoted lighters, pens, perfume and upmarket fashion retailing group It also has a 47 percent holding in Cartier, the French fashion and jewellery house.

Cartier and Dunhill together contributed more than £134 million to Rothmans' profits last year

De Winter says other options are that the tobacco business goes to Philip Morris, or simply that Cartier will be floated in the wake of the successful public launch of Yves Saint Laurent in Paris

Sunday. With him is the group's manager, Christine Connor.

Goodyear changes name

From PAT CANDIDO
Argus Bureau

Argus 26/9/89

PORT ELIZABETH. — Goodyear Tyre and Rubber has changed its name to Tycon.

The company, which was bought by Anglo Vaal subsidiary Consol, will continue to produce Goodyear and Kelly tyres and a wide range of rubber products at its Uitenhage plant in terms of a technology agreement with Goodyear in the United States.

Three Consol executives have joined the board of Tycon. They are Consol managing director Mr P J Neethling, who is chairman, Mr H Stroh and Mr K H Forgan. They replace Mr Basil Hersov, Professor Nic Wiehahn and Mr E Mafuna.

Meanwhile, more than 1 500 of the company's employees have withdrawn R7,5- million from the company's pension fund in terms of a deal struck with Numsa two weeks ago.

The agreement included a provision that employees were entitled to withdraw double their own contributions, plus interest. The company would also pay R1 000 a worker into the fund.

Tyre price hike set to puncture pockets

Cape Times 27/9/87

JOHANNESBURG — Tyre prices were increased across-the-board by between 8% and 11% yesterday, Motor Industries Federation president and Quality Tyres chairman Mr Alex Hawes said last night.

The price increases come into effect today and were mainly caused "by inflation and two price increases this year" from Carbochem, which supplies raw materials to the "fiercely competitive tyre manufacturers"

Mr Hawes said this was the second price hike this year.

However, a tyre dealer said night last tyre prices had increased three times this year. The first time was in February when the cost increased on average 12% and on July 26 there was a further 12% rise.

The dealer said the price of a thin bakkie tyre in July was R139. The same tyre now cost R152.

Rothmans joins Rembrandt stable

Cape Times 10/11/89 (198)

Own Correspondent

LONDON — Rothmans International, the British tobacco and luxury goods group, yesterday came under SA control after Rembrandt's Swiss-based investment vehicle Richemont increased its equity stake to 63%

Richemont, which already was the major shareholder with a 34% equity stake, bought out the 29% stake held by the second largest shareholder, American tobacco giant Phillip Morris

Although this deal was part of a formal offer valued by S G Warburg at £5,88 per Rothmans share, Richemont made it clear it did not intend to increase its stake any further

"While all shareholders will be given the opportunity to consider the offer, it is our expectation that shareholders other than Phillip Morris will not wish to accept," a statement said

The objectives Richemont had for the Rothmans group of companies could only be achieved "in partnership with a significant public minority", it added Rothmans' listing would therefore be maintained

The City, dissappointed and puzzled at what it regarded as little more than a change of ownership at the top, marked Rothmans shares down 36p to £6,33 At one point they touched £6,00

An analyst on Channel Four's daily business programme called it "the bid that never was" Another from stockbrokers James Capel said "A bid at a discount to the market is hardly a thrill Minority shareholders can't be too happy"

The offer, made through Richemont's wholly owned subsidiary Rothmans Tobacco Holdings (RTH), takes the form of unlisted unsecured RTH notes carrying a 10,25% annual fixed interest and maturing in 1994

While transferable, no application will be made for the notes to be listed or dealt with on any stock exchange

Rothmans International executive Chairman David Montagu said he was delighted at the deal struck between Richemont and Phillip Morris

"Managing a company with two large shareholders, each with different motivations, is harder than with one shareholder We look forward to a new, more definite relationship, with Richemont"

Phillip Morris had ended its passive investment in Rothmans after deciding the funds could be better employed elsewhere, Montagu said. They will make about $400 million profit on the deal

Asked if there would now be a major restructuring at Rothmans, Montagu said "I would be surprised if there wasn't" He did not elaborate

Richemont was equally coy, saying only that it will discuss with Rothmans ways of enhancing the value of shareholders' interests

Rothmans produces a wide range of cigarettes, cigars and smoking tobacco for distribution and sale throughout the world These interests accounted for 68% of operating profits, which last year totalled £267m

The group's luxury goods side, which accounted for 55% of operating profits, consists of a 55% holding in Dunhill and 47% in Paris-based Cartier

Analysts said it was not yet clear just how Richemont would go about restructuring Rothmans, but that the market was watching closely

They expect Richemont to unlock the value of Rothmans, whose myriad activities are not properly reflected under the umbrella of its present single listing

Rembrandt stable is looking healthy

B/Day 30/11/89

198

BARRY SERGEANT

THE four listed companies in the Rembrandt stable have reported healthy increases in earnings and dividends for the six months to end-September.

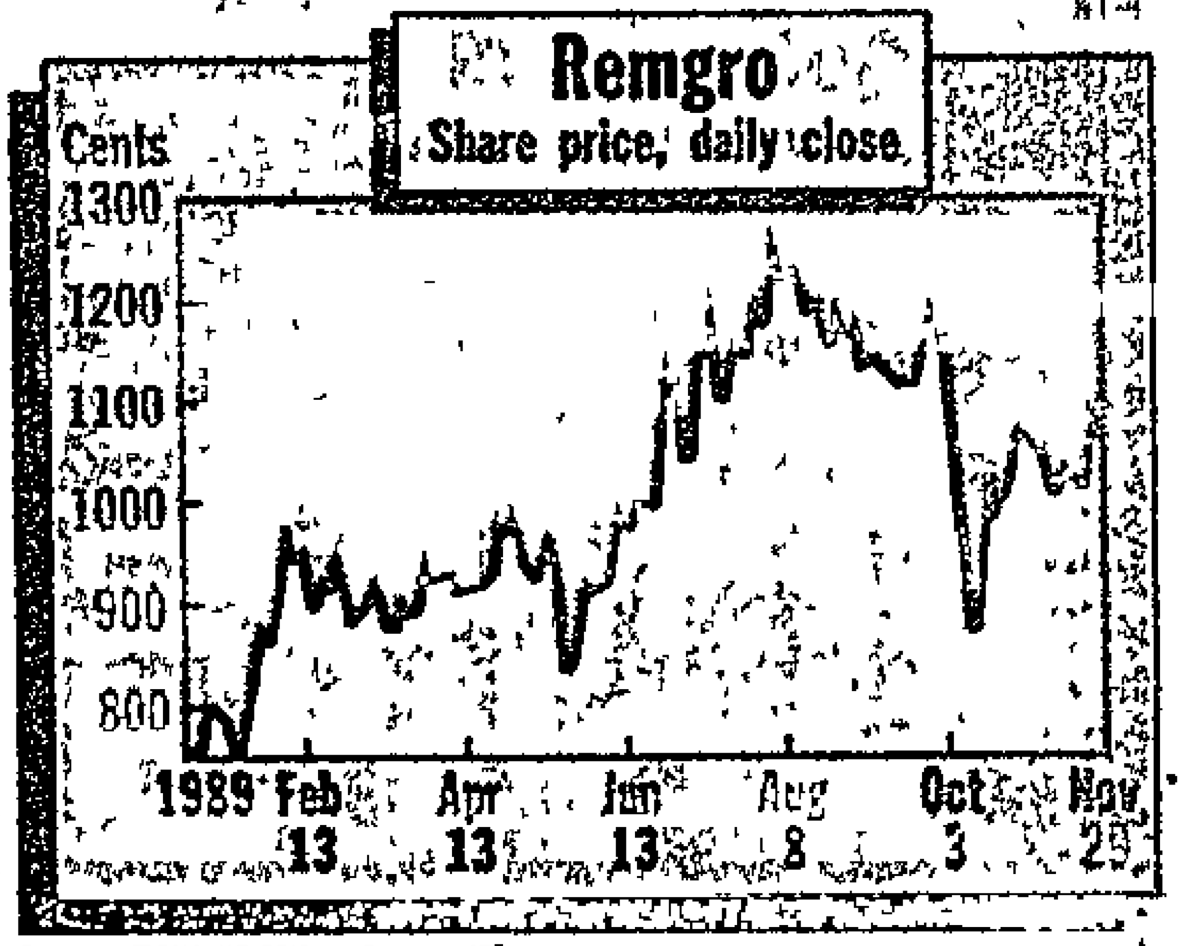
Rembrandt Group (Remgro) reported earnings up 28,3% to 66,40c (51,74c) and an interim dividend of 8,75c (7,50c). The large gap between earnings and dividends is in line with Rembrandt's traditional conservative dividend cover. Remgro's increased distribution came after a 42,5% rise in net income to R383,0m (R268,7m).

Rembrandt Controlling Investments (RembBeh) increased net income by a similar margin and earnings swelled to 49,17c (38,31c). The interim dividend was increased to 6,48c (5,55c).

Technical Investment Corporation (Tegkor) improved net income 42,4% to R79,3m (R55,7m), translating into earnings of 26,56c (21,27c). An interim dividend of 5,68c (4,87c) has been declared. Technical and Industrial Investments' (Tib) achieved earnings of 45,76c (35,61c) from which a dividend of 6,02c (5,16c) will be paid.

Rembrandt, which classifies its activities under trademarks, mining, industrial, financial services and corporate finances and other, was on the acquisition trail again during the interim period.

In August it increased its interest in Gold Fields SA. In the interim results, the directors say that after taking into account



Graphic: FIONA KRISCH Source: JSE

the recent GFSA rights issue, Rembrandt holds a 40% interest in Gold Fields Holdings, which in turn holds a 43,7% interest in GFSA. Rembrandt's indirect interest in GFSA is now 17,5% on a fully diluted basis against 9,5% previously.

The directors say that the additional investment, including costs and the taking up of rights, amounts to R911,2m and is being financed out of own resources, by preference sharesissued by a wholly-owned subsidiary and by loans.

The financial statement released last night says that the transaction has had no material effect on Rembrandt's results for the six months under review, as the reporting period of GFSA used for inclusion of attributable income in Rembrandt's interim results ends on June 30.

Rembrandt lifts profits to R383m

198

CAPE TIMES 30/11/89

Financial Editor

THE Rembrandt Group lifted net income for the six months to September 30 to R383m (R268,7m) Of this, R36,4m was due to extraordinary items — mainly the group's share of attributable profits from rationalisation by its associate Gencor

Net income before tax was R357m (R297,4m) and the tax bill rose to R131m (R111,3m)

Net income from normal business operations was R346,6m (R270,1m) Earnings at share level from normal business operations rose to 66,40c (51,74c) and the interim dividend to 8,75c (7,50c)

The directors say that taking into account the recent Gold Fields of SA (GFSA) rights issue, the group now holds 40% of Gold Fields Holdings which in turn holds 43,7% of GFSA

"The group's indirect interest in GFSA is now 17,5% on a fully diluted basis as against 9,5% previously

The additional investment, including costs and the taking up of rights, amounts to R911,2m and is being financed out of the group's own resources, by preference shares issued by a wholly owned subsidiary and by loans"

The statement says that this transaction has had no material effect on the group's results for the six months under review

● Rembrandt Controlling Investments reports net income from normal business operations of R177m (137,9m) and net income including an extraordinary item of R18,6m — mainly its attributable share of profits from Gencor's rationalisation of interests — of R195,6m (R137,2m) Earnings per share from normal business operations are 49,17c (38,31c) and the interim dividend is 6,48c (5,55c)

● Technical Investment Corporation reports net income from normal business operations of R71,8m (R56m) and net income of R79,3m (R55,7m) including an extraordinary item — attributable profits from the Gencor rationalisation — of R7,5m. Earnings per share from normal business operations are 43,14c (33,65c) and the dividend 5,68c (4,87c)

● Technical and Industrial Investments reports net income from normal business operations of R60,4m (R47m), and net income of R66,7m (R46,7m) including an extraordinary profit of R6,3m Earnings per share from normal business operations are 45,76c (35,61c) and the dividend is 6,02c (5,16c)

198

The puffing gets better!

JOHANN RUPERT . . "a gold mine is a fine rand hedge".

By David Carte

REGAINING control of Rothmans really satisfies Johann Rupert — but last month's triumph was in Richemont

In this survey we are looking at Rembrandt, an all-South African company with no relationship to Richemont except common shareholders

But in calculating the 60%pa return to a Rembrandt shareholder in the five years to September we have added back the value of the one Richemont share he would have received for every Rembrandt

But quite aside from the establishment of Richemont, which added billions to shareholder value and the recapture of control of Rothmans, there were considerable victories in Rembrandt in the past year

First, Remgro snatched Rainbow Chickens from under the nose of Irvin & Johnson and put it, together with Robertsons spices, into Hunt Leuchars & Hepburn to form a second food based leg in that timber group

Then there was the successful bid, together with GFSA management for effective control of GFSA

Mr Rupert gives the credit to his predecessors

"The tobacco business to us is like the beer business to SA Breweries and diamonds to Anglo It generates an enormous cash flow, which like SAB and Anglo, we invest in diverse areas

As you know, we are well placed in financial services, with strategic stakes in, and cordial relationships with, Volkskas, Momentum, United Group, Standard Bank and Sage I think we are strategically well positioned considering the urgent need for rationalisation in financial services in South Africa

"The other day I drove down the main street of Somerset West and noticed 23 financial services outlets in about a kilometre Think about the duplication in data processing hardware and software not to mention white collar staff inherent in such an over-banked situation. The customers and the country cannot afford it."

Mr Rupert junior shares his father's enthusiasm for gold and gold mining

"A good gold mine is a fine rand hedge As you know, GFSA has three of the richest mines in the world Rembrandt's positive cash flow should amortise the investment in about two and a half years"

Since Remgro has 25% of Gencor Holding, pyramid of Gencor, what are the prospects of GFSA getting closer to Gencor?

Thrived

"The squabble over Fedmyn was between personalities long ago We defended the right of a brilliant chief executive to discontinue certain operations, but that is all in the past I'd like to place on record our respect for Derek Keys We think he is one of the best managers in the world.

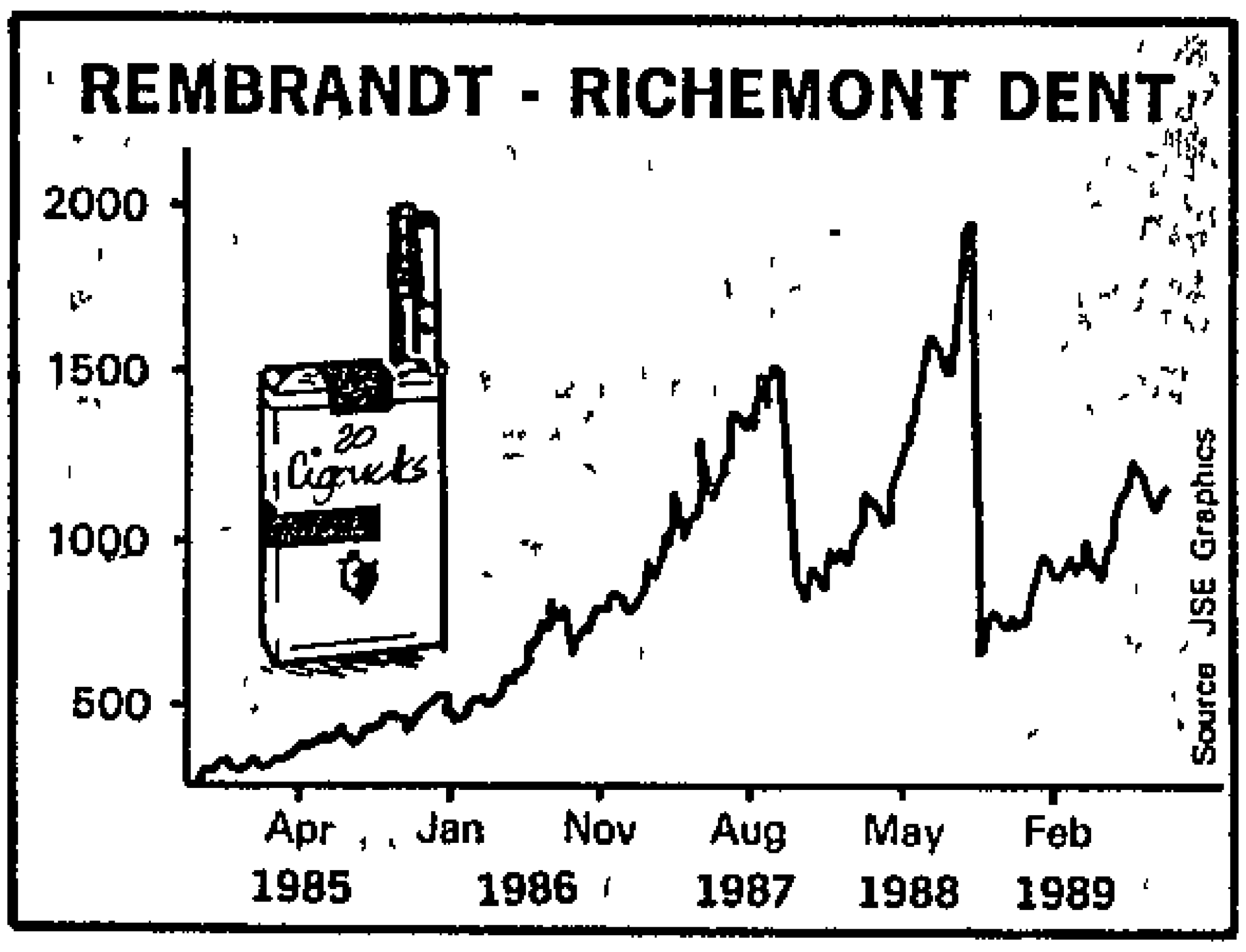
"It seems to me that if the mining houses are to get closer it will be at operational level, rather than at head office level The GFSA management team today is assured of its independence and can negotiate joint ventures on equal terms not only with Gencor but with other mining houses as well"

Mr Rupert said Rembrandt thrived because of its low dividends and high retentions over the years — and also because it could take an eight or 10-year view on investments

"Because of inflation, many companies have paid dividends out of capital Shareholders have paid tax on the dividends and then the companies have come back every five years with rights issues The shareholder had to dig into his pocket to pay with money that had been taxed and depreciated For him it has been a zero sum game

"Our dividend cover has been very high in the past and currently runs at five My predecessors built this company up on individual shareholders, rather than institutions

"For years institutions complained that we didn't pay dividends Now they don't want us to pay dividends, particularly out of Richemont, their rand hedge."



No 2 1984: R10 000 1989: R115 063

Beware the electronics minefields

S Times 3/12/89

By Melanie Sergeant

THE JSE's electronics sector — everyone's darling in the 1987 listings boom — has turned out to be an investor's minefield

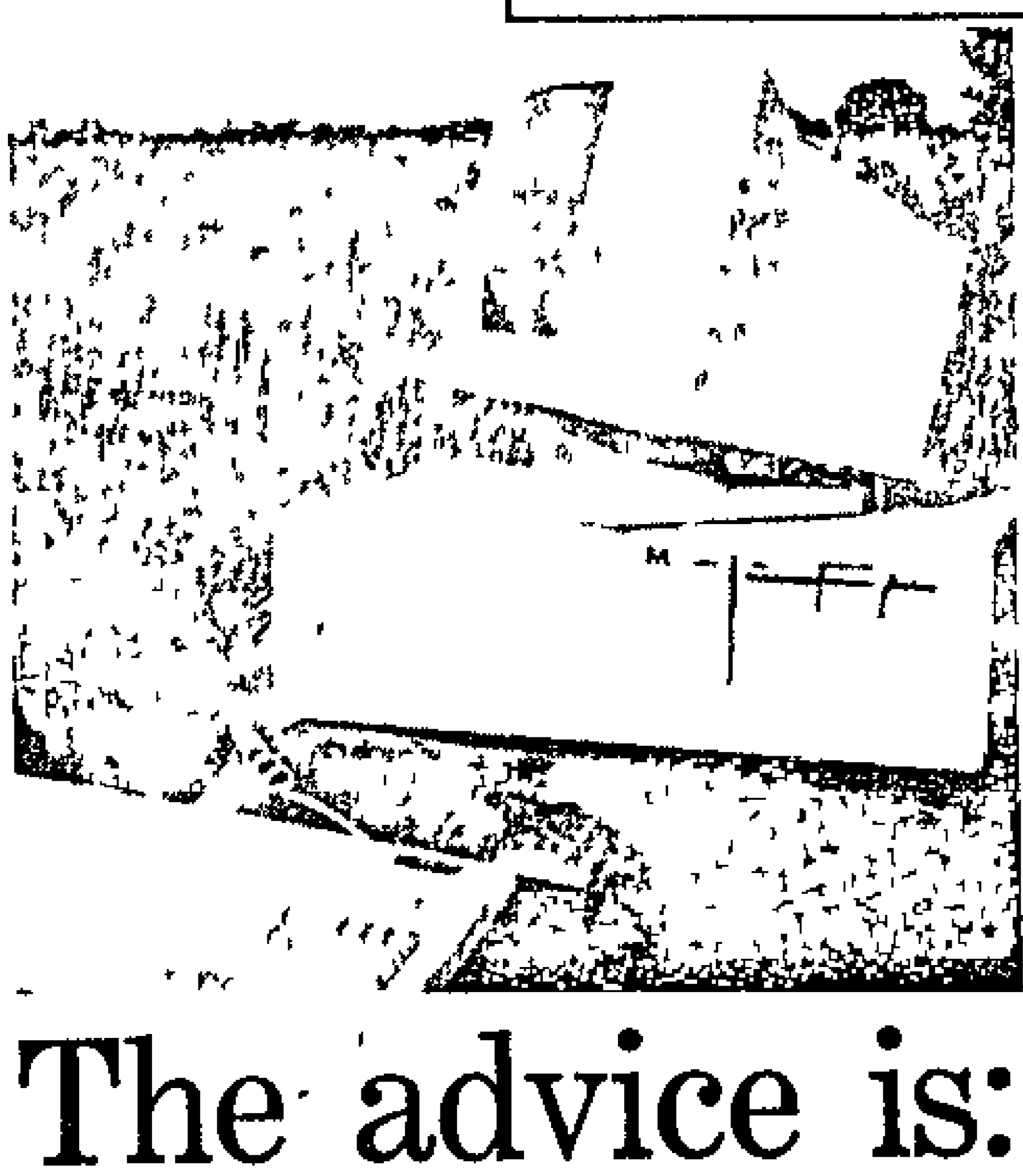
Even companies which are proven good performers have been tainted by disasters like GBS and Fintech with its Punch Line debacle

One JSE analyst says many of the companies could be good examples of how not to run a business "They are operating in a highly competitive industry, and many smaller companies are not producing the goods which traditionally attract investors

"There may be many bright people in this industry, but they simply don't know how to run their businesses," he says

Another analyst predicts more delistings before new companies come to the sector

Overall, the sector has not



The advice is: Tiptoe

MANUFACTURING – TOBACCO

1990

Hiveld, Samancor face R1bn decision

S/Times 21/1/90. 198

HIGHVELD Steel & Vanadium and Samancor will decide next month whether to brave weak world markets and go ahead with a R1-billion stainless-steel plant.

But the green light is expected for the 300 000-ton-a-year plant. Involved in the project is a giant Taiwanese group, thought to be Chun Yuan Steel.

By Don Robertson

Highveld and Samancor executives are in Taiwan assessing the feasibility of the project

Stainless-steel prices have plunged, but the set-up time for a plant is about three years and by that time world demand is expected to resume its 3% to 4% annual growth rate

Deon Toerien, divisional manager of chrome alloys at Samancor, says "Because of new applications for stainless steel, we see good prices by the middle of 1993 We hope the project will go ahead, but there are a few problems"

Nickel

Middelburg Steel & Alloys (MS&A), SA's only stainless-steel producer, says the price of benchmark 304 stainless steel nearly trebled from about $1 100 a ton in the Far East in 1985 to a peak of $3 100 in the middle of 1988 It held this level until the middle of 1989 before plunging to a current $2 000.

'The price of nickel has an important bearing on stainless 1985 nickel fetched about $2 a pound, rising to $7 or $8 when the stainless-steel price peaked It is now trading at about $3,20 a pound

MS&A managing director John Gomersall says the price could fall temporarily to about $1 100. There is surplus capacity and more is being added around the world.

But the longer-term future is healthy, he says.

If the project goes ahead, the Taiwanese company could contribute to the huge investment. One reason the Taiwanese would like the project to be sited in SA is that their steel industry is under attack by environmentalists

Initial plans are for the establishment of a plant by Samancor and Highveld to take the stainless steel through to the hot-rolled process It would then be exported to Taiwan for further processing to a more refined cold-rolled stage for eventual manufacture into consumer goods or for use in building and other capital projects.

Advantage

Samancor is a major supplier of ferrochrome to stainless-steel manufacturers It is trying not to compete with its ferrochrome customers producing a final product It will not try to beat users in Europe on price

Iscor will have the capacity and ability to build a stainless-steel plant once its Pretoria works have been refurbished at a cost of R240-million by 1992 Iscor says it has no plans to make stainless steel

A spokesman says additional expenditure of about R100-million would give it the capacity to produce 300 000 tons of stainless steel a year

SA has an advantage in the stainless-steel market It is the world's largest supplier of ferrochrome, which makes up about 25% of the input to stainless steel Ferrochrome is considered immune to sanctions because of SA's dominance of supply

World production of stainless steel is expected to fall to about 9,5-million tons this year from between 10-million and 11-million tons last year This follows growth rates of between 10% and 11% in the past two years

These sales were achieved at high prices because of the sharp rise in the price of nickel, which peaked at about $22 000 a ton It is now trading at about $7 100 a ton.

In October MS&A cut its price of stainless steel by R400 a ton. It will lower its price by R1 100 from March because of the drop in the nickel price

Contract

Until the middle of last year, users of stainless steel feared shortages. They bought heavily, pushing up prices and causing users to switch to substitutes.

Converters have destocked by cutting prices. Most of SA's ferrochrome is sold by contract based on the free-market price.

MS&A commercial sales manager Derek Engelbrecht believes the market will pick up and that demand for stainless steel will recover to about 10,5-million tons with a

● To Page 3

198

R26m 'went up in smoke'

Own Correspondent

CAPE TOWN — SA exported tobacco at a loss of R26,8m during the 1987/88 financial year, former auditor-general Joep de Loor reported yesterday

This was disclosed in his report on the accounts of the Tobacco Board, which was tabled in Parliament yesterday

De Loor also reported that the board paid R1,1m as an ex gratia payment to tobacco producers in respect of 75% of the domestic value of unmarketable chlorine-contaminated tobacco from the 1987 crop

"During the year financing amounting to R20 119 882 was granted to co-operatives in respect of tobacco that could not be absorbed by the local market immediately.

"Portions of this and of the stocks carried forward from previous seasons were sold abroad during the year at a loss

"At 31 March 1988 surplus stocks to the value to the value of R8 118 363 were still on hand at co-operatives"

De Loor said the Agriculture Minister granted standing approval for the available funds of the board to be used for advancing to tobacco co-operatives, immediately on submission of invoices, the full local value of packed tobacco supplies intended for export

Advances amounting to R13,3m were made during the year, but these were repaid by March 31 1988.

"Losses on tobacco sales abroad amounted to R26 765 119 during the year and were written off against the price stabilisation account"

GERALD REILLY reports that figures released yesterday show that South Africans spent a huge R3,084bn on tobacco products last year

Spending

Speaking at a tobacco industry seminar at Gordon's Bay, Agriculture Minister Jacob de Villiers said this represented 6,7% of total spending on food, liquor and tobacco. The total smoked amounted to 40,5-million kg

Tobacco was planted over 26 000ha, which produced around 36,8-million kg a year with a gross value of about R350m.

De Villiers said the "fairly heavy" excise duties levied on tobacco products earned the state R552m last year.

Stressing the importance of the industry as a work provider, De Villiers said that, including the two cigarette factories and 10 other factories producing tobacco products, it employed 58 500 workers

Utico lifts earnings and dividend

STAR 16/2/90 (198)

By Ann Crotty

Utico, the holding company for United Tobacco and Willards Foods, has reported a 16 percent increase in turnover to R361 million (R310,6 million) and an 18 percent hike in earnings to 307,4c (260,2c) a share in the year to December

A final dividend of 98c a share has been declared, bringing the total to 153c — up 39 percent from the previous year's 110c.

Operating income was up 19 percent to R37,6 million (R31,6 million), reflecting a slight increase in operating margins

Interest payments shot up to R1,6 million from R191 000 as a result of increased borrowings used to fund major capex on plant modernisation at both the Industria and Rosslyn factories

Total borrowings were up to R11,1 million — a sharp turnaround from the previous year's cash balance of R570 000

There was a 15 percent increase in pre-tax income to R36 million (R31,4 million)

A drop in the tax rate from 49,6 percent to 48 percent helped lift attributable earnings 18 percent to R18,6 million (R15,8 million).

The increase in turnover represents a volume increase of around two percent.

MD Bruce Edmonds says there was some volume increase in snack food sales, but little volume change in cigarettes because of destocking by retailers and wholesalers in the first quarter of financial 1989

Volume increase in the snack division would have been higher if production constraints had not curtailed its ability to meet the sharp hike in demand after the re-launch of Big Korn Bites

In financial 1988 Utico suffered similar production constraints in the face of an unexpectedly sharp hike in demand for Flanagan's Kettle Fried Crisps

This reflects the production difficulties caused by the fashion aspect of the demand for snacks

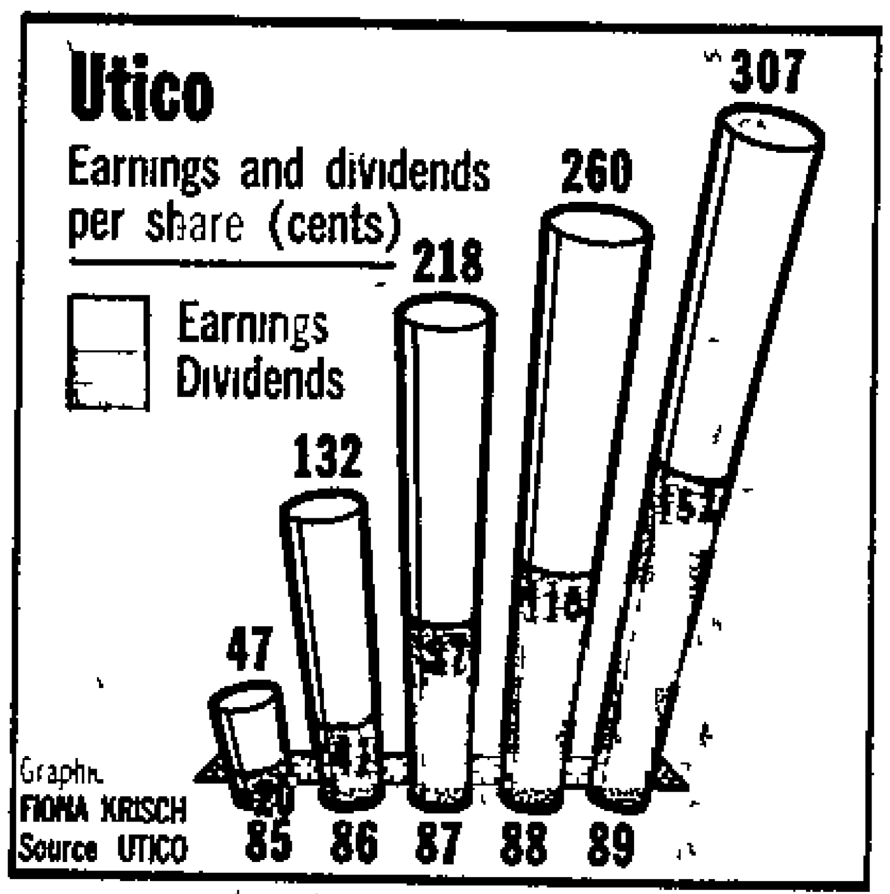
Market launches, necessary to keep up with or ahead of competitors can be unexpectedly successful, leaving management without the production facilities to meet a sharp increase in demand

Then a decision has to be made about the sustainability of the higher demand and the feasibility of increasing production capacity (which involves a time-lag) to meet that demand

The increase in the dividend has resulted in a decrease in dividend cover to two times from 2,4 times

Mr Edmunds says dividend cover is determined by the group's liquidity and its need for medium-term funds

Despite the increase in borrowings in financial 1989, gearing was at a low 11,9 percent at end-year — up from 2,5 percent in financial 1988



Utico shrugs off limited demand

BRENT MELVILLE (198)

B 10 91 16/2/90

UK-controlled tobacco and snack group Utico has shrugged off low consumer demand for cigarettes and pipe tobaccos and debilitating interest rates to post a healthy rise in earnings for the year to end-December

On a turnover increase of 16% to R361m (R310,7m), operating income rose by 19% to R37,6m (R31,6m) as a result of a slight improvement in margins. However, interest charges lopped off R1,6m (R191 000), leaving income before tax at R36m (R31,4m) — a 15% improvement.

After absorbing an 11% hike in the tax charge of R17,3m (R15,6m), attributable income was left 18% better off at R18,7m (R15,8m), translating to earnings of 307,4c (260,2c) a share.

A generous final dividend of 98c (70c) has been proposed, leaving the total for the year at 153c (110c) — covered a scarce 2,0 (2,4) times.

Major capex on plant modernisation at both the Industria and Rosslyn factories increased net borrowings to R11,1m. The group's gearing has gone from 2,5% last year to 11,9% as a result.

Chairman Bruce Edmunds said the gearing level was well within the group's self-defined limits.

The current ratio increased marginally to 1,7.1 (1,6.1) with stock climbing by 19% and cash on hand depleted from R2,7m to nothing.

Edmunds feels the results are commendable when viewed against the trading background of extremely high interest rates, steadily rising inflation and deteriorating consumer spending

Highlights over the year included the successful launch of Benson & Hedges (B&H) Ultimate Lights, and the continuing strong performance of both B&H Special Mild and B&H Ultra Mild, both the top-selling brands in their markets

Willards also recorded excellent increases in both trading profit and attributable income Flanagan's Kettle-Fried Crisps retained its position as market leader, while re-launched Big Korn Bites increased sales volumes by 50%, becoming a market leader.

Rembrandt dividend augurs well

ROBERT GENTLE

THE Rembrandt Group announced a 25% increase in its total dividend per share yesterday for the current financial year to 25c (20c previously), a figure which two analysts believe augurs well for the yet-to-be-announced earnings figures.

If the increase in the total dividend is an indication of earnings growth and there is no significant change in dividend cover, net earnings are set to reach R751m (R601m)

B Day 1/3/90

A statement released by the Rembrandt Group shows the total 25c dividend is to be made up of an interim dividend of 8,75c and a final dividend of 16,25c

An analyst from stockbroking firm Simpson McKie called the result better than expected

An analyst from stockbroking firm J D Anderson said the increase was "just about right" and in line with historic growth

The other companies that form the overall Rembrandt structure announced identical rates of increase in their dividends

Rembrandt Controlling Investments reported a final dividend per share of 12,03c, lifting the total dividend for the year to 18,51c (14,81c).

Technical and Industrial Investments reported a final dividend per share of 11,2c, lifting the total dividend for the year to 17,22c (13,78c). (1982)

Technical Investment Corporation reported a final dividend per share of 10,56c, lifting the total dividend for the year to 16,24c (13c)

Shake-up of key posts at Rembrandt

198

BDay 6/3/90

ROBERT GENTLE

ANTON Rupert, 73-year-old founder of the Rembrandt Group of companies (Remgro), has retired from its board.

However, he has been appointed to the relatively less active role of Rembrandt Controlling Investments chairman

The move, announced in a statement yesterday, is part of a key shake-up — effective from April 1 — which sees the appointment to the board of 11 senior executives from important Remgro operating companies

Included are Peter Flack (Fraser Alexander chairman), Dawid Mostert (Dorbyl CE), Neil Morris (Hunt Leuchars & Hepburn chairman) and W J C Vermeulen (International Tobacco Company MD).

A spokesman said the new members of the Remgro board reflected the diversified nature of the group.

The Remgro board was now more of a managing board, while that of Rembrandt Controlling Investments was more of a controlling one

This view was echoed by an analyst from stockbroking firm Martin & Co, who called it more of an operating board.

An analyst from stockbroking firm J D Anderson said "The significance of the move is that Anton is retiring from the group board"

With the increase in the number of Remgro's investments over the past five years, the newcomers to the board probably reflected the need for a more hands-on approach to group business, he said

Rupert's appointment as chairman of Rembrandt Controlling Investments means former chairman D W R Hertzog now becomes vice-chairman

On the Remgro board, Rupert's brother J A "Koos" Rupert takes over as executive chairman, while his son Johann Rupert remains a director.

The reconstituted Remgro board reads: J A Rupert (executive chairman), J P Rupert, E de la H Hertzog, W J C Vermeulen, A W J Marren, E N Brink, M H Visser, P H Flack, N J Morris, D B Mostert, T van Wyk, D M Falck, D Prins and A C van As

REMGRO FM 9/3/90 (198)

Operational board

Remgro is to reshuffle its board, thereby taking another major step towards fulfilling strategies set in motion when the group was restructured in 1988.

There were to be two major legs to these strategies. One was to hive off the international interests into a separate company, Luxembourg-based Richemont. The other was to rearrange the local interests, following the rapid expansion seen over the past decade.

The rationale was that after Remgro's substantial growth in size and diversity, local

FM 9/3/90 (198)

investments needed to be rearranged into divisions needing similar managerial expertise "in order to establish focused management and to exploit opportunities for expansion and further growth" Local interests were arranged into five operating divisions: trademark-oriented products; mining and engineering, financial services, diverse interests, and internal services

With the exception of the chairman, Anton Rupert, the Remgro directors are virtually identical to those of the holding company, Rembrandt Controlling, whose chairman is Dirk Hertzog From April, the Remgro board will be reconstituted into what will be much closer to that of an operational company

Anton Rupert becomes chairman of Rembrandt Controlling with Dirk Hertzog becoming vice-chairman; it also gains a new director in Dorbyl chairman Floors Kotzee.

Only four of the present 17 directors remain on Remgro's new board, which includes a number of managers of the traditional operations as well as representatives from some of the newer subsidiaries. J A "Koos" Rupert, the present MD, becomes executive chairman while Richemont chairman Johann Rupert remains in the wings for the present

New directors include Mediclinic MD Edwin Hertzog (son of Dirk Hertzog); Willem Vermeulen, MD of Intercontinental Tobacco; Andy Marren, MD of Transatlantic Tobacco, Eugene Brink, MD of R & R Tobacco Manufacturers, Thys Visser, Dennis Falck and Daan Prins, all group financial managers; and Christo van As, group administration manager Newcomers include the present Registrar of Financial Institutions, Theo van Wyk, who will join the group full-time Executives from diversified subsidiaries include Fraser Alexander chairman Peter Flack, Dorbyl CE Dawid Mostert and HLH CE Neil Morris

Several of the group's younger generation executives — such as Falck, Van As and Visser — have thus moved upwards The next question is when Johann Rupert, 39, will take over the reins at Remgro, a step which outsiders assume is only a matter of time. "Koos" Rupert is now 60 and could remain in the chair until reaching the normal retirement age of 63 for working directors As an interim arrangement, though, the younger Rupert could later become MD

Anton Rupert turn 74 this year but could yet wait a couple more years before announcing his retirement *Andrew McNulty*

Decks cleared for Johann's top spot

198

S/Times 11/3/90

Business Times Reporter

JOHANN Rupert, son of Rembrandt chairman Anton Rupert, is likely to take the helm of Rembrandt Group (Remgro) in two or three years.

In this week's management reshuffle in which Dr Rupert took a non-executive role, Mr Rupert was named no more than an executive director of Remgro. But he has been at the centre of all Rembrandt and Richemont's major transactions of the past four years.

Mr Rupert is preoccupied as chief executive of Richemont, the Swiss-based industrial holding company spun off from Rembrandt two years ago.

But sources close to Rembrandt say he will take over as chief executive or even chairman of Remgro and, possibly of Richemont as well — after his 63-year-old uncle Koos follows his father into semi-retirement.

Because of family involvement, the succession issue is desperately sensitive at SA's most famous tobacco house.

Several executives in the greater Rembrandt empire were put on the board of the operating company this week. Non-executives, such as Joe Stegmann, moved upstairs into holding company Rembrandt Controlling.

Rembrandt is doing what Gencor has done — clearing up reporting lines and decentralising responsibility.

This is a marked departure from Anton Rupert's traditional style, which has been highly centralised. The explanation is that the new structure suits the changed shape of the Rembrandt empire, now considered too far-flung to be controlled directly from Stellenbosch.

Mercedes

More news from Rembrandt is that certain executives are keen to get a bigger stake in Mercedes-Benz of SA (MB SA).

Remgro has 30% of Volkskas, which holds 25% of MB SA. A Swiss company has 25% of MB SA and Daimler Benz of Germany 50%. Certain top people in Rembrandt think that Volkskas funds are wrongly deployed in a minority holding in MB SA and that it should sell off this last industrial interest.

They believe that Remgro could help MB SA with its perennial labour problems, and that as a marketing-driven industrial company, Remgro would have a lot more to contribute at MB SA board meetings than Volkskas.

It goes without saying that Remgro would like to be a 50-50 partner with Europe's biggest industrial group.

The final attraction for Remgro is that MB SA holds 25% of Atlantis Diesel Engines, which is now profitable and expected to be privatised in the next five years.

198

B/Day 15/3/90.

MERITEX HO

AUDITE

for the year

CONSOLIDATE

ver (% change)

s)

e before interest and taxation

e before taxation

e after taxation

rdinary item (note 1)

ence dividends and outside shareholders' intere

come attributable to ordinary shareholders

s in issue (000 shares) as at year end

gs per share (cents)

d per share

nd cover

Utico braced for slowdown

ACHMED KARIEM

UK-controlled food and tobacco group Utico expects the group's markets to be adversely affected this year by the forecast of an economic slowdown.

Chairman Fred Haslett says in Utico's annual report President F W de Klerk's speech to Parliament was cause for optimism and may improve the "sluggish" economy.

Utico was prepared and staffed for the possible tighter conditions ahead.

"The snack food market remained highly competitive and continued to show real growth," says Haslett. "The cigarette market continued to show real, albeit modest, growth."

New plant and equipment required for both the Industria and Rosslyn factories was likely to increase borrowings. However, debt was expected to remain modest in relation to shareholders' funds.

Haslett said turnover showed a 16% growth in the year under review while operating income improved by a "very satisfactory" 19%.

UTICO FM 16/3/90 (198)

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

FM 16/3/90 (198)

launched "highly successfully " Other brand names include Cameo, John Player and Texan cigarettes, A 1. 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.

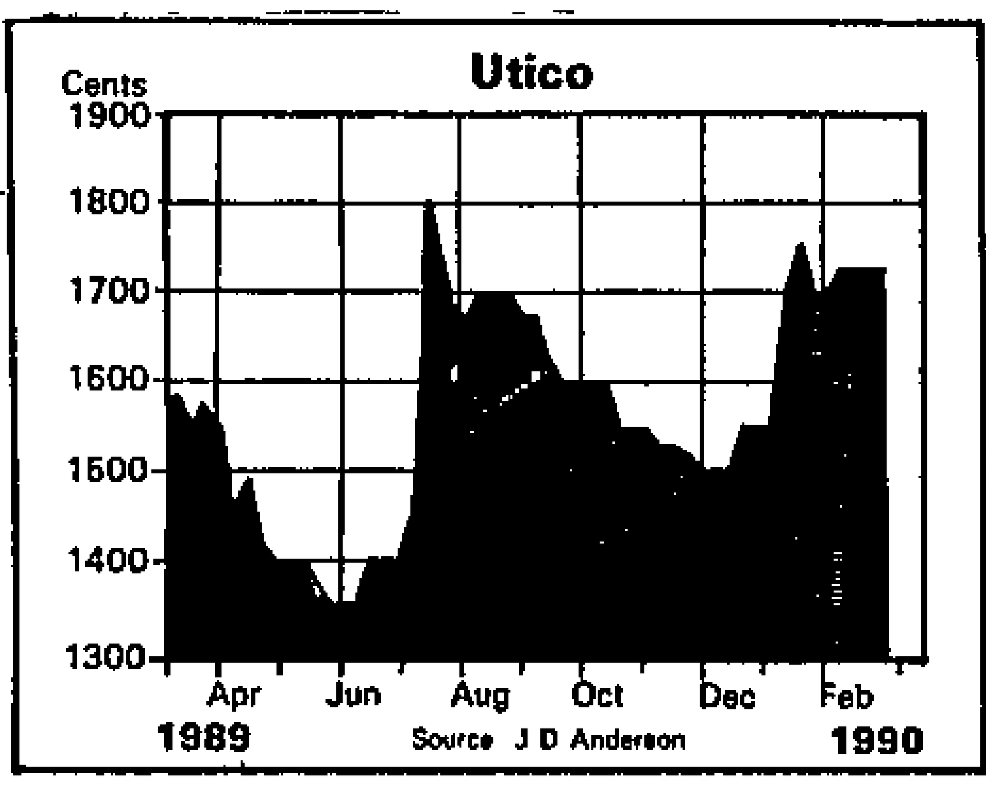
Dividend cover has fallen progressively from 3,2 times in 1986 to 2,0 times last year. Borrowings can thus be expected to rise further, but Haslett expects debt to remain modest in relation to shareholders' funds.

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-

FM 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



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	26,6	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

FM 16/3/90 (198)

REMGRO/LENCO F|M 23|3|90

Backing De Jager

Remgro's purchase of a 16,5% stake in Lenco Holdings for R15,9m seems, at first sight, to have implications Is the acquisition motivated by the wish to create synergy between the packaging interests of the two organisations?

Is it another sortie into the clothing industry after the earlier debacle of Monatic/Alba? Or is it the start of a strategic holding in the shoe industry, via Lenco, into Amalgamated Shoes? (198)

Meaningless speculation

Remgro director Johann Rupert dispels all these as meaningless speculation The primary reason for the purchase, he says, is that the group is backing Lenco MD Doug de Jager and his brother Geoff. Rupert says he has known the brothers for many years, and that Douglas "is one of the best entrepreneurs I've ever met".

He emphasises that almost every investment Rembrandt has entered into, including Gencor, GFSA, Volkskas, UBS, Metkor, Transhex and many others, has been initiated at the request of the management of the company involved, the Lenco transaction was no different Remgro was approached by the De Jagers Rupert says the deal is a venture capital investment and Remgro will be involved only in the company's progress in a peripheral way

Doug de Jager adds that there are still details to be worked out While no Remgro director has yet been appointed to the Lenco board, it would clearly be entitled to a seat He does not expect Remgro will be involved in management at this stage.

De Jager says it was his brother's shares that were bought by Remgro They were sold out of a London-based company known as Lenco London and the funds realised from the sale are to be invested in SA-managed assets overseas He declined to say whether

F|M 23|3|90 (198)

the investment vehicle will be Richemont, the Europe-based group which holds the offshore assets formerly in Rembrandt.

Gerald Hirshon

198

COMPANIES

Balanced spread of interests in Rembrandt's portfolio

LIZ ROUSE

THE Rembrandt Group has achieved a well-balanced spread of interests, with high cash-generator tobacco interlinked with large mining and other operations, estimates show

Mining interests are now valued at R3,57bn, 44,8% of total group assets of just under R8bn, but they only contribute 32,15% of forecast earnings of R724,17m in 1990, according to Davis Borkum Hare (DBH) estimates

The tobacco interest and smaller interests in liquor are valued at R2,59bn, 32,52% of total assets, but represent 32,6% of forecast earnings for 1990

DBH analyst Pierre Greyvensteyn says the tobacco interests should not be underestimated in their contribution to growth.

These interests are currently growing at about 17% per annum, much in line with the downturn in consumer spending.

He estimates that market share is still 80% and expects growth to resume at a higher rate from 1991 onwards as the black market expands.

Greyvensteyn says statistics show that Third World countries are experiencing real growth in cigarette consumption. The standard of living of the black population should increase at a steady rate

Coupled with the fact that the black market already represents the major portion, growth in future tobacco sales should be sustained in real terms

The Rembrandt Group has planned for future expansion, which is evident in its acquisition of a new cigarette production facility in Brits.

The group's mining interests comprise Gencor Beherende, valued at more than R1,85bn, GFSA at more than R1,54bn and Transhex at R173m

The much-improved performance of Gencor (contributing an estimated R170,95m or 23,6% of forecast earnings) has had a profound effect on Rembrandt's investment portfolio evaluation, says Greyvensteyn.

The improved contribution from non-goldmining interests has given Rembrandt a far greater spread of indirect interests — Sappi, Malbak, Implats, Samancor and the newly formed Engen.

GFSA's contribution to total earnings should increase from 5,3% to R51,13m or 7,1% in 1990. GFSA's contribution to Rembrandt's underlying asset value of 1 536c amounts to 19,3%, which has had a significant effect on the share's performance in recent months

Greyvensteyn expects growth to slow down in the short to medium term as a result of the huge capital expenditure programme, but in the longer term benefits should emerge Forecasts are based on a rand gold price of R1 050.

He says there may be a misconception among some investors about Rembrandt's high dividend cover (5,76 times for 1989) The higher cover has come about as a result of the large portion of equity accounted earnings Once these have been excluded, the dividend cover in respect of normal earnings in fact amounts to 3,66 times.

The additional investment in GFSA this current year, amounting to R911m, has been financed from the group's existing cash resources

Financial interests (Volkskas, Momentum, Stanbic, Boland Bank and Sage) are estimated to contribute R53,44m or 7,38% to Rembrandt's total 1990 income, while industrial interests (Fralex, Huntcor, Metkor, Dorbyl and Henkel) should contribute R128,96m or 17,81%.

F IM 30/3/90 (198)

THEO VAN WYK F IM 30/3/90

Moving ahead (198)

In many ways life has come full circle for Theo Van Wyk, Registrar of Financial Institutions After an illustrious career in academia and the public service, he now moves on to the private sector as an executive director of the Rembrandt Group Rumour has it that Van Wyk will be moving to London where it seems likely he will become involved in Rembrandt's Rothmans interests

But while neither Van Wyk nor Rembrandt will divulge details of Van Wyk's new job, it's clear Rembrandt has made a smart move in recruiting the services of a man who, for the past two years, has supervised the stock exchange, pension funds and the insurance industry He's also served on the Competition Board, the Public Accountants' and Auditors' Board and the Technical Committee on Banking and Building Society Legislation

Van Wyk . . . committed to free enterprise

He's certainly looking forward to the changes about to take place in his own life, though he describes the two years and ten months spent as registrar as exciting and challenging He says the move to Rembrandt stems from a personal desire to be more closely involved with private enterprise "From my office I have a wonderful view On the one side I look out on to the zoo and, on the other, the Union Buildings — but I don't know what's going on in Johannesburg "

Van Wyk (42) is well known for his commitment to free enterprise He gained the respect of the private sector for his willingness to let the industry self-regulate rather than write regulations into the statute book

"I always ask whether it is really necessary to regulate," says Van Wyk of his approach "If so, it must be done in a way which limits inhibitive factors "

Ironically, Van Wyk leaves the Financial Institutions office at a time when it is being restructured into a semi-privatised statutory council He describes the change as a "very positive and necessary development "

He is also heartened by the latest Budget "It goes a long way in removing impediments to the optimal use of capital Markets will have more liquidity and will function more effectively Generally, the focus is on economic growth," he says

A description of Van Wyk as "helpful, hard-working, young and ambitious" is accurate A keen sense of humour is also one of his attributes

Born in Cape Town in 1948, Van Wyk completed his BCom LLB at Stellenbosch in 1969 He wanted to study economics, but pressure from his family helped him decide on a career in law — his father was a judge He joined the Department of Inland Revenue and was admitted as an advocate in 1970

In 1971 and 1972, he studied fiscal law at the Free University of Brussels and on his return completed an LLM through Unisa in 1975 and a Higher Diploma in Tax Law at Wits (part-time) He joined Unisa in 1974 as a senior lecturer in the Department of Mercantile Law, where he occupied a chair from 1978 to 1985 During this time, he also headed the Tax and Business Law Centre at Unisa

In April 1985, he moved on to the University of Stellenbosch as professor of Mercantile Law, while serving on the Margo Commission He is extraordinary professor in the Department of Mercantile Law at Unisa He is married to Christa, also a law lecturer at Unisa, and has four children

Van Wyk believs that to meet the economic and political aspirations of SA's people, it is imperative that we grow out of our problems

"We must use all our resources as productively as possible There is convincing evidence that free enterprise and a market-related economy allow these resources to be allocated to optimal use — particularly human resources We need to create an environment where the entrepreneurial skills of all our people are drawn into the economy and used fully " ■

FM 6/4/90

JOHANN LIGHTS UP

198

Anybody who concluded from last month's restructuring of the Remgro board (*Fox* March 9) that Richemont chairman Johann Rupert had been sidelined, was wrong Last week, he was appointed vice-chairman of Remgro and thus will deputise for the new executive chairman, J A "Koos" Rupert.

The appointment affirms Johann's status as the crown prince. Further announcements may follow board meetings later this month, when it is expected that functions of the new Remgro directors will be spelt out.

Re-rating hope for electronics sector

B/Day 19/4/90 198

ZILLA EFRAT

THE electronics, electrical and battery sector, which has underperformed in the industrial sector since the October 1987 crash, may experience a re-rating over the next two years.

This is the view of George Huysamer & Partners analysts Jan van den Berg and Alta Theron in a recent report.

The growth sector of the '80s, the electronics index grew at a compound growth of 40% a year from 1982 to 1987 on the JSE, at times substantially outperforming the industrial index.

Van den Berg and Theron say factors that contributed to the negative sentiment towards the sector after the 1987 crash include poor profit performance from certain listed companies and poor take-over decisions made by some larger concerns

However, they believe the sector may experience a re-rating because :

- Sentiment has improved as the remaining companies have stronger balance sheets and improved quality of earnings;
- Companies with high quality product portfolios should attain high profits growth rates, even under adverse economic conditions;
- Continuous renewal of technology by users of electronic products will take place;
- Reductions in sanctions may have positive effects on the industry;
- Cutbacks in public spending could be substituted to the same extent by private sector expenditure under certain measures of privatistation;

With the role of electronics set to remain important in SA, the analysts recommend that exposure in a portfolio be given to those shares engaged in a wide range of electronic and computer activities. Their choice of shares are Siltek, TSI, SPL and Reunert.

However, certain segments will perform less satisfactorily as they are ill suited to the sector. About 15% (in terms of market capitalisation) of the companies in the sector are involved in retailing or have agencies, distribution rights or maintenance contracts for overseas products.

Many retailing operations in the sector have reacted to the economic cycle in a similar way to the retail and wholesale sector.

Van den Berg and Theron say these companies have experienced increasing hardships and suffered poor results and the decline in economic activity is expected to exert further pressures on their profitability.

COMPANIES

BIDay 11/5/90 (198)

Richemont bolstered by sound prospects

EDWARD WEST

REFLECTING sound group prospects and uncertainty in SA's financial markets, Luxembourg- and JSE-listed Richemont has soared to new highs over the past week, its price increasing by just over 10% by the close of yesterday's trading.

It closed 10c higher at 2 385c a share The shares retreated due to a strengthening finrand after touching a high of 2 435c.

Richemont had earned a reputation for being the top rand hedge stock on the JSE, said Davis Borkum Hare analyst Pierre Greyvensteyn. He recommended the shares be bought on signs of weakness.

The brokers also recommended the share as a top political hedge stock. Greyvensteyn forecast sound growth prospects for the group, with the counter performing better than the overall index in the medium term

He forecast group attributable income would increase by 33% in the 1990 financial year from £106,5m to £141,9m

Looking further ahead, Greyvensteyn expected earnings to grow a further 27% in the 1991 financial year to £179,9m, with most of the increase due to an 84% rise in the earnings of the Rothman's International division

Tobacco remained the major source of group earnings and offered the greatest potential for growth, Greyvensteyn said

While earnings were not expected to react immediately to the acquisition of Rothman's in December, longer-term benefits should be significant.

Earlier revenues were tempered by steep increases in excise taxes, but these appeared to have stabilised

Greyvensteyn said demand growth by region showed a static or declining tobacco market in Europe, but this was being offset by good volume growth on the Pacific Rim and in the developing world Eastern Europe could also hold potential.

Looking to other profit centres, Richemont appeared set to further expand its luxury goods interests — evident by the acquisition of a 6,1% stake in Yves Saint Laurent for around £21m and a move into A Sulka & Co last year.

The luxury goods market appeared to be immune to economic downturns and offered an attractive investment to new entrants This could limit longer-term growth prospects in the industry, said Greyvensteyn

However, Richemont owned well-established brand names, like Cartier

Rembrandt results make it a leader

B/Day 14/6/90 198

REMBRANDT Group's sturdy performance in the year to March was all the more impressive against a background of slower earnings growth or negative growth reported by other major groups

In fact, earnings growth was 31%, taking into consideration the fact that the 1989 results included a 14-month contribution from Remgro's holding in Gencor Beherende, which added 5,7c a share to 1989 earnings, says Davis Borkum Hare analyst Pierre Greyvensteyn

Greyvensteyn points to the outstanding performance of the shares, which have consistently outperformed the overall market index since 1986. The counter recovered quickly after the October '87 crash and reached a high of R15,85 on February 6 this year, having risen from 850c in October last year

LIZ ROUSE

He estimates that Remgro's underlying asset value is about R14,90, the level at which the counter has been trading earlier this week He foresees a continued high rating for the counter.

Steady income growth from the group's financial services and tobacco and liquor trademark interests will compensate for lower income from its mining and industrial holdings.

His estimates of sector contribution to Remgro's net income of R752m in the past year are mining 32%, financial services 38% and industrial interests 30%

Percentage contributions from the mining interests varied during the past year as Remgro's percentage holdings in some companies changed The holding in Gencor Beherende is now 25% (29%) while the fully diluted interest in Gold Fields of SA is now 17,5% (9,5%)

Greyvensteyn estimates that the GFSA interest contributed 6,8% to 1990 earnings of 144c a share

Of relevance to shareholders who question Remgro's high dividend cover — both the 1989 and 1990 dividends are 5,76 times covered — Greyvensteyn has in a previous analysis of Remgro pointed out that the higher cover has come about as a result of the large portion of equity accounted earnings (R317,6m in the year to March added to a net income after tax of R489m)

Once these earnings have been excluded, 1990 earnings are 86,6c a share, making cover 3,46 times.

Despite the group's excellent results, the shares succumbed to the general market downtrend yesterday Remgro came off 20c to R14,70 while Rembrandt Beheer shed 50c to R10,75

REMGRO FM 15/6/90

Changing profit mix

Latest results from Rembrandt Group underline the growing importance of investment income in the profit sources and cash flow

(198)

As is usual when Remgro publishes its preliminary year-end figures, there is minimal disclosure and virtually no explanatory comment However, the income statement does show that pre-tax net income — affected substantially by the major tobacco and liquor subsidiaries — rose by 16,4% to R770,4m.

In contrast, the share of net income retained by associated companies was 38,8% higher at R317,6m This presumably is influenced partly by the larger stake taken last year in Gold Fields of SA (GFSA), when the mining house reshaped its control structure in the wake of the Hanson Plc takeover of Consolidated Gold Fields

In addition, some groups in which Remgro has significant holdings have posted solid results Among these, 29%-held Gencor lifted interim earnings by nearly a third, 10%-held Dorbyl was up 12% (benefiting its holding company Metkor, held 50% by Remgro), 30%-held Volkskas was up 26% and 10%-held SBIC also raised earnings by 26%.

Among the listed subsidiaries, there was a turnaround in Medi-Clinic, which tripled EPS and paid a dividend, and the timber and food arm, Huntcor, saw earnings rise by about 22% as acquisitions, particularly in the food sector, took effect.

But, in perhaps most of the listed investments — barring those in the financial sector — latest profit announcements have given clear indications of a downturn in trading conditions during recent months

Though it is generally assumed that the

FM 15/6/90

tobacco business, in particular, will maintain stable volume growth, the next year or two should offer an interesting view of the stability of Remgro's profit now the foreign interests are excluded

After the acquisitions over the past decade, the role of tobacco in the overall earnings — and cash flow — must have dropped significantly. That may well tempt management to continue pursuing acquisitions, or to take more vigorous steps generally to lift the performance and unlock value in the domestic interests Remgro is left with.

(198) *Andrew McNulty*

Percentage rises

B/Day 15/6/90

REMBRANDT Group's net income rise to R752m in the year to March was attributable to a 32% rise in income by its mining interests, a 38% rise in income by financial services and a 31% rise in income by its industrial interests. (198)

Wednesday's report on the group's performance stated incorrectly that these figures represented the various sectors' percentage contribution to net income.

B\Day 26\6\90 (198)

Richemont closes at new peak ahead of results

ZILLA EFRAT

INDUSTRIAL leader Richemont rose 65c to close at a new peak of 2 590c on the JSE yesterday after showing steady rises over the past two weeks

Analysts said the rise was probably ahead of good results from the Swiss-based corporation, controlled by the Rupert family of SA, for the year to March Results are due to be released on Thursday

Davis Borkum Hare analyst Pierre Greyvensteyn said the earnings were expected to show growth of more than 30%

He said rumours that Richemont — listed in Zurich, Geneva, Basle and Johannesburg — might float off its luxury goods arm, Luxco, in a separate listing had been around for some time

Richemont, through its own holding and its stake in Rothmans International, had a 99% interest in Cartier Monde, which consisted of Baume & Mercier and Piaget and which was largely involved in luxury watches and jewellery

But Greyvensteyn could see no logic in the floating of this investment as Richemont was cash-flush

JD Anderson research head Charles Booth said a separate listing of Luxco might enable Richemont shareholders fully to realise Rothmans' true value

Another reason for the rand-hedge stock rising could be expectations of a weakening rand

A London spokesman for the group declined to comment before the publication of the results

Richemont boosts net profits by 37%

B Day 28/6/90

198

BRENT MELVILLE

RICHEMONT, Rembrandt's Swiss-based international investment arm, has posted a 37% hike in net profits to £146,3m (£106,5m) for the year to end-March, vindicating investors who pushed its share price to new highs yesterday.

A dividend of £41,25 a unit was declared, an increase of 22,2% over the previous year, the results of which have been restated to take account of the consolidation of Rothmans International and Cartier Monde SA for the full year

Gross sales revenue for the group increased by 23% to £5,9bn (£4,78bn) and an operating profit of £530,5m (£416,5m) was posted

After peaking at R27 the counter tipped back slightly to close at R26,30 yesterday, up 40c on the day and double last October's low of R13,50 Dealers attributed the rise and fall to London activity which saw heavy buyers in the morning turn into sellers in the afternoon. Richemont is also listed in Zurich, Geneva and Basle.

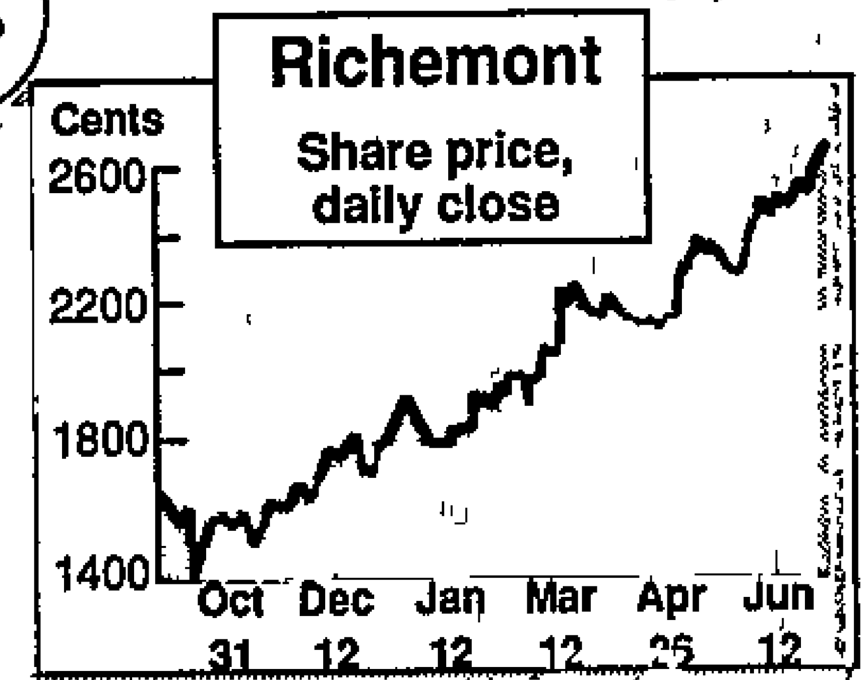
JSE brokers said the share had been propping up an otherwise gloomy industrial sector for some time now and analysts said that while good results had been anticipated, forecast earnings had been exceeded with a 37,4% hike in earnings to £254,7 (£185,4) a unit.

Davis Borkum Hare analyst Pierre Greyvenstein attributed much of the improved performance to outstanding results from subsidiary Cartier, which bolstered pre-tax profit by 54%.

Greyvenstein said that with interest income higher in the group's tobacco interests, 63%-held Rothmans upped profits by 34% to £63,2m

In addition Ed Hern, and Rudolph analyst Peter Brown said it was expected that Dunhill, which has moved more into the high-flying luxury goods market, was expected to improve on profits of £60,6m this year to post profits of £75m next year

The group's cash situation has improved with marketable securities increasing to £431m (£291m) and cash on hand at £927m (£821m) — leaving combined liquidity at £1,4bn (£1,1bn)



Graphic LEE EMERTON Source JSE

Richemont's rating queried

BRENT MELVILLE (198)

REMBRANDT'S Swiss based international investment arm Richemont climbed by 25c on Friday to a high of R26,90, following its strong showing for the year to end March.

But the dividend outlay of £41,25 on earnings of £254,70 per unit leaves the extremely high market rating questionable, say market analysts

"Obviously investors are propping up the share for the capital gains offered, but for all practical purposes the price is not being motivated by normal market forces," said an analyst

Richemont has doubled its share rating from R13,50 since last October

The fact that Richemont, also listed in Zurich, Geneva and Basle, trades in SA as deposit receipts — defined as a document evidencing a claim of 1 000 undivided shares — means that to reflect the true dividend to SA shareholders it must be divided by 1 000 BDay 2/7/90

Dividing the rand equivalent of £41,25, or R191,25, by 1 000 translates to a dividend of 19c a share. In fact on its current share price the announced dividend represents a dividend yield of only 0,7% Conversely the p e has now breached the 30 times mark.

Davis, Borkum Hare analyst Pierre Greyvenstein figures that at these ratings the share is not likely to go much higher. Also, the price has now exceeded net assest value, estimated at about R26 a unit.

"The real attraction of the share is that it is a rand-hedge, or 'nationalisation' hedge share, as well as the fact that it is still 'firing on all cylinders'," he says

Richemont Securities share price defended

B Day 13/7/90 **BRENT MELVILLE** (198)

THE view of some analysts that Richemont Securities AG shares are overrated has been contested.

Broker Bert de Klerk of Meades de Klerk Inc yesterday said he felt the share offered good value per rand.

Other analysts have queried the sense of buying a share which only offers a dividend return of 0,7% and a price earnings ratio of 22,8 times

Analysts said the fast-track growth of the share over the past nine months — to almost double October's R13,50 rating — offered good prospects but that the price was "not being motivated by normal market forces".

De Klerk said the official dividend, worked out at 19,15c a unit on calculated earnings of 118c on the prevailing pound/rand exchange rate, was yet to be declared and might differ depending on the exchange rate.

De Klerk said Richemont's 37% hike in earnings and 22,2% increase in dividend, to £254,70 and £41,25 per unit respectively, actually translated, in rand terms, to increases of 59% and 31,3%

"In addition the share offers a very strong dividend cover, at 6,2 times," he said, adding that the price earnings ratio in pound sterling terms was about 15, "which was very reasonable for a company with a growth rate of 37% per annum."

Richemont yesterday closed in Zurich at 925 Swiss Francs (made up of 1 000 SA units) giving the share a price earnings rating of 14,7 on earnings of 63 Swiss Francs.

De Klerk added that the share was also trading at a very low premium to net asset value.

Rembrandt had R1,3bn shopping spree

198

LESLEY LAMBERT

CAPE TOWN — Investments made by the Rembrandt Group during the past year, including the additional interest in GFSA Holdings, amounted to R1,3bn, chairman Anton Rupert said in the annual report.

A breakdown of the new investments showed that Rembrandt's acquisition of an additional interest in GFSA Holdings cost R911,3m and increased the group's holding to 40%. BDay 6/7/90

GFSA Holdings has a 43,4% stake in Gold Fields of SA Ltd.

Rembrandt also acquired an effective 12,8% of Rainbow Chickens at a cost of R74,1m during the year. It financed the investment by participating in a rights issue by Huntcor, parent company of the Rembrandt subsidiary, Hunt, Leuchars & Hepburn which acquired a 25% interest in Rainbow Chickens.

Another new investment was its indirect interest of 16,5% in fast-growing Cape-based investment holding company, Lenco

□ To Page 2

Rembrandt

BDay 6/7/90 198

□ From Page 1

Holdings, acquired at a cost of R15,9m

The group also increased its stake in Gencor Beherend to 25,2% by participating in a rights issue at a cost of R80,5m and it acquired an additional 5,4% interest in UBS Holdings at a cost of R68,2m, thereby increasing the total holding to 10%.

These investments were financed out of own funds, loans and R455,4m provided by other members. At March 31, long-term loans, bank overdrafts and short-term loans stood at R446,8m, amounting to only 7,8% of total assets of R5,75bn

Group earnings rose 25,1% from R600,9m (115,1c a share) to R751,9 (144c a share)

The trademark group continued to contribute the lion's share (37,6%) to earnings, but its growth (19,7%) was affected by poor performances in the wine and spirit sector.

Good results from Gencor Beherend and TransHex and increased contribution from GFSA for some of the year, boosted mining interest earnings which contributed 32,6% to group profits and grew by 28,9%

Industrial interests, which contributed 17,3%, showed healthy 37,8% growth and were expanded by the Huntcor/HLH rights issue

The financial services, which contributed only 7,9%, showed good growth of 38,7% in spite of intense competition, pressure on banks' margins and increased provisions for bad debt

42
79
98

8

Gerhard Slabbert

RICHEMONT F/M 6/7/90

Growth de luxe

(198)

JSE investors have been holding out high expectations for Richemont, as shown by the dividend yield of less than 1% With the rand showing a more stable trend since the second half of last year, the group needs to perform well in sterling terms to justify the price

In the event, nobody could have been disappointed with the result for the year to end-March Earnings per unit were up by 37,4%, the dividend has been increased by 22,2% and the balance sheet remains virtually ungeared after last year's hefty acquisitions

Not bad for any large international group operating in rising interest rates and fluctuating currencies It is all the more useful considering this performance was achieved by a leading rand-hedge stock which this time had little help from rand depreciation

Last year's major deal was with Rothmans International Plc over which the group has re-established effective control after increasing its equity stake from 34,1% to 63,2% Richemont also gained a 6,1% interest in Groupe Yves Saint Laurent last June and in October it acquired A Sulka & Co, a supplier of premium quality menswear

As Rothmans and Cartier Monde SA — formerly an associated company of Rothmans and Richemont — have been consolidated for the full year, the previous year's figures have been restated to improve comparability However, the change in accounting policy had no effect on unitholders' funds, net profit attributable to unitholders or earnings a unit for 1989 or 1990

CE Johann Rupert notes that the Rothmans acquisition did not have a large effect on the year's figures Essentially, the underlying growth rate posted during the first six months was maintained during the second half The funding method deployed for the deal proved prescient some 92,8m "B" ordinary Rothmans shares were bought in December for £612,7m in the form of 10,25% five-year loan notes, due in 1994, issued by Rothmans Tobacco (Holdings), a wholly owned Richemont subsidiary

Interest rates have since moved up markedly in OECD countries Richemont, meanwhile, has been earning income from large cash holdings At March 31, the consolidated cash holding was £927,8m, as well as marketable securities valued at £431,5m, long-term liabilities totalled £1,18bn As Richemont has subsidiaries in various countries, this is not a single cash pile held ready for a big investment, but investment income must have boosted the earnings

International currency movements also helped A particular beneficiary was Cartier Monde, whose consolidated operating profit of £147,5m reflected a 41% improvement in the underlying profit while a beneficial currency effect lifted the overall increase in sterling terms to 54,1%

However, Richemont's results are sensitive to the strength of sterling against a basket of currencies The tobacco interests, in Rothmans International, include manufacturing operations throughout the EC, as well as factories in Canada, the US, Australia, New Zealand, Malaysia and Singapore

By comparison with the high-margin luxury goods interests, tobacco is seen as a slower growth but mature business which generates cash Rothmans' net sales revenue from tobacco products rose from the pre-

F/M 6/7/90 (198)

vious year's £1,48bn to £1,74bn, and operating profit by 20,9% from £320,5m

Dunhill Holdings, held 55,4% by Rothmans and another major element of Richemont's luxury goods portfolio, lifted its net sales by 23,5% to £240,2m, and its operating profit by 29,7% to £48,6m TransAtlantic Holdings Plc, of which Richemont holds 24,9%, increased net profit by 12,7% to £30,2m The one area where growth was not achieved was the natural resource interests in North American Resources, whose net profit dropped from $21,5m to $20,3m while net sales rose from $270m to $345m

Rupert will not quantify the relative contributions to group earnings ahead of the annual report but notes that income from luxury consumer goods is increasing every year, and "is becoming very important " The tobacco businesses, however, remain more resilient to economic downturns than are most industries

As Rupert says, there is little point expecting the recent growth rate of nearly 40% can be sustained indefinitely, but management is happy with the results, accounting practices are conservative and the group expects to avoid any shocks Operational issues need to be addressed in two countries, but the strategic emphasis from this year will be on repositioning Rothmans in the European market Meanwhile the earnings outlook will depend substantially on how long OECD growth rates can be sustained

Andrew McNulty

C O M P A N I E S

REMBRANDT F|M 20|7|90

Smoke signals

198

Activities: *Diversified group with interests in tobacco, liquor, finance, mining and industry*
Control: *Rupert family through quoted and unquoted pyramids*
Chairman *J A Rupert*
Capital structure: *522m ords Market capitalisation R7,3bn*
Share market: *Price 1 400c Yields 1,8% on*

Urban smoker . . . growing demand for Rembrandt

derstandable — it is to all intents and purposes controlled by Rembrandt But Sanlam's role is fascinating. It forms part of the *rapprochement* between Afrikanerdom's

bacco's contribution to pre-tax profit is lumped together with liquor interests in the catch-all category, "Trade mark group"

Once upon a time, founder Anton Rupert used his chairman's statement, then published separately, to disclose turnover That is no longer given as the directors believe it is "meaningless," given the group's diversity. In fact, this year's report devotes twice as much space to founder Anton's wide-ranging review of the state of SA and Rembrandt's charitable activities as to chairman Koos's commentary on the business.

Now that Rembrandt and Richemont are separated, Rembrandt's focus is more narrowly defined and clearly South African The Rupert family believes shareholders are better served by steadily growing dividends than by comprehensive information, going along with that has not on the whole been too onerous.

Our tobacco market is essentially Third World — cigarette smoking is seen as an upwardly mobile pastime In First-World countries cigarette consumption is falling. This Third-World characteristic, in turn, means Rembrandt can count on strongly growing tobacco revenues, particularly as it and competitor Utico do not compete on price That cash flow will continue to be parlayed into diversification *Jim Jones*

SAFICON F|M 20|7|90

New cars needed

Activities: *Motor vehicle trader and manufacturer of motor vehicle components.* 192
Control: *Sakers*
Chairman: *S Borsook, MD· K Hipper*
Capital structure: *25,2m ords Market capitalisation R138,6m*
Share market: *Price. 550c Yields 7,8% on dividend; 27,1% on earnings; p e ratio, 3,7; cover, 3,5 12-month high, 780c, low, 450c. Trading volume last quarter, 47 000 shares*

Year to	'87	'88	'89	'90
ST debt (Rm)	9,4	8,6	37,5	57,8
LT debt (Rm)	17,3	17,8	17,8	22,1
Debt equity ratio	0,13	0,19	0,19	0,39
Shareholders' interest	0,47	0,47	0,49	0,47
Int & leasing cover	2,3	6,7	5,7	4,3
Return on cap (%)	14,0	8,9	17,5	17,9
Turnover (Rm)	587	879	1 298	1 541
Pre-int profit (Rm)	25,3	44,6	68,1	78,8
Pre-int margin (%)	4,3	5,1	5,2	5,1
Earnings (c)	80	139	147	149
Dividends (c)	23	40	42	43
Net worth (c)	459	559	763	528

A major influence on Saficon's results for the year to March was a shortage of its lifeblood — new vehicles. Cars were simply in short supply and that restrained profits. This year

REMBRANDT F M 20/7/90 198

Smoke signals

Activities: *Diversified group with interests in tobacco, liquor, finance, mining and industry*
Control: *Rupert family through quoted and unquoted pyramids*
Chairman: *J A Rupert.*
Capital structure: *522m ords. Market capitalisation R7,3bn.*
Share market: *Price 1 400c Yields 1,8% on dividend; 10,3% on earnings; p e ratio, 9,7, cover, 5,8 12-month high, 1 585c; low, 850c Trading volume last quarter, 4,7m shares*

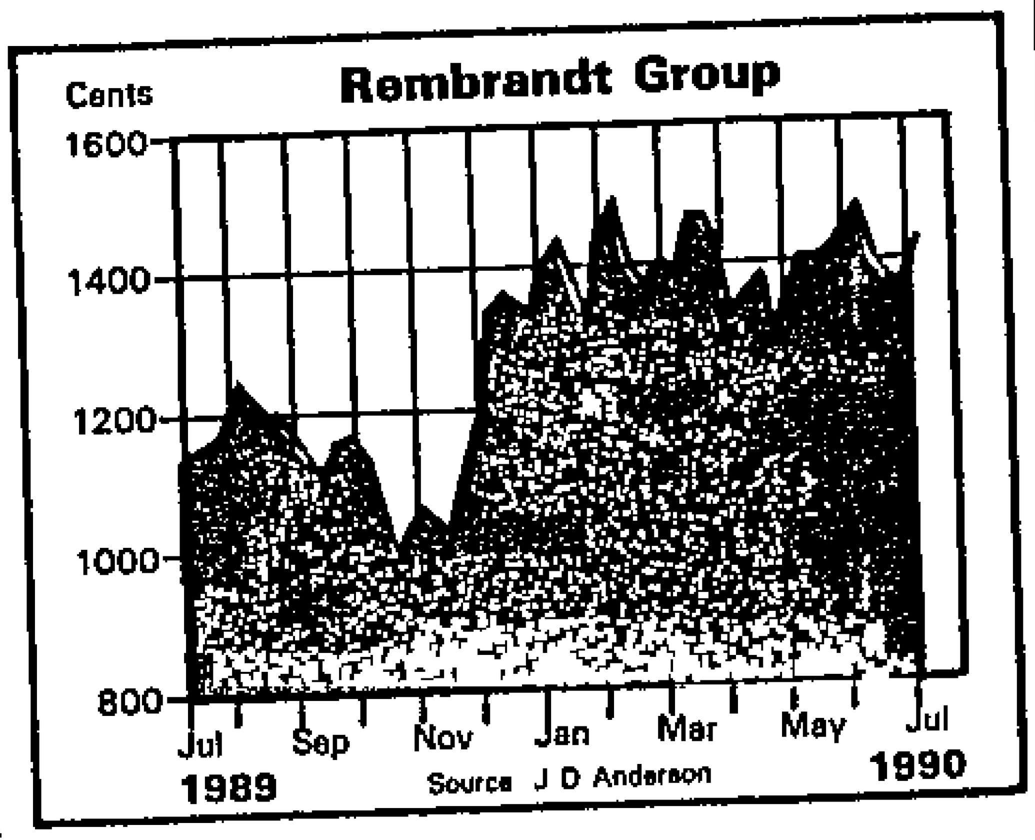
Year to	'89	'90
ST debt (Rm)	30,4	311,1
LT debt (Rm)	93,2	135,7
Debt equity ratio	—	0,06
Shareholders' interest	0,87	0,86
Turnover (Rm)	n/a	n/a
Pre-int profit (Rm)	660	834
Earnings (c)	115,1	144,0
Dividends (c)	20	25
Net worth (c)	763	1 089

Rembrandt's restructuring seems set to take another major step within two years when wholly owned Tegniese Mynbeleggings (TM) is, in my view, likely to be listed. TM is the repository of the investments in GFSA, Gencor Beherend and Trans Hex.

This is a direct result of Rembrandt's financing of its GFSA investment last year when it borrowed R420m "interest-free" from Momentum Life, Sanlam and three pension funds not connected to the group. This provided comparatively cheap capital In return, the institutions were given put options to convert their loans into TM shares at end-September 1990, 1991 and 1992 or be repaid in cash in four equal annual instalments starting in September 1993. The conversion option is accompanied by an understanding that Rembrandt will list TM.

Though the loans are "interest-free," the institutions in fact receive their proportionate share of underlying GFSA dividends. Presumably, if TM's net worth drops below the loan value, repayment will be called for. But that unlikely development should not be insurmountable as Rembrandt can accumulate the full amount from cash flow.

That Momentum should participate is understandable — it is to all intents and purposes controlled by Rembrandt. But Sanlam's role is fascinating It forms part of the *rapprochement* between Afrikanerdom's two most powerful financial groups, which fell out 10 years or so ago over control of Gencor (*Top Companies Survey* June 22 1990).




Urban smoker . . . growing demand for Rembrandt

Did Rembrandt itself play hard ball last year when Sanlam was refinancing Gencor? Or did its participation form part of the new accord? Rembrandt shelled out R80,5m for new shares in Gencor Beherend but did not take up its full entitlement, as its holding in Genbeh dropped to 25,2% from 28,6% at the end of financial 1989. The remaining interest is, of course, enough to block any major changes in Gencor disapproved by Rembrandt, but the decline seems significant

As usual, Rembrandt's annual statements are thin on information for the analyst to get his teeth into. Why does SA's largest cigarette company remain so coy?

Tobacco and cigarettes remain the major cash generators, based on strong and growing demand for branded cigarettes by a rapidly urbanising black population New chairman J A "Koos" Rupert does not distinguish contributions from liquor and tobacco. Tobacco's contribution to pre-tax profit is lumped together with liquor interests in the catch-all category, "Trade mark group."

Once upon a time, founder Anton Rupert used his chairman's statement, then published separately, to disclose turnover. That is no longer given as the directors believe it is "meaningless," given the group's diversity. In fact, this year's report devotes twice as much space to founder Anton's wide-ranging review of the state of SA and Rembrandt's charitable activities as to chairman Koos's commentary on the business.

Now that Rembrandt and Richemont are separated, Rembrandt's focus is more narrowly defined and clearly South African. The Rupert family believes shareholders are better served by steadily growing dividends than by comprehensive information, going along with that has not on the whole been too onerous.

Our tobacco market is essentially Third World — cigarette smoking is seen as an upwardly mobile pastime In First-World countries cigarette consumption is falling. This Third-World characteristic, in turn, means Rembrandt can count on strongly growing tobacco revenues, particularly as it and competitor Utico do not compete on price. That cash flow will continue to be parlayed into diversification. *Jim Jones*

Partnership key to the success of Rembrandt

By Tom Hood

CAPE TOWN — More than 90 percent of Rembrandt Group's regular employees own shares in the company, says the chairman, Dr Anton Rupert

"In fact, through group pension funds all workers are direct shareholders," he said in his annual review to shareholders at the company's annual meeting in Stellenbosch

He gave this example of partnership in business as a key reason for the enormous success of the company, which he started from one tobacco factory 49 years ago

"Our group has never doubted, not even at the height of the apartheid years, that the most successful economic model for South Africa is not found in economic separateness but in industrial partnership and co-existence," he said

Group's policy

Forty years ago partnership through prosperity was formulated as the group's policy.

"We wanted to extend through partnership and co-operation the ideal of 'Save Yourself' to include not only Afrikaners but all South Africans

"Our business philosophy was not always favourably received.

"Opposition was based, on the one hand on the fear that partnership would lead to integration and, on the other, on the misconception that partnership with the black races would lead to economic exploitation and the domination of these people

"Exactly the opposite is true In a country where we are all economically interdependent, partnership is the key to peaceful co-existence because it has as its foundation confidence, which is a strength without equal in human ralationships"

Dr Rupert said he could sympathise with people who, for the sake of keeping everything of their own, clamoured for a white homeland.

The problem was that even if it were possible to create a prosperous state for whites only, they still would not be able to sleep peacefully.

"No fence or wall will keep out the hunger-stricken multitudes if there is an abundance on the one side.

"We already have in our midst a million workers, legal and illegal, from neighbouring states and every year thousands jump across the fence at great danger to themselves to join their fellow-tribesmen in South Africa.

Anton Rupert

"Also from our own black states, multitudes stream to the cities in search of economic survival"

Dr Rupert said in spite of local opposition, the group went ahead and after 1954 it practised industrial partnership with great success elsewhere in the world.

Recruited locally

Where new factories were established overseas, half the number of shares were sold to the local population, while the management and employees were also recruited locally.

"The uncomplicated simplicity of partnership regular astounds those observers who try to find a hidden agenda in our business philosophy

"In spite of allegations of control where the interests of the group are even less than 30 percent, the group's track record confirms that partnership is the opposite of domination and control In essence, it is the joint cration of wealth and fair sharing

"If years ago the South African economy had organised itself on the basis of free participation through partnership, there would probably not have been today talks of nationalisation as a means of distributing wealth."

COMPANIES

Utico's shares boosted 100c to a new high

bDay 16/8/90

ACHMED KARIEM

198

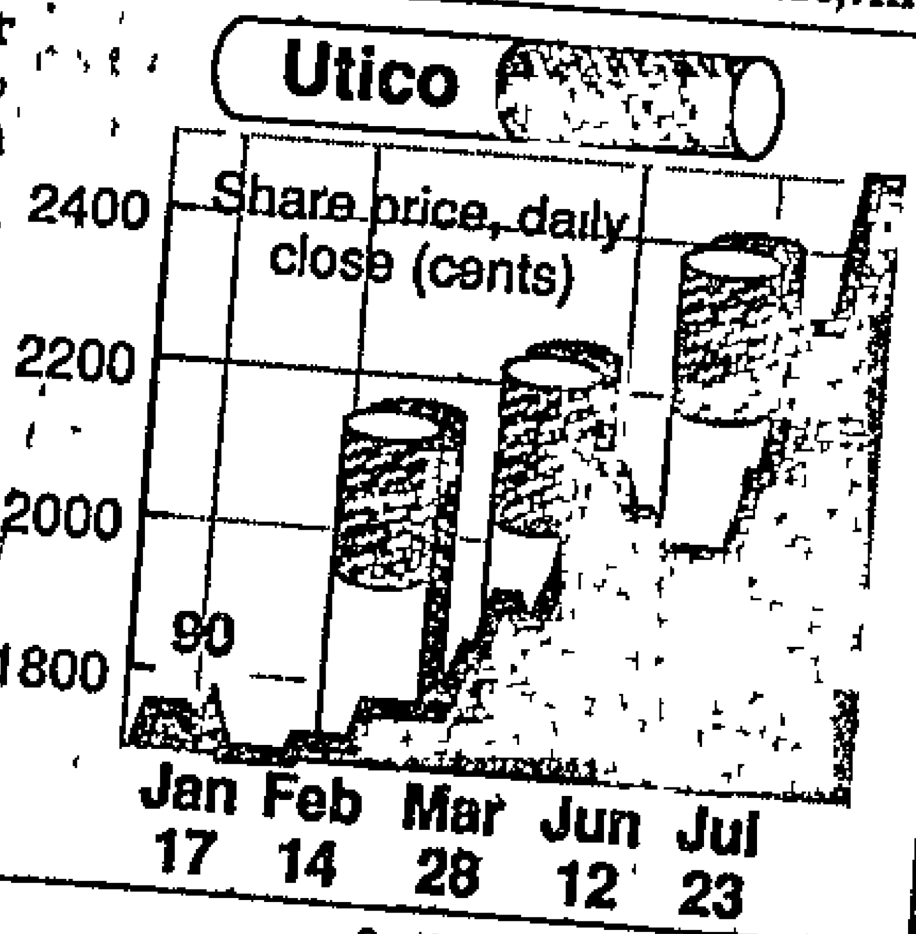
UTICO shares rose 100c yesterday ahead of interim results to a new high of R26 after a low of R15 in December.

In the six months to end-June, the tobacco and snack group managed a 15,4% increase in earnings to 135,5c (117,4c) a share — barely keeping pace with inflation.

However, the dividend rose 36,3% to 75c (55c) — covered 1,8 (2,1) times — after what directors said were the "encouraging trading results and the group's comfortable liquidity position".

Despite declining margins due to congestion and poor productivity at the Rosslyn snack factory, the group turned in a 19% rise in operating income to R16,7m (R14m) on a turnover growth of 23,2% to R201,9m (R163,8m).

"Costs of staff training and improvements to the infrastructure at both the snack and Fresh-Up factories necessitated by additional volumes have also had some impact," directors said.



Graphic: LEE EMERTON Source JSE

The turnover figure was due to buoyant cigarette sales and improved snack sales.

Fresh-Up 100, relaunched by Willards, reflected great potential in overseas and local markets.

After a hike in interest paid to R858 000 and a tax bill of R7,6m (R6,9m), Utico witnessed attributable income rise to R8,23m (R7,13).

High interest rates and the cost of financing extra debtors after the huge turnover growth contributed to the sharp increase in the interest payment.

Management said the effective tax rate was "marginally more favourable" than the comparable period as a result of export allowances.

Borrowings rose by 40% to R19,8m (R14,2m).

The group acknowledged that trading conditions would tighten in the next six months, which would affect turnover growth.

However, year-end results were expected to maintain at least inflationary growth, provided unrest and the political situation did not rise and influence operations.

Hospitals count cost of strike

DURBAN — The hundreds of patients who have poured into Grey's and Northdale hospitals since Friday when 1 000 nurses went on strike have, so far, cost the Natal Provincial Administration R2,4 million, Natal's MEC for Hospitals, Mr Peter Miller, said yesterday

While NPA hospitals are verging on collapse under the strain of the avalanche of more than 600 KwaZulu patients, the provincial health authorities are poised and ready to use the powers of the recently amended Civil Defence Act — as soon as ministerial permission is obtained.

Mr Miller said that besides the huge strain on NPA hospitals, the cost of the additional patients had been roughly R600 000 a day

"The most disturbing feature of this strike is the manner in which trained nurses who subscribe to an ethical code have simply abandoned desperately ill patients.

Rupert defends Rembrandt's name

By Tom Hood

From an original overseas investment of only R1,5 million, the Rembrandt group has repatriated R1 000 million to South Africa, says the chairman, Dr Anton Rupert

The share value of the established independent overseas company now amounts to more than R1 000 million.

"This might seem a big amount but there are German companies with many more times this amount in cash alone," he said, speaking at the State President's award for export achievement in Johannesburg last night.

"The value of our original shares has risen by more than 3 000 percent. Most of this was earned by overseas labour."

In spite of the universal failure of nationalisation, successful private initiative companies, including the Rembrandt group, have become the target for special attention

"I feel obliged to place the matter in its right perspective," he said

"What we have achieved, we did not get through assistance or through discrimination It was achieved by putting in practice a policy of co-existence and joint partnership.

"Attempts to distribute wealth by intervening in the economy will have the same disastrous results as socialism has had in Eastern Europe and will contribute to a brain drain of the best expertise in the country"

Dr Rupert disputed suggestions that the Rembrandt group wields excessive power

"The South African group has not a shareholding of more than 50 percent, except for our original interests," he said.

"We have never bought any shares where we haven't been invited to participate

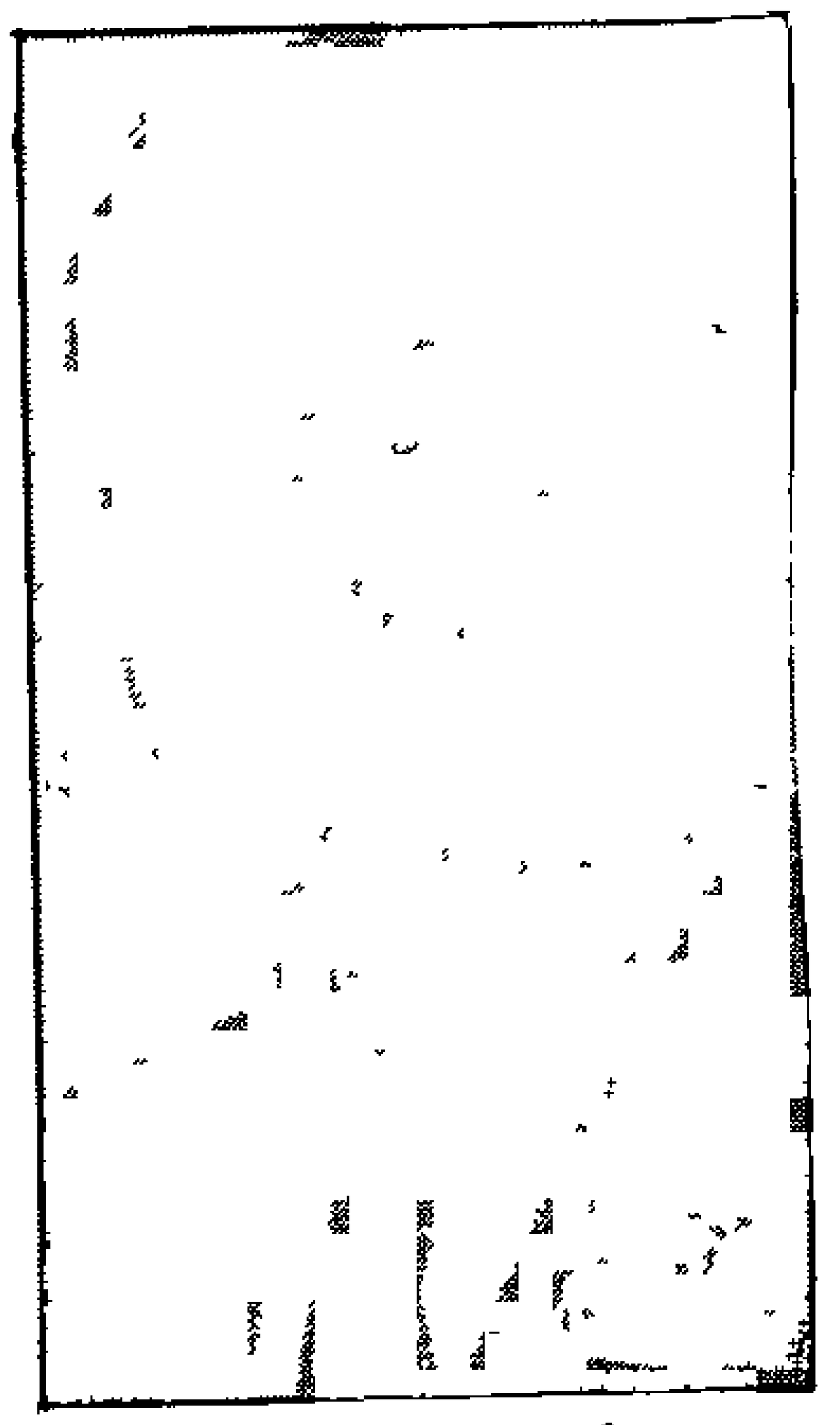
"The main reasons we are approached are mostly likely to prevent an unfriendly takeover by others and to enable the management to plan over a longer period

"We usually nominate at the most two or three directors as liaison directors on other boards of directors

"We have about 20 000 direct shareholders, among whom are insurance companies and pension funds who own large portions of our shares This means that the company in fact belongs to millions of policy holders and pensioners."

Dr Rupert added "Strong companies don't necessarily pose a threat to the economy They are an asset On the contrary, in impoverished countries one seldom finds strong companies"

● Special survey — Pages 22, 23.



Dr Rupert .. Target for special attention.

Allied like a cigarette brand for Rembrandt

S Times 11/11/90

198

By DAVID CARTE

THE Rembrandt-associated banks are likely to be brought into a loose affiliation rather than one mega-bank with assets of R50-billion, say banking analysts.

The expectation is that UBS, Volkskas, Allied and Sage will hold one another's shares, share technology and other overhead costs — but market independently

"If I know Rembrandt," says an analyst, "each bank or building society will be treated like a cigarette brand"

A loose grouping enabling member banks to share back-up computers and backbone networks, yet ensuring their autonomy, is probably the only one that will satisfy Kevin de Villiers and his independent-thinking team at the Allied

Duplication

Allied chairman Norman Alborough has told his staff that the company's separate identity is "not negotiable"

Rembrandt director Johann Rupert said before the present negotiations started "In the main street of Somerset West, I counted 23 banking and building society outlets, including automatic teller machines That represents duplication in technology and in white-collar manpower that this country simply cannot afford"

His father Anton said this week at the State President's Export Achievement award ceremony "With banking, big is indispensable because of the high cost of computer technology"

With R11-billion of assets, Allied is desirable to many partners To some extent, Mr De Villiers and team are pawns

Sage has 10% of Allied and its unit trust 5% Sage cannot vote its unit trust shares The Mine Officials Pension Fund has 5% and First National Bank 6% United Group has acquired 3,5%

KEVIN DE VILLIERS Case studies back his case for independence

If it comes to resisting proposals from above, Mr Alborough, Mr De Villiers and colleagues have executive power They also have 2% of the equity, behind which they can appeal to other shareholders to rally

Three case studies support the De Villiers argument that the benefits of size are questionable

- Nedbank's acquisition of the Perm has been a masterstroke — but the two institutions continue to operate separately, suggesting that there are few real rationalisation benefits,
- TrustBank came unstuck through chasing bigness,
- First National's profitability improved when it started scaling down asset growth

Mr De Villiers contends that if there are two banks or building societies across the road from each other with 25 staff members each and they are merged, the enlarged bank will need 46 to 54 employees for the combined business

For the past 18 months he has been quoting a report by UK accountants and consultants Touche Ross International called Global Perspective of Financial Services

Touche Ross concludes that economies of scale in financial services are a myth

Mr De Villiers has summarised the TRI report, which reads "The less successful companies often embraced strategies of size, growth or market share as self-sufficient objectives Executives often cited 'economies of scale', 'market power' and 'image'

Advertising

"These executives had borrowed these strategies from industrial corporations Financial service companies adopting these strategies have often pursued growth for growth's sake and size for sheer size's sake, without realising the economies of scale and increased profits that manufacturers have often experienced when pursuing these strategies

"This is not to say the economies of scale do not work in service companies Fast-food retailers like McDonald's have used industrial methods to great effect Advertising companies have used economies of scale by negotiating lower rates for media space by buying in bulk And economies of scale are available in limited areas of banking

"But they do not work as consistently or as well in services as they do in manufacturing"

TRI found that generally economies of scale apply even less in financial services Unit costs of processing letters of credit, for example, are not much lower at a bank with \$100-million in assets than at a \$10-billion one Larger banks tend to be no more profitable — and are often less so — than the smaller ones

"One popular theory for lowering cost aims to spread fixed expenses over larger volumes of production, thereby reducing unit costs and boosting profits However, to achieve a larger volume financial service companies must often chase the additional business by cutting prices, shrinking margins and profits

"Another popular theory is the so-called learning curve effect where unit cost is driven down as a function of cumulative production over time This also rarely works as planned"

TRI contends that what financial services companies label "products" are actually services Services are far more variable than products or commodities and thus less prone to economies of scale

"Unsuccessful institutions often confuse size with profitability Many of the firms TRI surveyed are discovering that rather than lowering their unit costs by expanding, they are confronting U-shaped cost curves They are merging with or acquiring other companies only to find that diseconomies set in The drive for market share actually reduces rather than raises profitability"

Infinite

TRI concludes "The trend toward consolidation of the financial service industry is already under way The experience of other industries would indicate that consolidation translates into fewer, bigger firms and, at least for a time, into less competition

"But the experience of other industries is not likely to apply to this one because the potential market for financial services is practically infinite There will always be room for new players eager to create value

"The trend toward large-scale consolidation in financial services is therefore likely to be accompanied by an increase rather than a decline in the number of small firms"

UK brokers give buy signal on Gencor

Star 14/11/90 (198)

Diagonal Street

NEIL BEHRMANN

London brokers Laing and Cruikshank recommend purchases of Gencor even though earnings are expected to decline in the coming year.

Analyst Roger Chaplin believes shareholders might benefit from unbundling of the group's assets.

"They should buy the shares when the market is weak," he says

Similarly to the UK tobacco company BAT, Gencor aims at realising the full value of its interests and is considering the best way to unbundle its divisions.

Gencor has five operating divisions — Genmin, Sappi, Malbak, Engen and Genbel. Each has its own separate strong management and can stand alone, says Chaplin.

Foreign exchange dealing and insurance and some other group functions are centralised but they could receive contract payments from each division.

Of the five divisions, all but Genmin are listed on the exchange

Laing and Cruikshank believes Genmin should become a listed holding company of the mines

A decision is likely next February and speculation about the unbundling might boost the shares in the next few months.

Chaplin says Gencor is an ideal vehicle for the foreign investor. Over the past five years, Gencor's net asset value has grown at an annual average rate of 16,5 percent, while the share price has increased by an average of 25 percent each year.

In the same period, Gencor's earnings have risen by 16,4 percent a year, while dividends increased at an annual average of 11,4 percent.

In the year to August 1990 earnings a share rose from 106c to 123c, while dividends jumped nearly 18 percent to 40c.

At around R8,50 a share, Gencor's price-earnings ratio is only seven, while the dividend yield of 4,7 percent is well above the mining sector average.

These returns are even more attractive for the foreign investor who can buy Gencor on a PE of less than five through the financial rand market, says Laing and Cruikshank.

The discount to net asset value has narrowed from 46 percent to 23 percent

Gencor is likely to encounter a "tight year," cautions Laing and Cruikshank.

Metal prices are expected to weaken in dollar terms, while the rand is likely to remain relatively strong because of the Reserve Bank's tight monetary policy. Cost inflation could be "well into double figures"

Laing and Cruikshank expects Gengold, Impala Platinum, Trans Natal, Sappi and Malbak to maintain their level of earnings, but Samancor will be hit by a downturn in demand for manganese

Cigarettes are to go up in price

198

THE price of cigarettes is to go up.

The price of a packet of 10 cigarettes will go up by 3c, a packet of 20 by 6c and a packet of 30 by 9c, an industry source said yesterday.

This will bring the price of 20 cigartles to R1,70 plus General Sales Tax

Cigarette suppliers and cafe owners were not sure when the price increase would come into effect, some saying from today, while others said it would be phased in

Sowetan 16/11/90

United Tobacco Company confirmed the increase but would not give any further comment

Star 23/11/90

198

Richemont scores again

By Magnus Heystek

Compagnie Financiere Richemont, the international luxury goods and tobacco empire headed by the Rupert family, has overcome a strong pound sterling and a slowdown in world growth to record impressive results for the half-year to September.

Gross sales revenue rose 14,2 percent to £3,117 billion, while net profit attributable to shareholders rose 17,3 percent to £75,8 million.

Earnings per share rose a similar amount to £132.

Johan Rupert, managing director of Richemont, says that because of financing and other charges relating to the acquisition of an additional 29,1 percent interest in Rothmans International Plc last December, the results are not strictly comparable to those of the corresponding period in 1989.

While the results for the six months to September 1989 have been restated to include the results of subsidiary operations, they have no effect on shareholders' funds, net profit attributable to shareholders or earnings per share in the period

Mr Rupert says the relative strength of sterling against other major currencies had an effect on sales revenue.

Nevertheless, consolidated sales revenue increased 11 percent to £1,462 billion.

The luxury goods market was particularly buoyant, despite the slowdown in world growth, with sales up 24 percent to £,433 billion, which earned the group £86 million, an increase of 31,7 percent

Sales of tobacco products increased at a more pedestrian pace, rising 6,3 percent to £1,029 billion, which netted the group £162,3 million

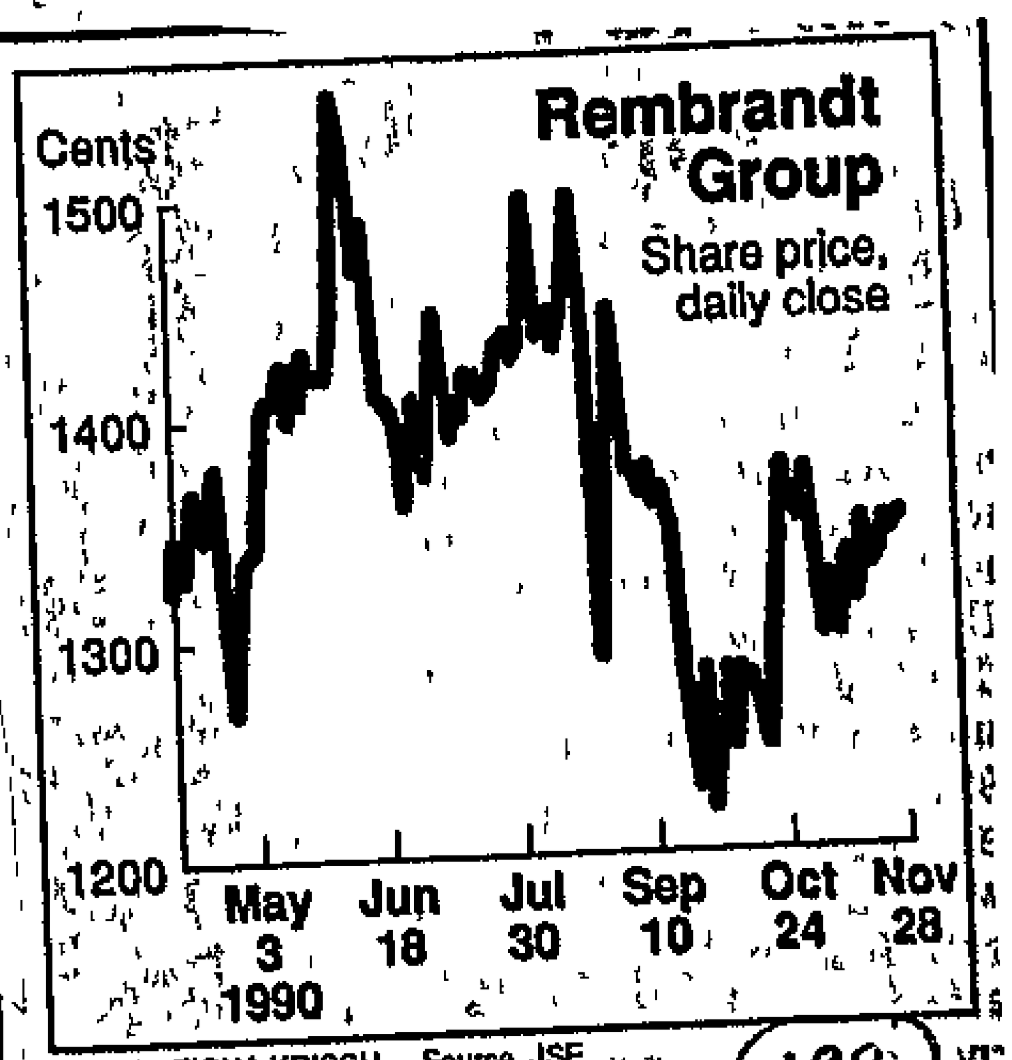
Consolidated operating profit was £249,4 million, an increase of eight percent when compared with the same period in the previous financial period

The figure includes an amortisation charge of £4,5 million arising from the group's increased shareholding in Rothmans.

The results reflect a charge of £31,2 million relating to the 10,25 percent loan note issued in respect of the group's additional interest in Rothmans International.

This charge was partially offset by the beneficial effct of higher interest rates worldwide, resulting in a reduction of £19 million in consolidated net interest income for the period.

The strength of Richemont's balance sheet is reflected in the increase of £50 million to £1,409 billion in cash and marketable securities



Graphic FIONA KRISCH Source JSE

198

Remgro on target at halfway stage

B Day 29/11/90

LIZ ROUSE

REMBRANDT Group has increased interim attributable profits by 13,1% to R392,2m in the six months to end-September from the 1989 half-year's R346,6m.

This translates into earnings a share of 75,13c (66,4c) — excluding the share of income retained by associate firms of 49,05c (40,92c) a share. This rise was foreshadowed by the 20% rise in the interim dividend (declared in August) to 10,5c (8,75c).

Remgro's pre-tax profit was up by 23,3% to R440,4m (R357m). Share of income retained by associates amounted to R145,5m

☐ To Page 2

Remgro

B Day 29/11/90

198

☐ From Page 1

(R140,7m) and profits attributable to other members rose to R35,2m (20,1m).

Extraordinary items accounted for R17,2m (unfavourable) compared with R36,4m (favourable) in the previous half-year The group's capital commitments have risen sharply to R99m (R18,8m).

The results were in line with expectations. The earnings rise for the year to end-March 1990 was 25% Income does not accrue evenly throughout the year and therefore income in the second half of the year should not be expected to be the same as that of the first half, say directors in the interim report

Rembrandt Controlling Investments' net income from normal business operations rose by 13,1% to R200,3m (R177m), which translates into earnings a share of 55,64c (49,17c), excluding share of net income retained by associated companies amounting to 36,31c (30,31c) a share The interim dividend was raised to 7,78c (6,48c)

Technical Investment Corporation posted a higher net income of R81,2m (R71,8m), equal to earnings a share of 48,79c (43,14c), with share of net income kept by associates equal to 31,86c (26,56c) a share Its interim dividend was lifted to 6,82c (5,68c)

Technical & Industrial Investments' net income went up to R68,2m (R60,4m), equal to earnings a share of 51,67c (45,76c) a share Share of net income retained by associates was 33,71c (28,18c) a share It paid out an interim dividend of 7,23c (6,02c)

All companies report unfavourable extraordinary items

Remgro all lit up

Star 30/11/90 (198)

Diagonal Street

Jabulani Sikhakhane

The tobacco and timber interests of the Rembrandt Group (Remgro) have shown resilience to the downturn.

This helped Remgro report a 13 percent increase in interim earnings per share to 75,13c (66,40c), despite a pedestrian contribution from associated companies.

Associated companies include GFSA, Distillers, Metkor, Fralex, Gencor and Transhex, which are all listed, and unlisted Gilbey's, Total and Henkel.

Net income retained by associated companies rose only 3,5 percent to R281,9 million (R226 million), compared with a 34 percent increase in the six months to September 1989

Senekal, Mouton and Kitshoff analyst Jaap du Toit estimates that gold's contribution from associated companies was 15 percent of net income, despite a lacklustre gold price.

Remgro's net income from subsidiaries — which largely reflects the major tobacco and timber interests — rose 24,3 percent to R281,9 million (R226 million) — 2,9 percent better than the 21,4 percent increase for the six months to September 1989.

Tobacco interests, the group's prime source of cash flow, are growing by 17 percent a year, and Remgro has an estimated 80 percent of the tobacco market.

Analysts expect tobacco sales to maintain growth. The optimism is based on better living standards of the black population, which is growing at a steady rate.

To tap this expected growth, Remgro has expansion plans, including the recent acquisition of production facilities at Brits

In the six months to September 1990, Remgro's capital commitments (including capex authorised, but not yet contracted for) stood at R99 million (R18,8 million).

The group does not publish turnover figures or percentage changes because directors believe they are meaningless, given its nature and composition.

This, of course, prevents competitors from working out the profit margins in some of the more lucrative sectors, some analysts feel.

Net income before tax rose 23,3 percent to R440,4 million (R357 million).

The tax charge rose 20 percent to R158,5 million, leaving net taxed income of R281,9 million.

The market thought the results were good and Remgro's share price yesterday picked up 25c to R13,75 on 31 650 shares traded in 22 deals.

But the share fell back slightly to close at R13,70, with foreign sellers at R13,65.

Rembrandt keeps it under wraps

198

ST Times 2/12/90

By JULIE WALKER

REMBRANDT GROUP has once again produced an interim report that discloses disgracefully little.

One of SA's biggest and most prestigious companies declines to disclose turnover, operating profit or interest. It also does not explain a R17,2-million extraordinary loss compared with an extraordinary profit in the previous half-year.

Before Richemont, containing all the foreign interests, Rembrandt had the excuse of its vulnerability to consumer boycotts abroad for non-disclosure. Now that the company is entirely indigenous, the excuse falls away.

The Stellenbosch attitude has long been that figures speak louder than words. Its eloquent reply to suggestions that its secretiveness is evidence of contempt for minority shareholders is that it has made millionaires of many minority holders.

Name

It is hardly a pleasure to ask Rembrandt for more information about its results. Instead of being put through to the chairman or managing director, one speaks to the group spokesman, a Mr Knoetze.

Mr Knoetze, who refuses even to divulge his first name, adds nothing to the published results.

The improvement in the bottom line was good enough. Earnings from normal business at Remgro reached 75,1c — 13% higher than in the six months to September 1989.

The notes say that income does not accrue evenly throughout the year, and the second-half figure should not be expected to be the same as that of the first. In the same time last year, interim earnings were 52% of the total.

Rembrandt also says capital commitments at September 30 were R99-million compared with last year's R19-million.

It describes extraordinary items for the period under review as R17,2-million unfavourable and R36,4-million favourable. Rembrandt will not say what it relates to, or how the sectors of its business performed.

A year of consolidation was expected, particularly in the light of the poor fundamental outlook for the mining industry.

After the trademark interests (tobacco and liquor), mining is the biggest contributor to the group.

It can be deduced from the results that tobacco and allied did well — income before tax grew by 23% to R440-million. But Rembrandt's share of net income retained by associated companies was barely R5-million higher at R145,5-million.

Income attributable to other members grew from R20-million to R35-million, leaving Rembrandt's taxed profit from normal business 13% up at R392-million.

Trademark business will probably chip in about 40% of 1991 financial-year earnings, forecast at R830-million. The interests in Gencor Beheer (which is equity accounted), Gold Fields of SA and Trans Hex will add about R230-million — in line with or slightly lower than last year's contribution.

Industrial interests, comprising investments in Metkor, Dorbyl, Huntcor, Fralex, Lenco and unlisted Henkel and Total, will probably earn a combined R150-million in the year to March 1991, and financial services R75-million.

Fully

Rembrandt has important holdings in Volkskas, Sage, Momentum and UBS, which recently told shareholders that negotiations were taking place that included the Allied group. An announcement is expected soon. Rembrandt also has interests in Standard Bank Investment Corporation, Boland and Momentum.

The price of Rembrandt shares added 25c to R13,75 on publication of the results, Rembeheer added 15c to R10,15, and TIB and Tegkor were unchanged.

Remgro's net asset value, using market-related price-earnings ratios to value the "unlisted investments in the group," is about R13,75, making the shares look fully priced.

WEEK IN BRIEF

A SUMMARY of the week's corporate announcements.

MONDAY: CBD offers 84 units to holders of 100 Fedfund in a proposed merger. Lebowa Plats shuts down. Greenfield Property warns of negotiations with another party.

Abacus, Audiobuild transfer to the electrical sector of the JSE. DPF makes a bid for Grovewalk. Last day to register for Clyde's dividend is 7/12. Bankorp's rights offer 85% subscribed.

WEDNESDAY: Bonus share offer accepted in respect of 72% of Tiger Wheels shares. Grovewalk sells its share of JH Isaacs for R7,7-million. Press Supplies members pass resolutions to change company's name to DZ Investments. It will be suspended as a cash shell until it acquires assets.

Cengold shares to be consolidated one for 20, name changed to Consolidated Diamond Corporation and it will buy Samad Diamonds for the issue of 73,8-million shares. Hicor's prelisting statement appears.

THURSDAY: Amgold's offer 83% subscribed. Allwear's general meeting moved from 5/12 to 21/12.

FRIDAY: Colfin says an application for the liquidation of one of its companies has been withdrawn because an agreement has been reached.

Venterspost and Doornfontein announce rationalisation. Retprop's name change to Compass Property approved. W&A group scheme meetings all approved by general meetings. Wedge remains suspended by the JSE. Kangra's offer to Union Wine members accepted in respect of 94,1% of the shares. Lydex and PGA propose to merge, 115 Lydex to be issued for every 100 PGA.

198

Rembrandt restructure will produce a giant

B Day 6/12/90

THE restructuring of Rembrandt' financial interests will lead to to rationalisation in an industry considered "over-banked" and open the way to the creation of a banking giant

Banking analysts say there is unlikely to be an early conclusion to the negotiations, but the first prize, says one JSE analyst, will be an enlarged financial empire in which Rembrandt has a 30% stake

Rembrandt's portfolio includes; 30% of Volkskas, 10% of UBS, 27% of Sage, 10% of SBIC and 10% of Boland Bank, as well as 30% of Momentum and an effective 15% in Allied through Sage subsidiary SFS and the Sage unit trusts.

Sage and its subsidiary SFS also hold 26% of unlisted Rand Merchant Bank, in which Allied has a 14% stake

There are rationalisation benefits which will accrue as a result of a merger.

UBS can stand alone but it would like Volkskas, in which it has a 30% stake, under its wing

Edey Rodgers banking analyst David Southey says the economies of scale which will be brought to bear by a merger between these two giants (UBS has assets of R15,7bn and Volkskas R20,5bn) will be of benefit to both.

Volkskas has lagged its competitors in terms of computer technology. UBS has a 30% stake in Volkskas and Volkskas a 10% crossholding in UBS.

In terms of the new banking legislation, banks will have to raise their capital.assets ratios to 8% from the current 4,5%, but the requirements will be phased in over the next five years

UBS has the strongest capital ratio in the industry, at 9,5%.

Southey says Allied is the cherry everyone wants to get their hands on

"It has a good client base and excess computer capacity, but is thin on middle management.

"It needs to lease out its computer capacity at market-related rates."

Another JSE analyst suggests Volkskas and UBS may take a sizeable stake in Allied and Sage will then be split up.

The consensus is that Allied will not be swallowed up and will be allowed to stand alone, although in a larger financial group.

It is capital rich, with a capital:assets ratio of 6,5%

Southey says Allied will need to raise its dividend cover from 2,2 to 3 over time in order to capitalise adequately, although its capital is sufficient for the present.

Its net asset value is 212c and any settlement will have to price it around this level.

Most analysts say Sage Life will be slotted into Momentum (and perhaps the life interests of UBS and Allied) and the other Sage Holdings interests will be merged with other group companies

REMBRANDT FM 7/12/90 (198)

OLD HABITS HELPING

Latest results from Rembrandt Group emphasise the continuing importance — and resilience — of the core trademark businesses, essentially tobacco and liquor.

After more than a decade of making extensive investments in the industrial, mining and financial sectors of the domestic economy, the group now derives a hefty portion of its income from associated companies. In financial 1990 the share of net income retained by associated companies was R318m, equivalent to roughly two-fifths of net income before tax.

Income from these investments, which differ from the mature but steady tobacco operations, can rise sharply during an upturn, but may also slow down more rapidly when the economy cools The pattern is already clear from results released recently by such companies as Dorbyl, Huntcor and Fralex.

Given that most of Rembrandt's diversified interests are treated as associates or investments, the trend is evident also from the group's figures for the six months to end-September While net income before tax — largely reflecting the performance of the tobacco and liquor interests — rose by 23,4%, the share of net income retained by associates was up by only 4,8%

Interest receipts should also have been a significant contributor to net income At March 31, there was a cash balance of R357m, which, if left intact, could generate income of more than R30m over six months

Last year shareholders were told that work had started on the expansion of the capacity of the tobacco subsidiaries, with a new production unit being established at Brits According to the interim announcement, capital commitments at September 30 (including capex authorised but not contracted), had increased from the year-ago R18,8m to R99m It remains a low figure for a group Rembrandt's size and unlikely to make much of a dent in cash flow

Apart from the usual caveat that income does not necessarily accrue evenly throughout the year, and income earned in the second half should not be expected to be the same as that of the first, the announcement offers no indication of prospects

The market evidently believes steady growth will be maintained With the interim payout lifted by 20%, the share yields only 1,9% on the R14 price *Andrew McNulty*

FM 7/12/90 (198)

SMOKE DRIVEN

Six months to	Sep 30 '89	Mar 31 '90	Sep 30 '90
Pre-tax income (Rm)	357,0	413,4	440,4
Taxed income (Rm)	226,0	263,0	281,9
Share of net income of assoc (Rm)	140,7	176,9	145,5
Earnings (c)			
— Normal bus optns	66,4	77,6	75,1
— Exc share of net inc of assoc	40,9	45,7	49,0
Dividend (c)	8,75	16,25	10,5

Persbel and Remgro in printing deal

MARC HASENFUSS

THE share price of printing and publishing group Perskor Beleggings (Persbel) rose sharply to a new high yesterday on the back of news that the group had negotiated a right in the printing and packaging interests of the Rembrandt group (Remgro).

The agreement, approved by shareholders at the Persbel AGM on November 5, was financed through the issue to Remgro of an undisclosed number of Persbel shares Persbel chairman Koos Buitendag yesterday refused to disclose the number of shares issued. BDAY 28/12/90

Rembrandt directors could not be reached for comment.

Rembrandt Beheer shares gained 10c to 1100c on the JSE yesterday.

Analysts said the Persbel shares issued could be the 1,69-million shares (representing 20% of Persbel's issued share capital of 8,3-million ordinary shares) traded in two special bargain deals on the JSE last week.

Persbel's shares rose 12,5% or 50c yesterday to 450c with 221 552 shares changing hands in five deals worth nearly R1m. Perskor shares were unchanged at 1100c.

Early morning trading yesterday saw a single book-over deal worth R774 363 of 181 552 Persbel shares at 410c. Persbel's shares have been heavily traded during the second half of this year and have gained 125% since a March low of 200c.

Persbel is the investment company for Perskor Publications, which publishes The Citizen, Transvaler and free distribution newspapers Perskor's magazine subsidiary Republican Press prints Scope, Personality and Garden and Home. Its book publishing division operates nationwide.

In the year to June 1990 Perskor expanded and rationalised its printing capacity as well as increasing its printing markets. The annual report said printing made "a substantial contribution" to the group's profits in the past year.

Perskor prints stationery for the computer market and has a plant which specialises in printing cheques and encoded documents for financial institutions.

Rembrandt owns 30% of PrintPak, according to McGregor's Who Owns Whom.

Rembrandt stalks Persbel

(198)

S Times 30/12/90

Business Times Reporter

SOFTLEE, softlee catchee monkey is the Rembrandt strategy apparently being employed in securing control of Afrikaans press group Perskor Beleggings (Persbel)

Persbel this week issued 3,94-million new shares to Rembrandt plus R1,4-million cash for a 49% holding in Printpak, Rembrandt's cigarette packaging company Persbel seems to have acquired its stake at a R866 000 discount to net asset value because its net asset value rises from 226c to 297c It expects dividends of 10c a share — implying R1,2-million from Printpak in the medium term.

Larger

There were 8,32-million shares in issue before the transaction, so Rembrandt has acquired 32% of Persbel's enlarged equity

It has been speculated that Rembrandt came in as a white knight to save Persbel from a hostile bid, possibly from the Conservative Party or even English press companies Argus or TML

In two bookover deals shortly before this one, 1,68-million shares — representing more than 20% of Persbel's shares — traded at 400c, a 33% premium to the prevailing price of 300c

There is some scepticism that Rembrandt was needed as a white knight. Dagbreek Trust is thought to have had outright control before the first two bookovers went through But the latest deal would serve to dilute the holding of any party that may have built up a strategic blocking stake of 25%

Persbel's share price has leapt from 280c to 450c in the past two weeks Buyers have taken account of the boost to net assets and moved into line with other press group shares Persbel's PE is now 6,3 compared with TML's 6,4 and Argus's 8,5

The shares of all the major publishing groups have been firm Caxton, which trades only every few months, put on R50 to R150 when only 100 shares were traded last week TML and Argus are both on all-time highs in spite of recession's denting advertising revenues

The strength of these shares has prompted speculation of rationalisation in the industry The most obvious next step appears to be some sort of further rapport between Persbel and hot-performing but unlisted Nasionale Pers As it is showing in banking and assurance, Rembrandt has the financial and diplomatic power to pull it off

Nasionale and Perskor are parties to an agreement over their respective stakes in M-Net, now capitalised at R304-million Like Argus and TML, each was originally meant to obtain 23% of M-Net Holdings, the unlisted pyramid, which has 78% of listed M-Net. Somehow Nasionale got 35% and Perskor only 22%. Nasionale has agreed to return to Perskor a 12 percentage point holding so that all four majors have 23%.

An analyst says the publishing companies are benefiting by the belief that black education will be a boom area It should ensure strong demand for books, newspapers and magazines Buoyant retail markets are expected to underpin advertising The final attraction, he says, is the increasing attractiveness of M-Net.

Boosters

Perskor was an under-performer until two events changed things in the past four years First came the death of the autocratic Marius Jooste and the accession of side-kick Koos Buitendag

Second, the closure of the Rand Daily Mail gave the Citizen the No 1 slot in the English morning newspaper market Run on the proverbial shoestring, the Citizen is still not highly profitable — but it no longer loses large amounts of money made in Perskor's other operations

Persbel's five-year earnings record reads 11c, 19,2c, 36,2c, 53c, 63c a share A stockbroker who follows the company says Persbel is good for another earnings jump this year So Rembrandt's action is vindicated by the fundamentals as well

Producers could cash in on tobacco shortages

198

MARIETTE DU PLESSIS

ALMOST a third of SA's black population smoked cigarettes, and total consumption should continue to rise annually by 3,2% as urbanisation intensified, an industry source said recently

Despite this projected growth, the tobacco industry was in the doldrums A sharp rise in input costs, abnormal hail damage and drought in certain production areas could lead to a further decrease in the number of primary producers, Tobacco Board chairman Neil le Roux said in the board's annual report.

Le Roux said government had to understand the situation tobacco producers and manufacturers faced, but added that shortages should be seen as potential for production in SA

Tobacco Board figures showed that total tobacco production had declined to 32,42-million kilograms from 36,67-million kilograms in 1989 while the number of producers had dropped from 2 697 in 1979to 1 021 this year. B Day 31/12/90

Le Roux said he expected the decline in the number of producers to continue despite the local production shortage, which had led to large tobacco imports.

Almost 25% of SA's tobacco needs were imported. The figure could increase since 75% of all tobacco produced locally was used in cigarettes, he said

The total consumption of all classes of tobacco for cigarette manufacture had risen from 21,6-million kilograms in 1975 to 32,3-million kilograms

MANUF. — TOBACCO

1991

Remgro growth may slip back

BDay 30/1/91

LIZ ROUSE

REMBRANDT Group (Remgro) will experience a further slowdown in earnings growth in the six months to March, following its 13% growth in interim earnings in the six months to end-September 1990. (198)

Two analysts — Neall Brown of Simpson McKie and Pierre Greyvensteyn of Davis Borkum Hare — agree that Remgro's year-end earnings growth could be in the region of 10%, compared with 1990's 25,2%.

Greyvensteyn forecasts slower growth of 7% for the second half of the year, which should result in earnings growth of 10% for the year to end-March.

He says that a weaker performance from the group's mining interests and the increased finance charges are the major influencing factors responsible for the slower growth.

The slowdown to 13% at the halfway stage was attributable to a weaker performance from the group's industrial interests (Metkor/Dorbyl) and the lower contribution from corporate finances because of the increased level of debt.

Greyvensteyn estimates that the tobacco division returned steady results during the interim period Per capita consumption — and consequently volume growth — is expected to increase during this decade.

ADE sidelines top brass as the payroll is slashed

By CURT VON KEYSERLINGK

SOUTH AFRICA'S giant diesel engine producer Atlantis Diesel Engines (ADE) is cutting the number of its top executives by half

Two of its seven directors have left and 20 of its 36 managers at the next level of seniority are either to go or take up less senior posts at ADE.

This follows retrenchment of junior staff that reduced the total complement from 2 771 to 2 150 late last year.

It is part of a plan to rescue a company that has never made profits and never produced at more than half capacity since it opened in 1981

Unsold

ADE is financed by the Industrial Development Corporation and was established partly with the object of improving SA's self-sufficiency in diesel engines which were then considered to be of strategic importance

Designed to produce 45 000 engines annually, ADE had its best year in 1984 when it sold 22 749. Because it held huge unsold stocks, it produced fewer than 15 000 engines in 1990 The figure for this year is expected to be even lower

Further reductions among the company's 740 salaried staff will be announced next month after a study now being carried out, says managing director Fritz Körte

Because so many managers have left, those that remain are handling widely diverse functions For example, the managing director is now also responsible for marketing; the commercial director for purchasing, finance and exports; and the corporate services director for personnel, information services, public affairs and administration

FRITZ KORTE.. Looking for 20% savings

Another cost-cutting effort is the merging of ADE's two production facilities — one produces Perkins and the other Daimler-Benz engines — under a single management structure.

Previously each was run separately by its own management team.

These and other measures are aimed at achieving a 20% reduction, in real terms, of ADE prices in the next two years

Mr Körte says the retrenchments will achieve at least a 20% saving in personnel costs But savings in other areas will be necessary to achieve a total of 20%.

Although licence restrictions make it difficult to export complete engines, progress is being made in sales of components — about R30-million last year This will help to recover overheads by increasing plant use.

But ADE's exports are proving to be a two-edged sword In terms of the Phase 6 local content programme for the motor industry, ADE's export sales have to be made through a motor vehicle assembler.

The vehicle assembler receives duty rebates on these exports, which allow him to increase the value of imported goods in his vehicle.

This is making it more easy for vehicle assemblers to import diesel engines and they do not need to buy them from ADE

S/Times 3/2/91

Carpet

"Increasing our exports is like sawing off the branch we sit on," says Mr Körte

There are signs that certain vehicle assemblers will use imported engines in certain models, something that was virtually impossible under the old local content programme when ADE held more than 99% of the diesel engine market

The company is budgeting for a drop in its market share in the next few years and is asking the Government for a 20% increase in duties on vehicles with imported engines

"We know this is not popular, but if the Government pulls the carpet from under our feet during our rationalisation programme we will never get this business right," says Mr Körte

Utico slays recession

S Times 10/2/91.

By JULIE WALKER (198)

UTICO, the cigarette, snack and fruit-juice company, exceeded its expectations in the year to December.

Earnings a share rose by 20% to 368c on a 22% climb in turnover to R440-million. The dividend was boosted more than a third to 205c. Dividend cover has been lowered from 3,2 times to 1,8.

Chairman Fred Haslett said in the 1989 report that although tight conditions were expected in 1990, both United Tobacco and Willards Foods were prepared. He was confident that Utico would retain its top position.

Its product range includes Texan and Benson & Hedges cigarettes, and Flanagan's Kettle Fried Crisps.

BAT Industries plc owns 63% of the shares and Old Mutual 17%. Utico shareholders had a bonanza year in 1990. The shares have climbed from a March low of R17,25 to a high of R26.

Better efficiency gives lift to Utico earnings

Star 11/2/91

By Jabulani Sikhakhane (198)

Improved operational efficiency in the second half helped tobacco and snacks manufacturer Utico post a 20 percent increase in earnings to 368c (307c) a share for the year to December 1990

A final dividend of 130c makes a total of 205c (153c) for the full year.

The dividend is covered 1,8 times (2).

On a turnover increase of 22 percent to R440,47 million (R360,62 million), growth at the operating profit level rose 21 percent to R45,69 million from R37,62 million.

This perfomance means that Utico managed to improve operational efficiency in the second half, after a decline in margins in the first half

In the first half, margins were hit by congestion and poor productivity at the Rosslyn snack factory, falling to 8,27 percent (8,57 percent)

The problems at the Rosslyn plant were exercabated by political unrest in adjacent Bophuthatswana.

During the review period, the debtors' book showed rose 23,6 percent to R43,85 million (R35,48 million), in line with the growth in turnover

But this meant increased costs of financing debtors and, as a result, borrowings rose 39,6 percent to R15,53 million from R11,12 million.

Medium-term borrowings accounted for a large chunk of this, increasing 68 percent to R7,85 million (R4,68 million).

The share closed at R25,50 on Friday, placing it on a P/E of 14,4 and dividend yield of eight percent.

COMPANIES

Utico's 20% earnings rise beats conditions

198

B/Day 11/2/91.

MARC HASENFUSS

UNDER tough trading conditions, tobacco and snack manufacturer Utico Holdings managed a sound performance in its financial year to end-December 1990, boosting earnings by 20%

Group attributable earnings were R22,3m (R14,1m) or 368c (307c) a share on the back of a 22% increase in turnover to R440,4m (R360,9m).

HASLETT

A final dividend of 130c (98c) a share was declared bringing the total dividend for the period under review to 205c (153c), covered 1,8 times.

In the group's 1989 annual report chairman Fred Haslett predicted the economic downturn would reduce consumer spending and have a negative impact on the group's markets in 1990

The group, controlled by UK holding company BAT Industries, manufactures and markets well-known cigarette brands and snack foods such as Benson & Hedges, John Player Special, Winston, BB tobacco, Willards Chips and Flanagans Kettle Fried Crisps

Utico financial director Stuart Sutherland said the directors were pleased with the results in light of current economic conditions.

Sutherland said despite flat cigarette sales in the second half of the year, United Tobacco performed strongly in a competitive market

The group's Willards Foods Division continued to trade satisfactorily

New plant and equipment requirements at the group's Industria and Rosslyn factories pushed borrowings up by 40% to R15,5m (R11,1m) covered 16,6 times causing the interest bill to rocket almost 70% to R2,7m (R1,8m).

Looking to the future, Sutherland refrained from making a bullish forecasts but said the group expected to at least post an inflation-beating performance next year.

After hitting a low of R17,25 in March last year, Utico shares were bid at their September 1990 high of R26 on Friday

Rembrandt group 'shake-up looms'

Bday 1/3/91 198

SEAN VAN ZYL

MARKET speculation is rife that a major restructuring of the Rembrandt group's industrial interests could be in the offing

The mining, industrial and financial services giant, could be looking to streamline its diversified industrial portfolio by creating an industrial holding company through Huntcor, analysts suggested

But Rembrandt was unwilling to comment on a possible restructuring and Huntcor's CE Neil Morris denied any restructuring developments involving Huntcor or its 77% held subsidiary Hunt Leuchars Holdings (HLH)

Unlisted

Outside its basic tobacco and liquor interests, Rembrandt's direct holdings in listed industrial companies include Metkor (49,9%), Fralex (39,2%), Huntcor (65,9%), Lenco (12,5% effective) and a 25% interest in Gencor Beherend, the holding company of Sankorp's mining, energy and industrial company, Gencor It also has an effective holding of 27,3% in Dorbyl.

Rembrandt's major unlisted interests are Total SA (34,3%) and a 50% holding in Henkal SA.

A possible restructuring of its industrial holdings follows its recent move to amalgamate its financial interests into banking group Amalgamated Banks of SA

Engineering and steel-related companies Metkor and Usko (27% owned by Metkor) have confirmed that they were involved with a restructuring.

Usko's chairman Flores Kotzee not prepared to disclose further details, and denied that the company may be delisted However, rumours were strong among Usko's staff that they might be facing significant cut-backs and the possibility that the company may be sold to an outside party. Usko's other majority shareholder, Iscor, also refused to comment

Fraser Alexander — in which Fralex has a 72,9% controlling stake — has advised shareholders that talks are underway which could affect the share price.

The company says "a number of potential acquisitions are being looked at"

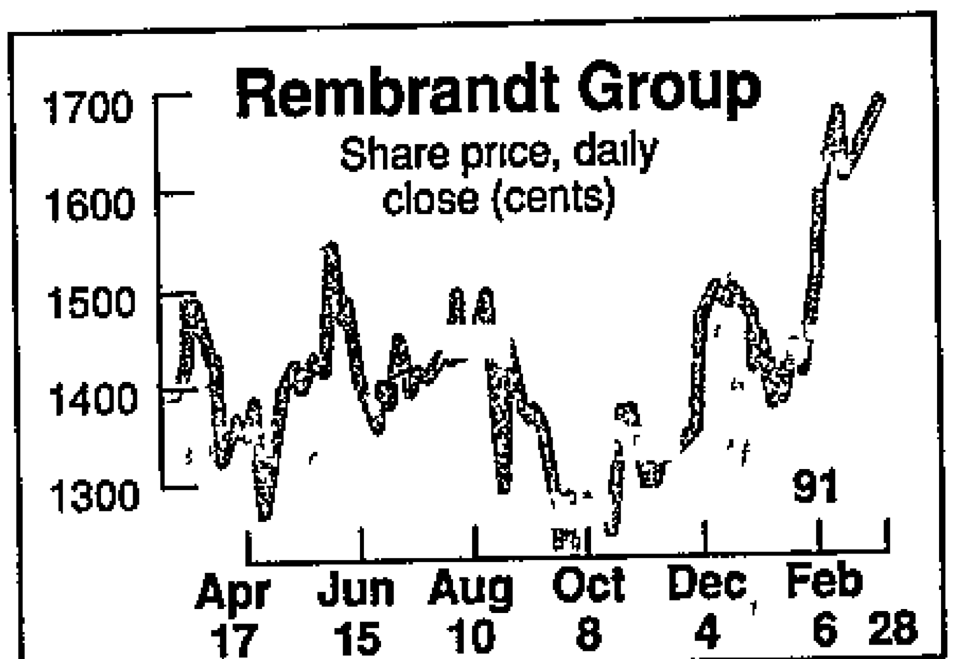
However, market rumours suggest Fraser Alexander may soon acquire control of a "medium-sized listed mining group" (coal mining) through which various allied interests in the Rembrandt stable could be slotted into at a later stage The end result could bring Fraser Alexander closer into the Rembrandt fold

All the companies have experienced tight operating conditions, with earnings reduced significantly

Market watchers said it would therefore make sense for these interests to be slotted into a holding company, such as Huntcor, with a beefed up management team This would complement rumours that Rembrandt may be looking to "spin out" its directly held interests — "offering shareholders a choice of where to put their money," one analyst said

A similar scenario has been projected for Rembrandt's mining interests, including its stake in Gold Fields of SA (GFSA) However, a source said Rembrandt could propose that its interest in GFSA, and other mining holdings, be amalgamted with Gencor But, this would only become feasible once Gencor decided to go ahead with an unbundling of its own interests — which is rumoured to be on the cards

As a result, Rembrandt would aim to achieve an equal say in Gencor's mining arm Genmin — alongside Sanlam — in line



Graphic LEE EMERTON Source JSE

with the group's investment "partnership" philosophy

However, analysts said any decision along these lines would most likely have been put on the back-burner until a recovery in the gold price, and gold shares, comes about "Rembrandt would be going to the negotiating table from a very weak standing point and it would pay them to hold back temporarily"

Rembrandt's tobacco and liquor interests account for about 37% of the group's net income, mining 33%, industrial 17,5% and financial services and corporate 12,5%

Analysts expect that Rembrandt's year-end earnings growth to March will be significantly down to about 10% as opposed to the previous year's 25,2% climb.

The anticipated downturn for March 1991 will likely result from a weaker performance from its mining and industrial interests

UTICO FM 18/3/91 198

HUNGRY FOR MONEY 198

A burgeoning appetite for funds to satisfy capital expenditure and working capital requirements continues to force up borrowings at this tobacco and snack food manufacturer.

Utico, UK-controlled holding company of United Tobacco and Willards Foods, lifted interest-bearing debt by nearly 40%, to R15,5m, in 1990 With no cash reserves since the 1989 interim, interest charges climbed steeply to R2,7m.

Main reason for the increase is the installation of new plant and equipment, costing R8m, at Utico's Industria cigarette factory and Willards' Rosslyn snack food facility. Debt will climb again this year as the group intends building a second snack food facility, in the western Cape

---

198 FM 15/3/91 198

Activities: *Manufactures and markets cigarettes, tobacco, snack food and fruit drinks*
Control: *BAT Industries Plc 63,6%.*
Chairman: *F N Haslett, MD. D B Edmunds*
Capital structure: *6,1m ords. Market capitalisation: R200m*
Share market: *Price: 3 300c Yields. 6,2% on dividend, 11,2% on earnings; p e ratio, 9,0, cover, 1,8 12-month high, 3 300c, low, 1 725c. Trading volume last quarter, 11 000 shares*

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	1,3	1,3	6,5	7,7
LT debt (Rm)	1,7	0,8	4,7	7,9
Debt equity ratio	0,04	0,03	0,12	0,15
Shareholders interest	0,48	0,49	0,48	0,46
Int & leasing cover	26,6	165,4	23,2	16,7
Return on cap (%)	18,4	18,6	19,4	20,3
Turnover (Rm)	269	311	361	440
Pre-int profit (Rm)	27	32	38	46
Pre-int margin (%)	10,0	10,2	10,4	10,4
Earnings (c)	218	260	307	368
Dividends (c)	87	110	153	205
Net worth (c)	1 236	1 386	1 540	1 703

MD Bruce Edmunds won't say what this expansion will cost or its effect on the balance sheet, except that gearing will remain "comfortable." Year-end debt equity was a modest 15%, up from 12%, and interest cover was a healthy 16,7, so there is plenty of room to increase gearing Return on equity and capital both edged up above 20%.

Despite recession, high interest rates and mounting transport costs, Utico fared well last year. Attributable earnings rose 19,7% to R22,4m on turnover up 22% to R440,5m. A further reduction in dividend cover — it has dropped steadily since 1986 — helped push dividends up 34% to 205c a share. Welcome news no doubt for Utico's UK parent, BAT Industries.

Edmunds says he'll be disappointed if earnings growth this year doesn't outpace inflation. Most group products are aimed at the lower end of the consumer market, where spending appears to be growing despite the lacklustre economy Operating margins have stuck at around 10% for the last four years.

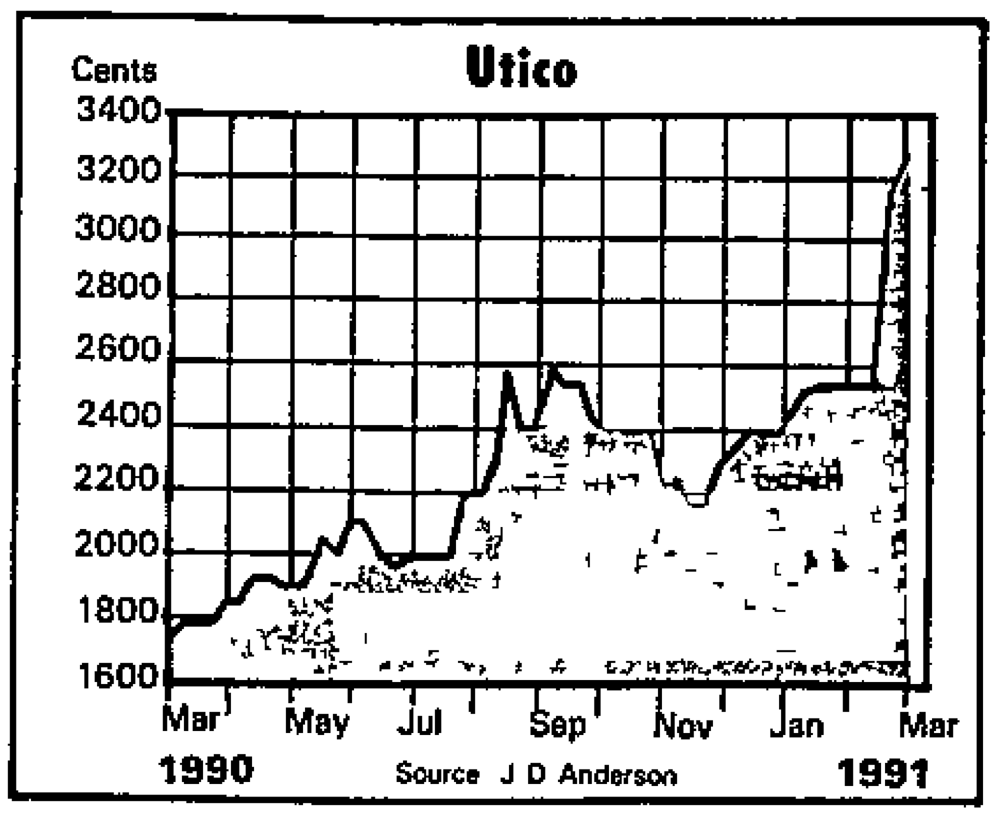
Utico's reticence to reveal sales or earnings contributions of its tobacco, snack food and fruit juice operations makes it difficult to assess prospects.

The two mainstay businesses, United Tobacco and Willards Foods, should benefit from production improvements brought about by last year's upgrade in plant and equipment The new snack food facility is expected to relieve congestion at Willards' Rosslyn factory, cut transport costs to the western Cape and possibly open the way for new products. However, competition is likely to remain fierce and increased capacity is no guarantee of growth in sales

The fruit juice division, which at present contributes little to earnings, is looking to bolster significantly the export business it started a couple of years ago. While it may take some time for this to make a noticeable impression on the bottom line, exports could ease the tax bill Last year, Revenue took nearly 48% of Utico's pre-tax earnings.

After a leap of more than 700c in the past month, the share is now at a high of R33, giving a historic p·e of 9,0 and dividend yield of 6,2% The group is well managed and likely to produce real earnings growth but at this price the share appears expensive.

Gerhard Slabber



198 FM 5/4/91

CABLE INDUSTRY FM 5/4/91

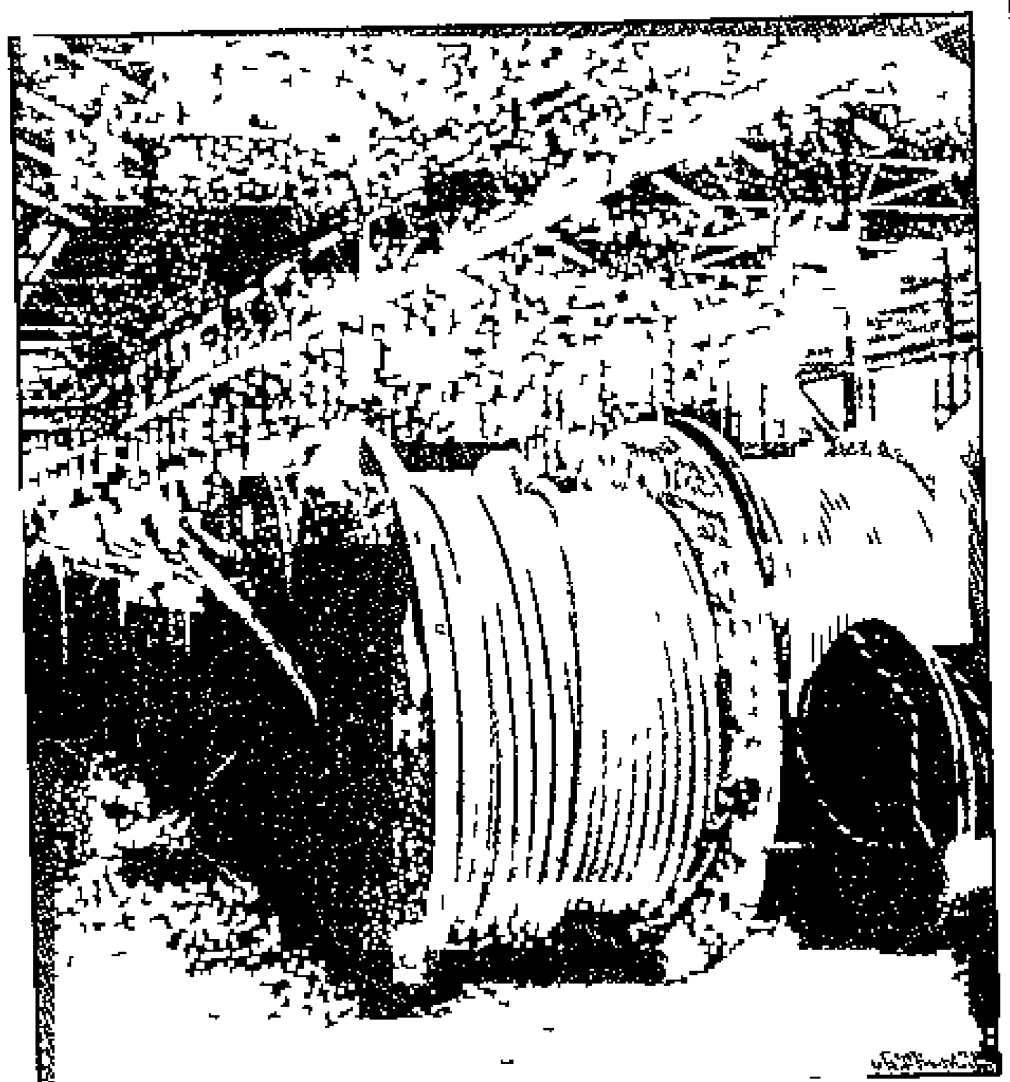
GLOBAL STRETCH 198

The R1,3bn-a-year electrical cable industry has launched an initiative to put itself firmly on the world map as a major exporter of quality cable

Five top manufacturers have formed their own exporting company, Electric Products International (EPI), which is now finding new markets in South America, the Far East, Europe and Africa

What sparked the initiative was the fact that several international cable companies divested from SA in the mid-Eighties and sold their interests to local shareholders As the local market was depressed, the five purchasing cable manufacturers found themselves sitting on substantial unutilised capacity

"In December 1987 the Ministry of Trade & Industry suggested a structural adjustment programme for our industry aimed at maximising the utilisation of unused capacity and increasing export earnings by beneficiating locally produced metals and minerals like copper and steel," says Electric Cable Association chairman Peter Wilson



Cables *seeking out new markets in SA and abroad*

The Board of Trade & Industry was instructed to draw up a programme for the cable industry in full co-operation with all the players

"Overinvestment and 40% overcapacity in our industry had led to a drain on the cost-effectiveness of our local operations By increasing capacity utilisation through higher exports, unit costs would be reduced in the local market," Wilson explains

The BTI found that local cable manufacturers had a price disadvantage of 11%-17% against imported cable while tender prices of their cable exports were 19%-22% higher than similar products on overseas markets The industry attributed these disadvantages to the high cost of local raw materials, transport to export markets and relatively small sales volumes in the local market

The BTI found that copper, representing 50%-70% of the total material cost of insulated electric cable, was priced locally on the basis of the ruling London Metal Exchange price on a "delivered Europe" basis

It held discussions with local copper producers and it was agreed to supply copper for the manufacture of insulated electric cable for export at a small rebate Similarly, local manufacturers of PVC and steel were willing to negotiate special prices on products used in the manufacture of insulated electric cable for export Further negotiations resulted in special rail, road and sea-freight tariffs applicable to cable exports

With all the groundwork done, the conditions for the programme were set In short, these were

□ The industry was granted a temporary increase in the then existing level of tariff protection The duty on electric cable was increased from 12,5% *ad valorem* to 20% until December 31 1991,

□ From January 1 1992, the duty would be reduced to 17,5%, from January 1 1994, to 15%, and on January 1 1996 to 12,5%,

□ The tariff changes would be subject to the industry exporting at least 9% of total annual production by December 1993, 12% by December 1994, and 20% by December 1995,

□ Should the industry fail to reach the export targets, the BTI would reconsider the duty with the view to reducing it again to 12,5%, and

□ Apart from the higher tariff protection, exporters also qualify for existing export incentives But the agreement was that the existing import control on insulated electric cable would be abolished simultaneously

"It took two years of negotiating to structure the programme To rationalise overheads and get our unit costs down, we had to put together a pricing formula for exports structured around our material costs," says Wilson

EPI chairman Bill Greyling comments "We have now completed our first year of exports and found that there are enough opportunities to develop export markets for our products Our five-year plan is on track and everybody is encouraged by the success encountered so far We are excited about the prospects and are already finding that increased capacity utilisation is leading to lower unit costs

"But it is not easy to get into these new markets Some of them are long distances from SA and cable is bulky and expensive to transport But the initiative set off by the programme, together with benefits under the General Export Incentive Scheme, taught us that it makes sense to beneficiate and add value to copper (and other metals) produced in SA," says Greyling

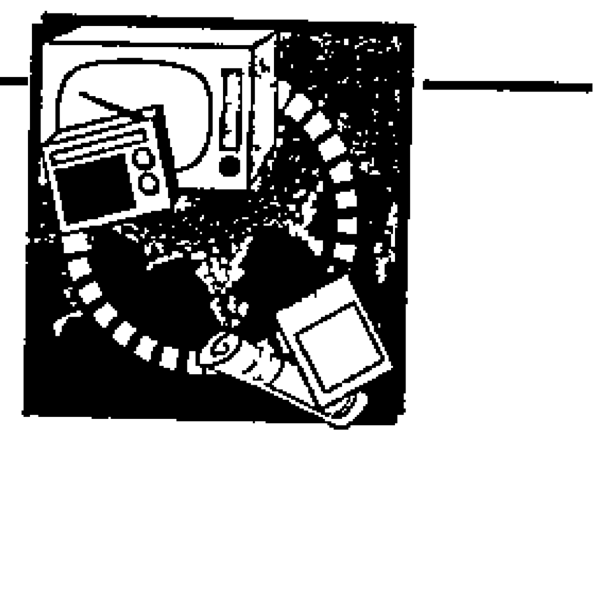
With 12 manufacturing facilities at its disposal, EPI operates at arm's length from its principals It has its own staff, export specialists and headquarters

Greyling says EPI can offer specialised technology and expertise in the cable market In the mining field it has the leading edge, while areas such as low-cost housing and providing electricity to rural areas also offer opportunities Special products, developed in association with Eskom and the Chamber of Mines can find niches in the world market while Africa holds out much prospect for servicing foreign aid projects — but only after certain logistical and financial hurdles are overcome

"We hope to be able to operate independently and profitably in the export market in a few years without State assistance But a structured programme was necessary as we cannot develop an export market overnight In some countries, it takes four to five years just to get your name on a tender list before you can actually start doing business," says Greyling

The SA Bureau of Standards has also helped by qualifying some of EPI's cable products in terms of its standards, which in turn are related to international quality standards

"Through the programme we were forced by the challenge of falling tariffs to focus on maximising exports Simultaneously, we were given the opportunity to harness the combined muscle of our sector for exports," says Greyling ■



198 FM 12/4/91

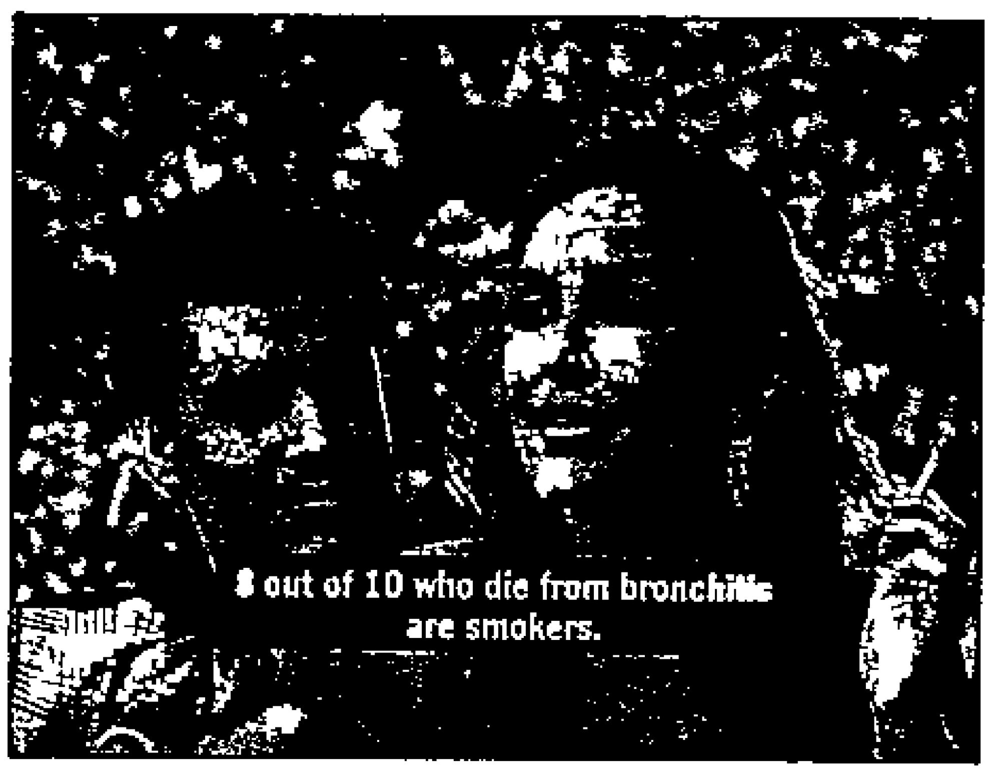
TOBACCO ADVERTISING

PUFFS UNDER PRESSURE

Though its first anti-smoking commercial is a small beginning, the National Council Against Smoking could become a serious thorn in the side of the tobacco and advertising industries

If tobacco were discovered today, council chairman Harry Seftel likes to say, it would immediately be banned as a poison It is, he points out, more dangerous than many scheduled poisons available on prescription

However, the official, less extreme stance of the council is tactically wise. It does not want to ban the sale of tobacco except to children, but does want a total ban on advertising cigarettes It's also calling for a ban on smoking in public places and mandatory health education in schools



Anti-smoking crusade *strike up the banned*

In the absence of an advertising ban, the council would settle for a requirement that 20% of all tobacco advertising should be given over to "strong rotating health warnings " And who should pay for this? The tobacco manufacturers

This could be in their interests, argues council executive director Yussuf Saloojee. "Health warnings have worked to the advantage of the tobacco companies in the US The heirs of a woman who died of lung cancer are suing a tobacco company on the grounds that she had not been informed of the hazards The company's defence was that the standard health warning on cigarette packs indemnified them "

By avoiding a call to ban smoking, the council has responded to two of the arguments against the anti-smoking lobby that people should have freedom of choice and that bans on widely used products don't work. "We don't want to make the decision for people but we do want to encourage them to stop smoking," Saloojee says

But its attitude towards the principle involved is a little disingenuous True freedom of choice can exist only when there is freedom to expound opposing points of view If the council were to call for equal time to make the case against smoking and leave it there, one could not take exception

The council also tends to be a little casual about the vested interests involved However unconscionable it may be for a huge industry to be based on "selling death" (as Seftel puts it), one can't ignore the problems of interests that were built up at a time when smoking was socially acceptable The council does not exude sympathy The tobacco industry must diversify, Saloojee says. In Canada there is a government-funded programme to help them do so, he says

He's kinder on the media, which benefited from R89m in cigarette advertising last year The council proposes a 6c-a-pack increase in excise duty, which would raise R96m a year This sum could be channelled into health education advertising and sponsorship to compensate the media for revenue losses

BANKING BATTLE

First National Bank's TV commercial using giant credit cards to underscore the claim that Firstcard is the biggest credit card in SA has been banned by the Advertising Standards Authority

A complaint was lodged by Standard Bank after new research figures put Standard's Mastercard in front

"The market has changed since the ad came out," says FNB's advertising senior manager, Allan Owen. "When we put the campaign together we used Amps figures that put us ahead at the time Now we're slightly behind "

The matter is to go on appeal, with FNB arguing that Firstcard is still the biggest in its category Mastercard nosed in front by adding up the number of holders of a range of cards, including the gold card and the silver card But the basic Firstcard still has more cardholders than the basic Mastercard, claims FNB

But that's irrelevant, says Standard GM John Holloway "We have more customers carrying a Mastercard than they have carrying a Firstcard If people want to make a claim they must be really sure of their facts "

Meanwhile, the campaign has been withdrawn "If we have to modify the copy we'll do so in our next burst," Owen says "Or we could call it the world's biggest card "

A CAN OF McCANN

On a cost-per-thousand basis, it was an expensive commercial — even though it cost only about R15 000 to make and was never seen on TV The 90-second spot was made for a single VCR flighting to an audience of six But it worked — it helped to get McCann the Castrol R2m-a-year advertising account

The account has been in limbo since the previous agency, U5, went out of business this year Pitching against tough competition, McCann hired actors Ian Roberts and Norman Anstey (Boet and Hennie in Castrol's "can of the best" campaign) to recreate their characters

Only this time they discuss Castrol's search for a new agency, with Hennie recommending McCann "McCann are the best," Boet agrees *Tony Koenderman*

ADVERTISING FOCUS 1991

The *FM's* Client of the Year award, to be announced on June 7 in the *FM* survey *Advertising Focus 1991*, seeks to recognise the client who best understands the place of advertising in the marketing mix.

We're asking for nominations from ad agencies — and there is *no limit* on the number of nominations an agency may make.

The selection will be based on the following criteria.

- ☐ Understanding of advertising and its importance in marketing;
- ☐ Willingness to innovate; and
- ☐ Relationship with the agency.

In the case of large agency groups, nominations may be made by each agency within the group. We'd like entries by April 22.

We're also going to be making some other awards, including Advertising Achiever of the Year (for achievement as an ad agency executive).

It's another non-smoker at the helm

(Bus|T) S/Times 14/4/91

(198)

JOHN WOODCOCK: Former boss

CONSUMERS get the advertising message only when the marketing director is sick of the campaign.

These wise words are the legacy outgoing United Tobacco managing director John Woodcock leaves to successor Stuart Sutherland after 27 years with the Utico group

Mr Woodcock joined United Tobacco from its Zimbabwean subsidiary in 1980 The group had been through lean years in which market share was relinquished to a rival group whose focus was on aggressive marketing.

The two men have worked closely for the last 10 years Mr Sutherland's arrival at Utico completed the trio including group managing director Bruce Edmonds They all joined within 18 months of one another

The Utico group had passed dividends for several years and the challenge was to pull it around

"Customers want consistency of quality," says Mr Woodcock A consistent advertising campaign promotes that message Commercial tunes for leading cigarette brands are instantly recognisable

"The advertising needs tweeking from time to time though The trick is to know to what degree."

Mr Woodcock is happy to pass on the reins to a younger man He could have stayed another three years before compulsory retirement, but a new home at Simonstown beckons too strongly

Both he and Mr Sutherland will take things a day at a time. Mr Sutherland knows the business of cigarettes is besieged from many quarters, the latest of which are the anti-smoking campaign launched on film and print in SA and the Johannesburg City Council's smoke-free restaurant regulations

In spite of being in charge of the production of millions of cigarettes a day, neither he nor Mr Woodcock smokes.

"There are plenty of analogies There's no reason why a smoker could do this job better," says Mr Sutherland

The Utico group's other business is snack foods, run by Mike Benn Vulnerable to fashions and whims, snack food could hardly be more removed from tobacco. Utico declines to give a breakdown of the relative importance of the two profit contributors

But in the past five years — after a drought-stricken potato patch hammered the crisps operations — the group has established an enviable track record.

Operating income grew from a shade under R10-million in 1985 to R45,7-million in the 1990 financial year In the same time the share price has climbed from 350c to an all-time high of R37,50 — 10 times the previous year's earnings

A turnaround in foods, steady and real growth in cigarettes and improved asset management are behind the recovery

Mr Sutherland's first prize at the helm is to be successful by getting on with the team of people at United Tobacco If that is not achieveable, success alone will do

"Everyone here knows my style," he says "I know where the group has come from and where I want it to go to It won't be necessary to make changes for the sake of it merely to show a new managing director has been appointed"

Mr Woodcock will not be lost to the group — he has been asked to stay on the board

The group has recovered to near-blue-chip status Mr Sutherland faces an equally hard task to maintain growth from an already acceptable profit base, especially in the troubled tobacco business

He will do his best for all stakeholders

● Utico's parent company is BAT Industries plc, with nearly 64% of the equity The British group is committed to its investments in SA, which include the major stake in SA Eagle Insurance Both SA companies are chaired by Fred Haslett.

Remgro's mining star is on the wane

BDay 6/5/91 198

BRENT VON MELVILLE

THE mining holdings of the Rembrandt Group (Remgro) once represented the brightest star in its galaxy of interests. That perception has changed

Market opinion is that Remgro's GFSA, Gencor Beherend and Trans Hex holdings no longer fit in with the conglomerate, which has traditionally derived most of its profits from its tobacco and liquor interests

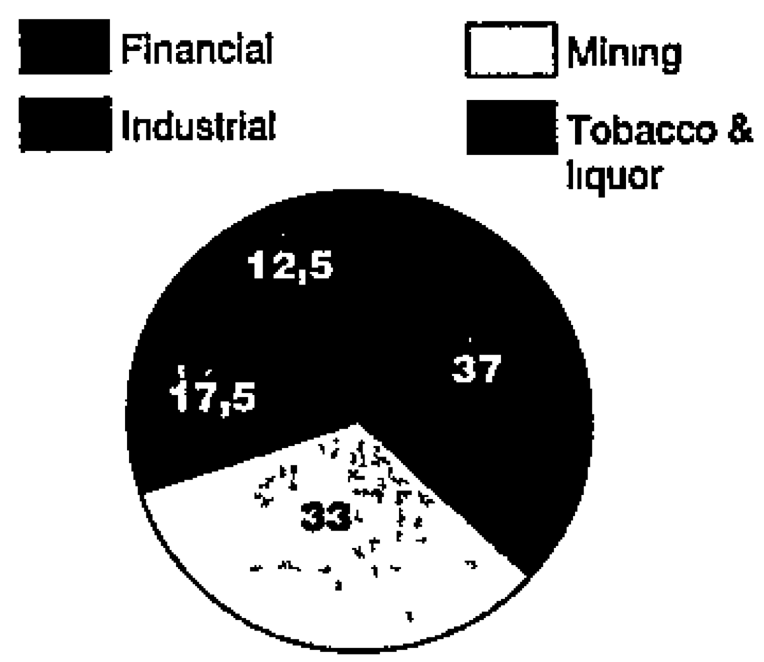
Remgro's mining stock exposes it to the rigours of the volatile and currently depressed gold market Its 18% holding in GFSA translates to a controlling holding through GFSA Holdings, held with Liblife and Asterix Its 28% holding in Gencor Beherend represents a 13,7% stake in Gencor

Last year Remgro's mining interests accounted for about 32% of attributable profits of R751,9m Most of it came from GFSA and Gencor, with diamond stock Trans Hex contributing a smaller, but significant amount

Analysts believe Remgro is slightly overrated in view of its relatively high exposure to the fortunes of the gold price Remgro's mining interests will undoubtedly cut into its margins, margins which have been kept aloft essentially by its core businesses

"GFSA, which Remgro bought heavily into in 1986 and then 1989, is one mining house with such a heavy dependence on gold that it cannot do much to buck the trend," says Simpson McKie's Neall Brown

Rembrandt Group
(contribution by sector)



Graphic: LEE EMERTON

Mathison & Hollidge's Barry Sergeant agrees that GFSA may be Remgro's weak link in the chain but points out that the mining house holds up well relative to other gold counters, propped by the strong performances of highly rated gold mines Driefontein and Kloof "However, despite the fact that Remgro's mining holdings are among the best, there is no question that gold earnings are shrinking relative to its other interests "

Sergeant forecasts static earnings growth this year for GFSA Earnings last year were 338c a share, and the dividend is likely to remain at 200c for a fourth straight year.

Conversely Gencor looks set for relatively strong earnings growth While Genmin's fortunes are still dependent on Gengold's performance, its other interests (coal, specialist metals, platinum) add diversity and act as a hedge against the labouring gold market Based on interim figures full year results are likely to exceed expectations

Analysts are looking to the mining division to lose ground to the financial services and corporate earnings sector (recently transformed into Absa) and industrial sector, led by its larger slice of chicken group Rainbow In the longer term Rainbow will prove to be Remgro's pot of gold, analysts believe

The market has apparently taken this into consideration and has rated Remgro accordingly The feeling is that relative to other blue chips, it has ended up with the right mix to ride out the recessed market conditions.

That perception saw the share price peak at R19,50 last month although it has since fallen slightly Late last week the counter came off 45c to R18,25 on relatively heavy trade against the background of a quiet market At its current price Remgro boasts a p e rating of 12,11 times and a dividend yield of only 1,62%

There is still difference of opinion on whether its rating is merited One analyst reasons that since putting its foreign interests into the separately listed Swiss-based Richemont, Remgro's earnings potential has been severely diluted "It no longer has its foreign cow to milk and has to rely solely on its indigenous assets "

For its part Richemont is still one of the highest rated stocks on the JSE The rand hedge continues to move to new plateaus, and gained 15c on Friday to R25,25. The current price pushes it onto a p e of 23,1 times and a dividend yield of below 1, at 0,8%

Said an analyst. "The fact is the majority of institutional investors are looking much further down the line for quality stock That is why blue chip industrials have been under such heavy trade The recovery potential is seen as much better than that of the mining board "

Remgro refuses any comment

Industry tight-lipped on anti-smoking plan

Bdoc 16/5/91 (198)

LESLEY LAMBERT

CAPE TOWN — The tobacco industry has responded with stony silence to a warning by National Health Minister Rina Venter that legislation aimed at discouraging smoking was in the pipeline

The industry, dominated by the Rembrandt Group, declined to comment yesterday on the draft legislation which recommends the banning of the sale of cigarettes to children and the strengthening of the existing code of advertising

A spokesman for the industry's representative body, the Tobacco Institute, said. "We have no response"

The draft legislation, which has been circulated in the industry and is due to be introduced in Parliament next year, stops short of banning tobacco advertisements

Instead, sources say, it recommends the strengthening of the advertising code, which dictates that tobacco advertising should be aimed at encouraging a change of brands, rather than at boosting sales

Anti-smoking bodies, such as the National Council Against Smoking, have been campaigning for an advertising ban

The council says SA's tobacco industry has an annual turnover of about R3bn Statistics on childrens' smoking habits indicate that sales to children account for a considerable proportion of this

Sapa reports from Pretoria that the Medical Association of SA (Masa) yesterday said it strongly supported government moves

"It is vital that attempts to dissuade teenagers from smoking should be formalised, as this is the group which is most susceptible to peer pressure and to tobacco advertisements," said Masa secretary-general Dr Hendrik Hanekom

Team effort to tackle smoking

Bday 29/5/91 TANIA LEVY (198)

THE National Cancer Association, the Heart Foundation and the Council Against Smoking announced yesterday they had formed the Tobacco Action Group (TAG) to wage a "war" against the tobacco industry.

Council Against Smoking executive director Yusuf Saloojee told the TAG launch in Johannesburg yesterday the battle for the hearts of South Africans had already been won.

Now TAG would fight "the battle for their hearts and lungs" Most smokers were prevented only by their addiction from being on the side of non-smokers.

The campaign would start with a picket outside the Johannesburg Civic Centre tomorrow to highlight the theme for World Health Organisation No-Tobacco Day "Public places and transport had better be smoke-free"

Marathon runners Bruce Fordyce and Mark Page will support No-Tobacco Day, which coincides with the Comrades Marathon on Friday.

TAG would also spearhead local support for an international campaign aimed at prohibiting smoking on international flights and securing an agreement by the Canada-based International Civil Aviation Organisation to set a standard for such smoke-free flights.

Anti-smoking crusaders face an uphill puff

4/6/91. B/Day (198)

TANIA LEVY

WAR has been declared against smoking in SA this year

But the SA anti-smoking lobby has a number of frontiers to cross before it can claim the kind of victories seen overseas in the fight against the world's most preventable cause of disease and death

The joining of forces by the Council Against Smoking, the National Cancer Association and the Heart Foundation, which last week formed the Tobacco Action Group (TAG), was the latest development in the fight to clear the air in SA

Johannesburg City Council landed the first blow against smokers this year by outlawing smoking at fast food outlets and compelling restaurateurs to set aside 60% of tables in non-smoking zones

This was followed by the screening of SA's first anti-smoking advertisement, and Health Minister Dr Rina Venter's warning of proposed anti-smoking legislation. The draft legislation bans the sale of cigarettes to minors and strengthens the advertising code for tobacco products

TAG welcomed Venter's announcement as an important sign of whose side she was on, said Council Against Smoking executive director Yussuf Saloojee "But we will push for even stronger legislation in line with that proposed by the World Health Organisation and already on the statute books of many other countries"

A total ban on cigarette advertising exists in more than 41 countries, including Australia, Mozambique, Canada, Finland, Portugal and Spain, and last month the EC proposed a blanket ban on advertising in the 12 EC countries from 1993 About 13 countries have strong partial bans on cigarette advertising and more moderate partial bans exist in more than 20 other countries worldwide, including the US and UK.

The Netherlands and the US state of Minnesota are among places which have banned smoking in all public buildings, including schools and hospitals. Singapore has gone a step further and fines anyone who smokes on a public street or pavement The Australian parliament went totally smoke-free this week

Saloojee says TAG would also like to see an additional levy charged on cigarettes He quotes the SA Medical Research Council's Derek Yach, who says "Effective legislation and education can achieve some reduction in smoking, but to achieve the goal of a non-smoking society the price of cigarettes must be raised substantially and repeatedly."

Studies have shown that a 10% cigarette price increase results in a 4% decrease in consumption. And price hikes are especially successful in deterring young people from smoking, with a 10% price rise resulting in a 12% drop among teenagers, says Saloojee

Charging an extra 10% on cigarettes would raise about R300m which could be spent on health education and on sponsoring sport and cultural events which currently depend on backing from the tobacco industry, he says.

A tax of 6c a pack would raise about R96m a year which could be spent on health education advertising The tobacco industry last year spent nearly R90m on direct advertising.

Saloojee takes pains to stress that the fight is not against smokers.

"We are anti-smoking, not anti-smoker We don't even want tobacco to be banned. Smokers have a right and need to smoke They are victims It is no use 'victim-blaming'," he says

For Saloojee the tobacco industry is clearly enemy number one "A director-general in the National Health Department has admitted to me that the tobacco industry is the most powerful lobby in Parliament.

"The tobacco industry buys silence from newspaper and magazine editors and even TV producers who are too aware of the revenue to be earned from cigarette advertising.

"These ads distort health messages, making the tobacco industry guilty of a deliberate campaign of disinformation. No reputable medical, scientific or health organisation in the world questions the link between smoking and disease and death," Saloojee says.

According to the National Cancer Association, one in three cancer deaths are caused by smoking and cancer is SA's second biggest killer

It is commonly accepted that smoking causes lung cancer and heart disease but fewer people realise that smoking has been shown to contribute to other cancers such as that of the gullet, uterus and bladder.

There is also growing evidence that passive smokers are at risk.

Since 1986 at least eight studies in different countries around the world have shown that non-smokers are more likely to get heart and lung diseases if they are continually exposed to other people's smoke

Saloojee says passive smoking is the third most preventable cause of disease in the world, after smoking and alcohol.

He says the SA anti-smoking lobby has to focus more on heightening the awareness of black and coloured communities, particularly the youth, who are increasingly being targeted by the tobacco industry.

This is similar to the strategy of the international tobacco industry which has taken to targeting its products at the Third World as it loses markets in the more developed countries

☐ VENTER

According to Yach, smoking has already cost SA too much "It would be a tragedy if the benefits of declining rates of infectious diseases and malnutrition were to be outweighed by increased death and disease due to smoking-related diseases"

SA has no alternative but to fight to the point where smoking in SA is a habit practised by the minority, Saloojee concludes

LETTERS

Roar gives way to grunt at Lion Match

Star 24/6/91

By Des Parker (198)

DURBAN — The roar from diversified industrial group Lion Match when it announced its 1990-91 financial results has been muted to a throaty grunt as the poor state of the economy has clawed into sales growth in the past three months

Ted Turner, MD of the SAB-controlled group, says while an export drive is beginning to reap good returns, it is unlikely to compensate fully for the reduced growth in business

Even match sales are dimmer than expected

Mr Turner admits the group will be hard-pressed to meet the modest improvement in earnings forecast with the release in May of one of the best sets of financial results from an industrial concern for some time

By bringing working capital levels under stringent control, gearing was reduced in the year to March from 58 percent of shareholders' funds to 51 percent

An 18 percent rise in turnover to R330,59 million (R279,98 million) produced a 17 percent increase in trading profit to R40,11 million (R34,36 million) and consolidated taxed profit jumped 20 percent from R12,8 million to 15,4 million

Earnings were up 10 percent at 33,9c (31c) a share and the total dividend for the year was up 1c at 14c

Mr Turner concedes that he cannot fully understand the sales resistance since the end of March

"There is cyclical destocking by traders in an effort to reduce holding costs and that is undoubtedly a factor, but I think there is also a new dose of thrift among consumers who have long been suffering under current monetary policy

"We are seeing a big increase in the number of aged appliances coming to our service departments for repairs

"In the past, people were more inclined to replace appliances when they developed faults; now they fix them"

Mr Turner is proud of the "unique" two-year guarantee on the products manufactured and marketed by the Lion Appliance division

He estimates the division — which, with a R2,7 million trading profit in 1990, is the smallest in the group — produces about half the locally made small domestic appliances sold in SA

But it has to compete with a plethora of locally made products and with the virtual dumping of goods from the Far East.

"The country is paying the price for opting to import through the back door during the sanctions years rather than developing its own production-based economy

"But I don't like tariffs If you can't compete in the conditions prevailing, you shouldn't be in the business"

Lion Match built its fortunes by becoming SA's only match manufacturer

Today, matches made in Durban and near Pretoria are the backbone of the Lights division

A big export drive in recent years has resulted in its famous matchboxes being seen more and more in a number of African countries

"We are the only local supplier, and we cannot rely on continued match volume growth in the domestic market any more

"So we have spent the past year working hard to secure export markets, and have been successful," he says

The division is looking at giving over as much as a quarter of its capacity to foreign sales by 1992-93 — although that will mean spending to expand capacity

Problems with defoliation have been overcome in poplar forests by planting disease-resistant clones, and the directors are confident the match business will continue to burn brightly

Even widespread electrification, with its implication of a lesser role for matches, does not trouble Mr Turner who sees it as only a mild threat that would be neutralised by increased sales of electrical appliances

Exports is a theme running right through Lion Match

Sales of shaving products have been cutting off slices of domestic market share since the group's major competitor stopped manufacturing in SA

With its share of the market growing at an estimated 0,5 percent a month and the aim of being able to satisfy local demand coming closer to reality, the group is preparing to export surplus capacity

"We are working one shift at present, but we will move up to two and even three if demand requires it"

An interesting diversification is the use of the Pietermaritzburg printing facility for printing books

Rembrandt does better than expected

198

By Ann Crotty Star 13/6/91.

Rembrandt Group's 15 percent increase in attributable income to R865,3 million (R751,9 million) for the year to end-March is ahead of market expectations. After an earnings advance of 13 percent at the half-way stage, analysts were looking to a full year increase of around 10 percent.

Earnings per share (from normal business operations) were up to 165,8c (144c).

A final dividend of 19,5c (16,25c) a share has been declared for a total of 30c (25c) a share.

The group's pre-tax income was up 25 percent to R960,3 million (R770,4 million). This includes dividend income before tax of R225,3 million (R182,9 million). Taxed income was up 26 percent to R615,6 million (R489 million).

The performance of associates held back the overall attributable performance with Remgro's share of net income retained by associate companies virtually unchanged at R322,3 million (R317,6 million)

Rembrandt Controlling Investments (Remb Beh) reported a 15 percent increase in attributable earnings to 122,8c (106,7c) a share. A final dividend of 14,4c (12,03c) a share has been declared for a total of 22,21c (18,51c) a share.

Technical Investment reported earnings of 107,73c (93,67c) a share and declared a final dividend of 12,67c (10,56c) a share for a total of 19,49c (16,24c).

LION MATCH FM 14/6/91

ROARING BACK (198)

164

The performance of Lion Match, the Durban-based SA Breweries subsidiary, flickered last year after decades of consistency

The Durban match plant went through a violent two-month strike, and with productivity down manufacturing and distribution costs rose But the company's three-month delay in raising match prices while it tried to catch up on back orders probably hit profits even more. Consequently, the group's trading profits were up by only 11% for the first half of the financial year, ending last September.

But Lion Match's prospects have brightened considerably this year, with performances at three of the four operating divisions — lights, packaging and Wilkinson shaving and home products — showing marked improvement Only the appliances division is lagging. Lion Match's year-end results, through March, show trading profits up by 17% to R40,1m on R330,6m in turnover. "What I find most heartening, though, is the fact that we've got our gearing ratio down from 58% to 51% of shareholders' funds," says group financial director Peter Mountford

FM 14/6/91 (198)

He cites Wilkinson as an especially improved performer. "While the razor blade market is dominated by Gillette (it holds 70% of the R80m-a-year market), Wilkinson has made up market share And it remains the only local manufacturer of blades and razors."

Packaging division Interpak, whose products range from books and labels to cartons and record sleeves, has benefited from a R13m modernisation programme in the last year, as well as the acquisition of the assets of The Good Hope Press Group in the Cape.

The rest of last year's R18,1m capital expenditure was spread between the lights and appliances divisions.

"Appliances has had a difficult year, a function of current economic conditions and the very competitive market it operates in," Mountford says. "Year-on-year, its trading profits have declined marginally"

The appliances division was formed in 1987 when Lion Match bought the Pineware plant at New Germany, Natal It recently added the Salton and Berda brands to its product range, and these are expected to improve the division's profits

"Appliances is still an exciting operation to be in," he says "Although it is fiercely competitive, with the prospect of a future black housing boom, increasing black buying power, and electrification coming to more areas, the market for appliances must grow."

This year the bulk of Lion's R13m capital budget is being spent on upgrading and expanding the two match operations, the landmark Durban plant and the Rosslyn, Pretoria, facility The plants have 13 match-producing lines, putting out 378m matches a day The total annual production of the two plants is 2,1bn boxes of matches.

Only 6% of production is exported, mainly to Southern African states and the Indian Ocean islands, but Mountford says increased exports are one of the main thrusts of the group's strategy. The group hopes to double its export earnings in the short term and plans ultimately to export nearly half of its production

At home, Lion Match is the only match producer, its competitors being a few specialised imports But Mountford believes it must have a competitively priced product, and has kept price increases to below the inflation rate for the past 15 years

"There are some big match producing operations worldwide, and there's nothing stopping them from coming into SA. At the same time, with more emphasis on exports, we have to be competitive anywhere else in the world So we have to be well priced, both locally and internationally," he says ■

Lion Match lifts sales in all its product divisions

B/Day 19/6/91 (198)

MARCIA KLEIN

EXPORTS, tightened cost controls and strict cash management are the major areas of focus for SA Breweries subsidiary Lion Match, chairman Laurie van der Watt says in the group's annual review

Durban-based Lion Match, whose operating companies include Lion Match, Interpak, Lion Appliance Enterprises and Wilkinson Lion Consumer Products, increased its earnings by 9,4% to 33,9c a share in the year to end-March on an 18,1% turnover growth to R330,6m.

Van der Watt said all divisions had shown successful sales performances, and export sales more than doubled in the period under review.

But trading profit in the appliances business declined due to harsh conditions and manufacturing inefficiencies, he said

Van der Watt said the absence of any contribution from equity accounted associate Chet Industries reduced the group's 20% improvement in profit after tax to a 10% rise at the attributable earnings level

Van der Watt said stringent control over working capital facilitated "a substantial 46% increase in cash flow from operations", enabling net borrowings to be reduced by R1,6m.

There was adequate capacity to fund Lion's continuing capital expenditure programme, which was about R13m in the new year following the programme of R63,1m invested over the last three years, he said

He said the lights division's slight increase in trading profit was achieved through increased match and lighter sales and a substantial growth in match exports, with Cricket disposable lighters being the main contributor to marketing gains

FM 21/6/91

REMBRANDT GROUP

RECORD UPHELD

Since 1988, when all Rembrandt's offshore interests were moved into Richemont, Rembrandt has continued to invest heavily in existing or new interests Cash reserves were drawn down when the group had become dependent on local businesses, including some low-yielding assets

Analysts were forecasting slower profit growth this year Some were targeting increases of around 15% for earnings, with a similar rate of advance in the dividend Investors were evidently taking a different view, given the razor-thin dividend yield on the share The market, and the group's long record, proved the more reliable guide

Though the income from associates slowed sharply in 1991, net income before tax was up by 24,6%

EPS excluding the share of net income retained by associates were up 24%, with the dividend raised by 20%, this compares with increases of 17,6% in 1989 and 25% in 1990 Nobody should have been disappointed with this performance

Andrew McNulty

Venter aims to ban smoking in certain public places, regulate cigarette advertising and make sales to minors an offence

Can Venter succeed? The tobacco industry pays R988-million in taxes, employs 60 000 people and has strong allies in power

Rina Venter kicks the butts

The health minister tackles the tobacco industry. But can she win?

Wkly mail 21/6-27/6/91.

(198)

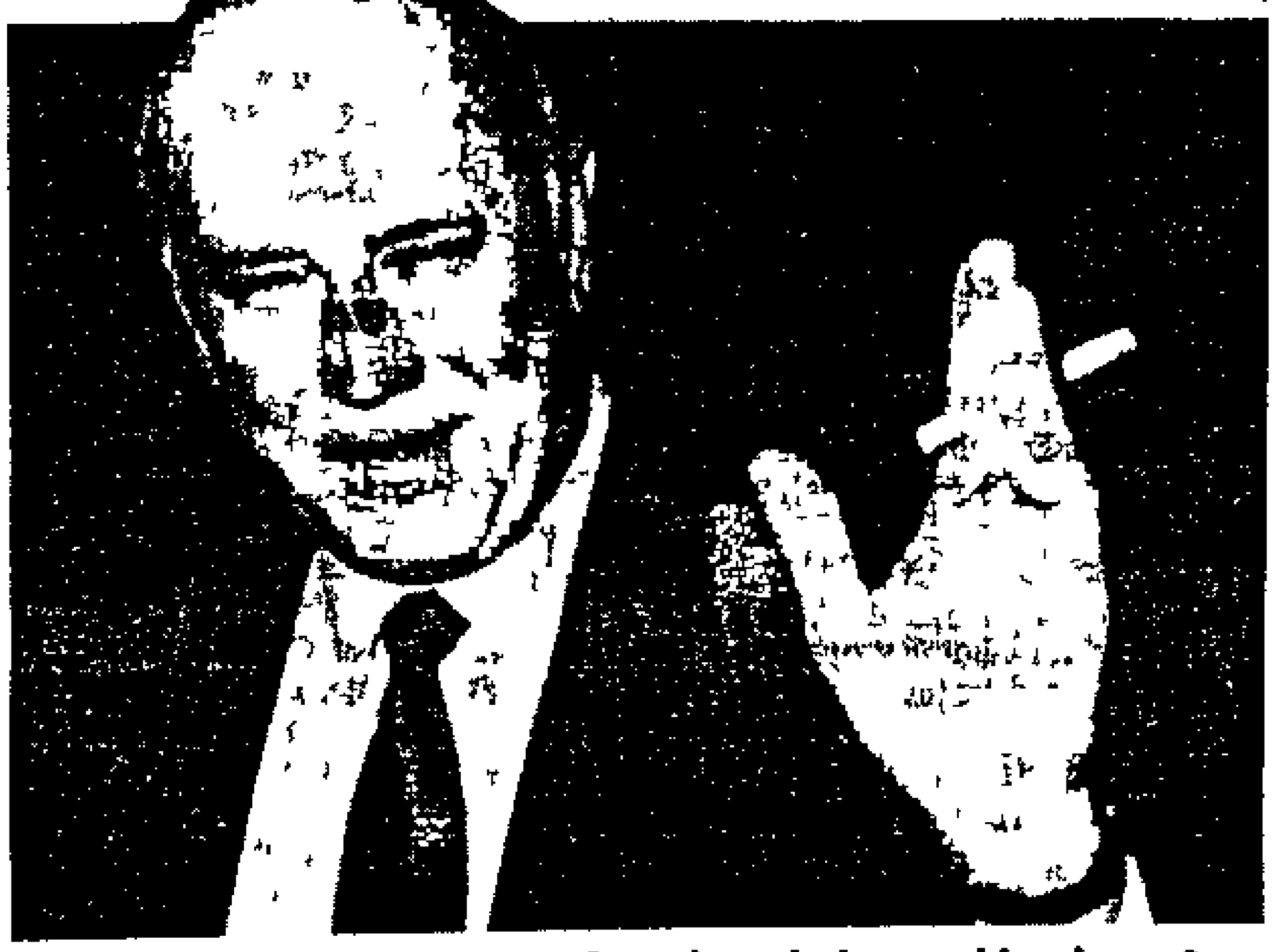
By JOHN PERLMAN

HEALTH Minister Dr Rina Venter has declared war on one of the country's most powerful industries This week she plans her first major step against tobacco — and indications are that this is just the start of her campaign

Draft legislation, to be gazetted on June 28, will tighten controls on tobacco advertising, curb the sale of cigarettes to minors and enable her to regulate smoking in public places It will go before the cabinet in September; Venter hopes to present a Bill to parliament in the first session of next year

The draft legislation gives the minister powers to bar or limit smoking in certain public places "We will probably start with buses and hospitals," says Susan van Niekerk of the department's Primary Health Care Division It will also make the sale of cigarettes to anyone under 16 an offence. "We realise that this will be difficult to control, but worldwide this is seen as a means of reinforcing the anti-smoking message among minors," she says

But the real sting in Venter's proposals is contained in the changes she wants made to the advertising code for tobacco products Visual advertisements will be required to carry a health warning — "it should be a rotating health warning, otherwise you stop reading it," says Van Niekerk — and spoken ads will have to include the words "smoking is a health risk" in a "similar voice to the main presenter of the advertisement"



Will Rina Venter get support from her chain-smoking boss?

Photo: Courtesy DIE BURGER

Advertisements may not depict any woman of "child-bearing age" as being associated with smoking They should also not associate smoking with "challenging or exciting sporting activities or imply that smoking is associated with success in sport" This includes a bar on depicting sport with spectators smoking Finally, advertisements should not imply "that to use tobacco products is a sign or proof of manliness, courage or daring or enhances feminine charm"

That calls just about every cigarette advert in South Africa into question

But so too do the guidelines which already exist The present advertising code says ads should not imply that smoking is a "prerequisite to the attainment of social or business success or of a glamorous lifestyle", must not convey "exaggerated satisfaction from the act of smoking", and should not be aimed at "increasing the number of smokers" but directed at "existing smokers" Says Van Niekerk "We have complained about certain ads to the Advertising Standards Authority without anything happening " The real issue at stake, then, is whether Venter can get her proposals to stick

The indications are that she and Director-General of Health Dr Coen Slabber do have the political will And that means a battle looms — and not just between Venter and the tobacco industry

On an individual level, it will surely encourage non-smokers to assert their rights to breathe tobacco-free air And those who depend in some way on the tobacco industry — sports bodies through sponsorship, newspapers and radio through advertising — will also be drawn in.

Most important, it will put the government to the test, and not just because the state president happens to be a chain smoker (FW de Klerk was last year asked to observe World No-Tobacco

● To PAGE 2

Others who might oppose Venter: Hotels, restaurants and sports bodies PAGE 2

Wmail 21/6- 27/6/91

●From PAGE 1

Day by not smoking His office replied that his schedule that day was too stressful for him to go it alone Still, PW Botha's antipathy to smoking — he banned it in cabinet meetings — was never expressed in anti-tobacco measures)

The tobacco industry is a major source of taxation, export revenue and jobs Just how the government balances up the claims of wealth against those of health will be watched closely by others asking similar questions of the state, like environmentalists — even if animal conservation concerns are being taken up in ads for some cigarettes

Venter has taken on a formidable opponent in the tobacco industry Its biggest player, Rembrandt, has well-oiled links with government and a long record of backing the National Party Together with the United Tobacco Company, the industry last year generated R988-million in taxes, employed over 60 000 people and spent nearly R90-million on advertising To that can be added sponsorship of major sports events like Benson & Hedges cricket and the Rothmans Durban July, and of cultural events like the Triennial, the country's premier fine art competition, sponsored by Rembrandt.

Rembrandt also has substantial stakes in other areas of business — large stakes in the liquor industry, in banking and life assurance, in mining, timber and most recently in Nasionale Pers It also has a 50 percent stake in a major chain of clinics

Both Rembrandt and UTC prefer to let these statistics speak for them in public and save their words for the corridors of influence and power A leaflet called *Common sense in smoking — Personal choice and moderation the key* is available, put out by the "Tobacco Industry", which argues that "allegations against smoking are often based on emotional reactions rather than factual foundations Scientists are not unanimous about smoking's possible effects on people " It goes on: "The industry does not react to points of view which are made merely for the sake of generating publicity, but prefers to put its own point of view to those people who are mindful of their health and the convenience of others and who are prepared to make allowances for other forms of enjoyment "

‘Others will come out on tobacco's behalf, such as hotels, restaurants, and sports bodies’

198

Kicks Butts

Anton Rupert's Rembrandt group won't comment on the draft legislation

Quite whom this "point of view" is being put to is unclear. Neither UTC nor Rembrandt is prepared publicly to debate the issue of smoking and health, which they say is emotional and founded on "controversial evidence" Both UTC and Rembrandt declined to be interviewed

In a private conversation with a senior tobacco company executive, however, arguments criss-crossed similar ground The medical evidence against cigarette smoking was controversial, except in the case of "passive smoking" — the involuntary inhalation of smoke by non-smokers That was simply "nonsense" The word "emotional" came up regularly Smoking has been shown to help some people by relieving tension, he said, and thereby helps to prevent ulcers. Moderation, as in everything else, was important, and so was consideration So too was freedom of choice

Advertising was aimed at existing smokers and not recruiting new ones, he said, and Rembrandt was particularly scrupulous about keeping its distance from the youth, so much so that it had now stopped making donations to schools for libraries and other facilities

The tobacco industry would not use its large contribution to advertising revenue to influence the public debate on the issue, he said, although it would be "reasonable" to expect that stories on the hazards of smoking would not be placed "too near" adverts for cigarettes Rembrandt chairman Anton Rupert had "mentioned" his sponsorship of the Cape Town Symphony Orchestra in his attack on that city council's intention to regulate smoking in restaurants, he said, but it was not a threat

The minister of health was clearly perceived as issuing a serious challenge. The overall impression was that before Venter got going the industry had been prepared to roll with the occasional punch that came its way

For a start there have been a number of "gentlemen's agreements" at work which have effectively cushioned the tobacco industry One of these is with the SABC The cigarette companies voluntarily agreed to forego direct advertising (which they presumably believed would be an early target of anti-smoking legislation) and relied instead on sponsorship of sports events and so on The SABC, in turn, has trod lightly round the issue, in one instance declining to place an anti-smoking advert submitted by a medical foundation

Rembrandt and UTC also know that others will come out smoking on their behalf Among the strongest critics of controls on smoking in restaurants is the hotel industry Sports bodies are likely to weigh in against measures that might cut into sponsorship And when an anti-tobacco commercial was flighted in cinemas this year, Cinemark waived its usual policy of giving free play to public service messages and charged — not surprising, perhaps, since some 28 percent of all moviehouse ads are for tobacco products

The current balance is going to be shaken around The Department of Health is working from the standpoint that smoking is a major cause of heart disease and lung cancer and can contribute significantly to other illnesses such as ulcers It has no reservations about the evidence on passive smoking — it finds passive smoking dangerous

That view is to be put across strongly on television later this year in the department's regular programme on TV2/3, *The Road to Health* "We will have three programmes on smoking," says Van Niekerk "The first will help people to stop smoking, the second will be aimed at encouraging youth not to start, and the third will tell passive smokers what their rights are "

More of that will put Auckland Park's existing gentlemen's agreement under strain But then that is just one of the relationships the looming tobacco battle will call into question What emerges from that process will depend crucially on how much support the Department of National Health gets from the rest of the government. One minister, however determined, is not going to disperse the smoke ring alone

The smoking advert with a sting in the tail

WMail 21/6 - 27/6/91.

198

By JOHN PERLMAN

IT starts off looking like any advert might .. well, like any cigarette advert, actually. Stylish young things, cycling off into the country, lounging in the grass, puffing away.

And then they start waxing lyrical about the pleasures of smoking — bad breath, blocked arteries and heart disease, so much to look forward to. "Call me old fashioned," goes the punchline, "but I'll settle for lung cancer."

That commercial was made for free by a leading ad agency, D'Arcy Massius Benton & Bowles, on behalf of the Council Against Smoking, a non-governmental body which has been in existence since 1976.

It certainly has some bite. But the Council's director, Dr Yusuf Saloojee, believes the ad, shown for just a week in cinemas, was no more than a puff compared with the efforts of the tobacco companies.

"They spend millions on adverts, all of which associate smoking with healthy lifestyles, glamour and sophistication," he says. "They spend more in an hour than we spend in a year. My total budget is less than R200 000 a year."

Willie Sonnenberg, creative director at DMB&B, acknowledges as much. "The fact is cigarette adverts are incredibly powerful. They are selling images and they are past masters at that. The objective of our commercial was not to convert smokers but to get people talking about the whole anti-smoking campaign, which it did," he says

The council, together with the Heart Foundation, the National Cancer Association and the Department of National Health, has now formed a Tobacco Action Group. That will give the anti-smoking lobby more muscle, as will new measures being proposed by Health Minister Dr Rina Venter, if they become law But Saloojee believes there is still a long way to go.

"By the year 2000, the World Health Organisation estimates that smoking will be the world's number one cause of death. These are not just statistics — they represent people dying out there. What are we doing to protect them? The answer does not lie with doctors but with politicians."

Saloojee believes there are a number of steps that can be taken. He supports the idea of rotating health warnings, provided they are strong. "They should say things like 'smoking causes lung cancer', 'smoking can harm unborn babies', 'smoking is a major cause of heart disease'," he says

Saloojee says the council would like to see mandatory health education on smoking in schools and a complete ban on tobacco advertising.

"The purpose of advertising is to recruit new smokers, despite the advertising code of practice forbidding it. The tobacco industry has to do this — they have to replace the 1 000 people who die prematurely each month because of smoking.

"Most new smokers are young people. They need to be protected against this advertising."

Saloojee believes there should also be protection for non-smokers. "The WHO's position is that all public places should be tobacco free. We now know that smoking is a cause of lung cancer and heart disease in non-smokers."

Tobacco is not taxed enough, Saloojee says. "When the price increases, consumption goes down Worldwide it has been shown that a 10 percent increase in price leads to a 4,7 percent decrease in smoking among adults, but most significantly, a 12 percent drop among youth.

"Our taxes are low. In most European countries, around 70 percent of the price of cigarettes is taxation That is what we should be aiming at. That revenue can then be used for health projects and to fund the sports that may have lost out from curbs on tobacco company sponsorships."

Saloojee insists that the medical evidence against smoking is incontrovertible. "For 30 years the tobacco industry has hidden behind its claims that the evidence is controversial. They do not have the backing of a single medical association in the world, yet in South Africa we are still battling to prove it's a health risk.

"The single most preventable cause of death and disease in the United States is active smoking. The next is alcohol, followed by passive smoking. In South Africa tobacco kills an estimated 12 000 people a year."

Saloojee is not persuaded that a decline in smoking will be economically ruinous. "Money that goes out of the tobacco industry will not go out of the economy. And think of what the country will save in the costs of treating smoking-related illness, in work days lost by productive members of the society.

"This country has long accepted that preventing diseases is much cheaper than trying to cure them in expensive hospitals All this costs the state far more than the revenue it gets."

Saloojee says the council's work is aimed at the tobacco industry and not at smokers. "Smokers have my sympathy," he says. "They are addicted."

Government move against smoking: Tobacco industry wants more talks

Argus 1.7.91.

By VUYO BAVUMA, Staff Reporter

THE tobacco industry hopes to have more meetings with the Minister of National Health and Population Development, Dr Rina Venter, to discuss the government's anti-smoking campaign.

Dr Venter has briefed representatives of the industry about the campaign.

The government wants legislation to force all tobacco advertisements to carry a health warning, to curb cinema advertising that romanticises smoking and to prohibit sales of cigarettes to anyone under 16.

The use of television to warn the public, especially young people, against the dangers of smoking has also been considered.

The government believes advertisements should not be allowed to depict women of child-bearing age smoking and should not associate the habit with any sports activities.

Mrs Susan van Niekerk of the Health Department's primary health care division said a technical hitch had delayed the release of draft anti-smoking legislation.

A spokesman for the Tobacco Institute, Mr J Groenewald, said the industry hoped to hold further talks with Dr Venter.

Meanwhile, Mrs Rika de Ruiter, director of the National Heart Foundation, said it was "very pleasing" that steps were to be taken to force the tobacco industry to warn people about the dangers of smoking.

The foundation was quite happy with the proposed legislation to prohibit minors from buying cigarettes, but felt the authorities still were doing too little.

"We are worried about how the authorities are going to see the proposed law is not broken. We also are concerned about the amount of tobacco advertising surrounding sports events.

"We think this should be limited as the advertisements are reaching the youth, not the sportsmen. No real sportsman would endanger his career by smoking."

The foundation's efforts were aimed mainly at young people as it was difficult for the older people to change their lifestyles.

FM 5/7/91 (198)

RICHEMONT FM 5/7/91

STILL ALIGHT (198)

Tobacco interests and premium luxury products again proved to be a good defensive combination for Richemont, though its trading performance apparently weakened as the 1991 financial year progressed.

Net sales revenue and operating profit for the year were up by just less than 5%; at the interim stage these figures were up by 11% and 8% respectively However, the full year's earnings and dividends continued to grow well, partly thanks to the group's liquid balance sheet.

The pace of profit growth achieved was markedly slower than in the previous two years but still well ahead of most large groups directly exposed to the international economy. In 1990, pre-tax profit rose by 24%, this time there was only a marginal increase of 2,7%, or £15,7m. Earnings per unit were still up by 21,2%, largely because the deduction for minorities was £28,9m lower, at £195,9m

As at March 31 the balance sheet was still showing net current assets of £1,9bn, including marketable securities of £597,8m and cash of £861,7m. Net interest income and similar items during last year totalled £39,7m, compared with £49,9m in the previous year. Since the year-end, however, the Liberty group through FIT has acquired Richemont's 43m shares in TransAtlantic for £150,6m Interest income on the cash should provide a higher yield than was available on the TransAtlantic investment

Acquisition of a controlling interest in Rothmans International in late 1989 has so far been favourable for Richemont. In the year to end-March Rothmans lifted its pre-tax profit by 12% and its attributable profit by 23%. Divisional breakdown shows that operating profit from tobacco rose by 8% to £351,5m; luxury products — mainly the controlling interest in Dunhill Holdings Plc — again produced the higher growth rate, with operating profit rising by 11,5%, to £55,1m, despite an 8% decline in sales.

Rothmans' directors note that the improved tobacco results reflect favourable selling price effects in most of the group's major markets. Rationalisation costs of some £9m were charged against profit for the year. In the luxury goods sector the profit increase arose largely from a combination of efficiency and productivity gains, with the market dampened by economic conditions, weaker export currencies and the Gulf War.

Richemont's other main interest in luxury goods, the Swiss-based Cartier Monde, maintained a solid trading result, with operating profit rising by 17% in terms of its own reporting currency However, adverse exchange movements on translation restricted the advance to only 3%.

A firming financial rand helped to push Richmont's JSE price down to a 12-month low of 1 850c in early February, after the share had peaked last year at above R28 This week the price was again at a high of 2 875c. Continued strong growth in earnings and dividend in sterling terms will ensure the share remains a highly rated counter

Andrew McNulty

Ad ban 'won't kill smoking'

Star 6/7/91. (198)

EVEN if advertising of tobacco is banned completely in South Africa and manufacturers are forbidden to use retail outlets or vending machines, the tobacco industry could probably live on direct marketing alone.

That's the opinion of James Rosenfield, a US direct-marketing expert who spoke at the South African Direct Marketing Association's 1991 symposium

In the US, he said, the tobacco giants had turned to direct marketing, mainly database marketing, to overcome advertising restrictions and prepare themselves for harsher legislation in future

"The airwaves have been closed to them for years and it's not unlikely that other media at some point will also be off limits," said Mr Rosenfield.

'Creating a private medium via a database of smokers has been the obvious — and probably the only — solution"

Slick editorial

Mr Rosenfield said the R J Reynolds Tobacco Co had a database of more than 25 million smokers and by building its lists through contests, giveaways and mail-order catalogues had achieved "outstanding" response rates

Another tobacco giant, Philip Morris, published a smokers' magazine, called PM, which had one of the largest circulations in the US "and does an excellent job of melding slick editorial with a soft-sell of smokers' rights and, by implication, smoking."

Mr Rosenfield said that as high-margin products, cigarettes could be delivered by mail if retail distribution was limited.

"Even with a complete ad ban and retail distribution and vending machines closed to it, I believe the tobacco industry can live on direct marketing alone."

Star 8/7/91

SA joins top tobacco body

(198)

By George Nicholas
Agricultural Correspondent

South Africa has made a breakthrough in the field of world agriculture with its acceptance by the International Tobacco Growers Association as its tenth member country

South African Tobacco Board chairman Niel de Villiers first made contact with the US tobacco industry two years ago, and it was at the invitation of that country that he formally applied for South Africa's membership of the international organisation

The other nine members of the organisation are the US, Canada, Argentina, Brazil, Italy, the Philippines, Malawi, Zimbabwe and Zambia

The main objective of the body, which has its headquarters in London, is to promote communication channels and co-operation between tobacco importing and exporting countries, and to disseminate information on international demand and supply of tobacco

The annual congress of the association will be held in Canada in October and it is quite possible that a South African tobacco delegation will attend for the first time.

A final decision will be taken at the Tobacco Board's meeting in September

Remgro 'uneasy' over mining

BDay 11/7/91 (198)

BRENT VON MELVILLE

A BREAKDOWN of the divisional performances within the Rembrandt Group (Remgro) should serve to strengthen a growing suspicion on the market that some of its interests do not sit well with the Stellenbosch-based conglomerate

Market perception is that Remgro is still largely reliant on its traditional core businesses, and that its mining interests no longer fit in with the group.

This year's annual report discloses that the trademark group, consisting largely of its tobacco and liquor interests, increased its contribution to R345m, or 40% of total net income of R865m, compared with 37% the previous year.

Conversely the contribution to net income from its mining interests fell from 33% to 29%, remaining virtually unchanged at R254m

Picking up the slack was the financial services sector, bannered by recently formed Amalgamated Banks of SA (Absa), which upped its contribution to R73,7m, or 17,7%, from 12,5%.

Chairman J A "Koos" Rupert said in his annual review that the formation of the Absa group had favourably influenced financial services, resulting in certain interests not previously accounted for being equity accounted into results

Rupert said the group's mining interests had been adversely affected by lower international commodity prices and local cost pressures.

The group's industrial interests, led by its holding in Huntcor, kicked in R153,2m, or 17,7% (17,5%) of total net income of R865,3m

During the year Remgro acquired a 28,4% stake in publishing group Perskor Beleggings

The annual report also disclosed the purchase of R35,9m worth of Standard Bank Investment Corporation (Stanbic) shares during the year, bringing the total interest to 11,3%

This was before the sale of 4,5-million shares in Stanbic to Liberty Life and the placing of a further 1,8-million Stanbic shares with third parties

Also subsequent to the year-end, Remgro followed its rights in the Huntcor rights issue, which arose from the rights issue of Rainbow Chicken, at a cost of R106,5m.

While some market observers feel the deal may have been a little on the expensive side, others reckon the larger slice of Rainbow will prove to be the real pot of gold in the long term

LION MATCH FM 12/7/91

STEADY GLOW (198)

Activities: *Manufactures and distributes matches, packaging materials, small electrical appliances and shaving products*
Control: *SA Breweries 70,6%*
Chairman: *L van der Watt, MD E M Turner*
Capital structure: *45,5m ords Market capitalisation R163m*
Share market: *Price 360c Yields 3,9% on dividend, 9,4% on earnings, p e ratio, 10,6, cover, 2,6 12-month high, 360c, low, 230c Trading volume last quarter, 53 000 shares*

Year to Mar	*'88	'89	'90	'91
ST debt (Rm)	2,7	—	0,3	6,8
LT debt (Rm)	25,1	42,8	57,6	48,9
Debt equity ratio	0,40	0,54	0,58	0,51
Shareholders interest	0,53	0,44	0,43	0,44
Int & leasing cover	7,0	5,0	3,4	3,3
Return on cap (%)	13,4	14,5	14,6	16,1
Turnover (Rm)	147	223	280	331
Pre-int profit (Rm)	20,3	25,6	34,3	40,0
Pre-int margin (%)	9,4	11,1	12,2	12,1
Earnings (c)	25,4	27,0	30,9	33,9
Dividends (c)	35,0	11,0	13,0	14,0
Net worth (c)	159	175	222	242

* 15 months to March 31

Consistent, if modest, growth in earnings has become the trademark of Lion Match in recent years This pattern is expected to

remain intact in financial 1992

Group turnover rose 18,1% and trading profits by 16,8% in the year to March But these figures disguise the varied performance of the group's four divisions

In the lights division (matches and lighters) sales rose by 17% but a strike early in the year squeezed operating margins and prevented profit from increasing to the same extent Administration director Andrew Tonkinson says the local match market grows at about 1,5% a year in volume and growth in the export market is boosting the division's sales

Exports contributed about R5m to divisional sales of R97,2m in financial 1991, this year they could double More than half of the R13m capex planned for the next 12 months will be devoted to upgrading this division's equipment

Interpak, the packaging arm, acquired The Good Hope Press in October, expanding its presence in the folding carton market in the western Cape This division — the largest in turnover and net assets — had strong growth despite stiff competition

Investment in upgrading equipment and expanding plant paid off and trading profit rose by 26% The market, particularly for folding carton, remains very competitive but Tonkinson reckons sales are "well ahead of last year"

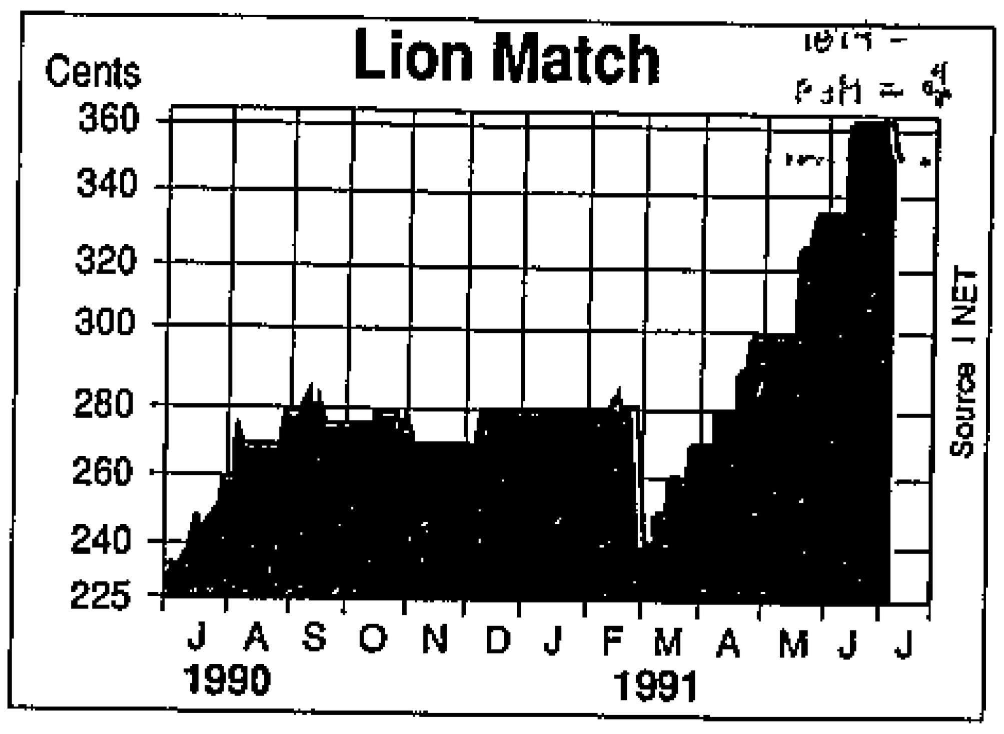
Export sales of small electrical domestic appliances (Pineware, Salton, Rowenta, Berda) cushioned the blow dealt to this division by "extremely difficult trading conditions," as well as the costs of upgrading quality and improving after-sales service

The operating margin slipped to 3,3% (4,4%), causing trading profit to fall to R2,7m (R3,3m) Tonkinson says domestic market conditions remain difficult but export sales are encouraging and margins are improving

The small Wilkinson consumer products division (razors, blades, scissors) was the star performer despite operating in a shrinking market A greater share of the wet shaving market, together with a jump in the operating margin to 19,3% (16,7%) saw divisional profit 66% up on financial 1990

A feature of the performance last year was the extent to which working capital was controlled and cash flow from operations improved Total interest-bearing debt was lower at year-end and the debt equity ratio moved closer to the goal of 0,50

This year, Tonkinson expects borrowings to fall further, the interest bill — which has



Lion Match's Van der Watt *aiming for modest growth*

remained stubbornly high — to decline slightly and further benefits from working capital control

Chairman Laurie van der Watt says the focus will be on exports, tightened cost controls and strict cash management But with private consumption expenditure expected to remain depressed, a target of modest earnings growth has been set

Despite the relatively unexciting prospects, Lion's share price is at a 12-month high and at a 49% premium to NAV

Pam Baskind

A trifle dry at Rembrandt

S/Times 14/7/91. (Bus Times) 198

By JULIE WALKER

REMBRANDT's trademark group contributed 40% to net income, 29% came from mining interests and 18% from industrial in the year to March 1991.

The annual report says satisfactory growth was achieved in every division except mining, which was up by 3,3% on the 1990 performance at R253-million out of the R865-million total

Rembrandt Group chairman Koos Rupert's report takes up 33 typed lines It refers to the formation of Absa, which resulted in certain interests now being equity accounted from October 1, 1990

Noble

Financial services contributed 8,5% of the total, a quarter more than last year

It records that Standard Bank Investment Corporation shares were sold at R45 apiece

A general review by Anton Rupert, chairman of Rembrandt Controlling Investments, is full of noble words, with sub-headings such as Hope, Coexistence, Delusion of Greatness, Historical Homes of SA, SA Nature Foundation, Rembrandt van Rijn Art Foundation, Medical Shuttle Service, the SBDC and the Urban Foundation

The directors outline the nature of activities, new investments and provide a financial report The performance is flawless, but its presentation to shareholders dry

Huntcor and HL&H's joint annual report was much more informative Product lines as well as portraits of management grace the pages

Chairman Louis Rive does not expect earnings to grow at the same pace as they did in the year to March 1991 because of a poor economic outlook and unemployment leading to reduced consumer spending

Bonny Bird farms, acquired by HL&H chicken group Rainbow, will require at least a year to be brought to high standards of productivity

Construction group LTA has returned to glory Its 1991 report contains a readable chairman's statement from Hilton Davies, details of the management structure, reviews and levels of activity and a few pictures of the end products

In 1987 LTA earned 17c a share, rising to 19c, 28c, 53c and then 88c in the year to March 1991 on only an 80% climb in turnover

LTA shares are now at 400c, close to the net asset value of 412c at March 31, 1991

SPL went big on computer graphics in its 1991 report, even down to a pie chart showing the years of experience of staff members in percentage terms

It carries two pictures of managing director Lewis Folb and one of the rest of the board

Controls

Shareholders should be in no doubt about the SPL's policies and thinking Only the financial performance let them down — in the year to February 1991 earnings fell from R4,7-million to R3,4-million and the dividend from 13,5c to 11c

Morkels shareholders must assume that the group's coporate (sic) mission on page 1 is like others' corporate missions

Lots of black and white pictures appear between paragraphs separated by AND and BUT and ON THE OTHER HAND

Morkels' earnings grew well to 23,7c a share in the year to March 1991 and management's objective is to achieve 25c in what promises to be a tough 12 months

Morkels foresees no more than a marginal decrease in interest rates and inflation, but does not expect Vat to affect consumer demand Morkels will focus on improved internal controls

Times Media's 1991 report says the group has grown from newspaper publisher to diversified information vendor

It aims to provide top-quality information, relevant news and advertising opportunities

Chairman Pat Retief says the political and economic climate makes forecasting more difficult than usual He expects the group to grow, but possibly not at the same rate as inflation

Unsigned

Times Media's operating profit has trebled since the year to March 1987, but taxed earnings a share peaked in 1988 at 134c Dividends have grown sixfold to 60c a share since 1988

Sage Holdings gives an impersonal, unsigned report by the chairman and the board of directors, using "we" throughout

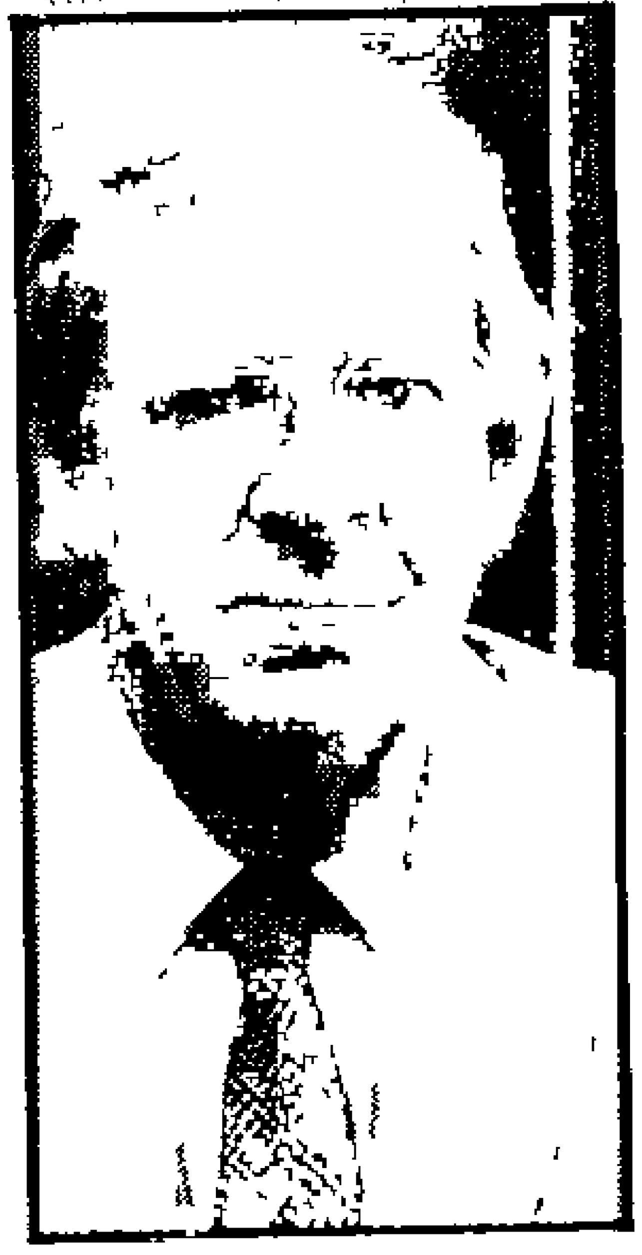
In the previous annual report "we" said the group was capable of making satisfactory progress in the year ahead, subject only to the caveat of unexpectedly prolonged high interest rates

"We" now pat themselves on the back for having sounded this note of caution "because interest rates remained at punitive levels, prolonging the funding burden on the group"

Sage changed its yearend to March and the annual report covers 15 months

On an annualised base, Sage's earnings slipped 11,6% to 127c The report says that having two calendar first quarters gives rise to a negative distortion because of the homebuilding pattern and that the earnings a share figure is not a true reflection of the financial performance

Sage says the formation of Absa gives rise to reciprocal expansion opportunities for all the parties and for rationalisation of common interests



KOOS RUPERT Short and sweet

Sage says Absa's major shareholders intend to list their combined interests in Absa This stage in the greater plan is the subject of study and discussion between Sage and its fellow shareholders

"The objective would be to rationalise the interests of common shareholders in both the Sage and Absa groups and achieve an ultimate structure consistent with JSE requirements"

Sage does not expect much economic growth or interest-rate decline, but says the group can look to satisfactory profit growth this year

Richemont denies it is eyeing Rothmans

(198)

BRENT VON MELVILLE

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. Bday 23/7/91

Davis, Borkum, Hare's Manny Pohl and Richemont spokesman Dillie Malherbe 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.

Richemont denies market rumour

By Neil Behrmann

Star, 23/7/91

(198)

LONDON — Richemont denies it is increasing its stake in Rothmans International from its present holding of 62,8 percent.

"We have not been buying more Rothmans shares," Dillie Malherbe, a senior executive of the company who assists Johann Rupert, said yesterday

Mr Malherbe was surprised about the speculation

It had arisen, he said, because Richemont was holding its annual meeting in Switzerland tomorrow and Davis Borkum Hare, a Richemont broker, had asked whether there could also be a meeting in Johannesburg for leading institutions and shareholders

Richemont believes it is fair to hold a meeting in Johannesburg because large local shareholders will not be able to attend the annual gathering abroad

Speculation about further stake-building drove Rothmans' share price up by 24p to a 1991 peak of 1 054p

Rothmans, however, refused to comment on the speculation, but said the rumours were false

The latest annual report shows that pre-tax profits rose 12 percent to £543 million in the year to March 1991

As a result of lower tax, earnings surged 22 percent to 78,5p a share, while dividends jumped 20 percent to 18,5p a share

Total net sales were up 3,3 percent to £2,3 billion.

Rothmans' shares have risen by more than 50 percent this year and are twenty times the levels of a decade ago

"Rothmans is well placed to surmount the present somewhat difficult economic conditions," executive chairman Lord Swaythling said.

"Our tobacco business is fundamentally resilient and has many opportunities for further expansion

Even though growth in the luxury businesses Dunhill and Cartier has been dampened by recession, the operations had top rate trademarks, he said

"Our group has ample financial resources for developing existing operations and for acquisitions," he said

COMPANIES

Richemont 'could pick up more big brands'

B/Day 30/7/91 (198)

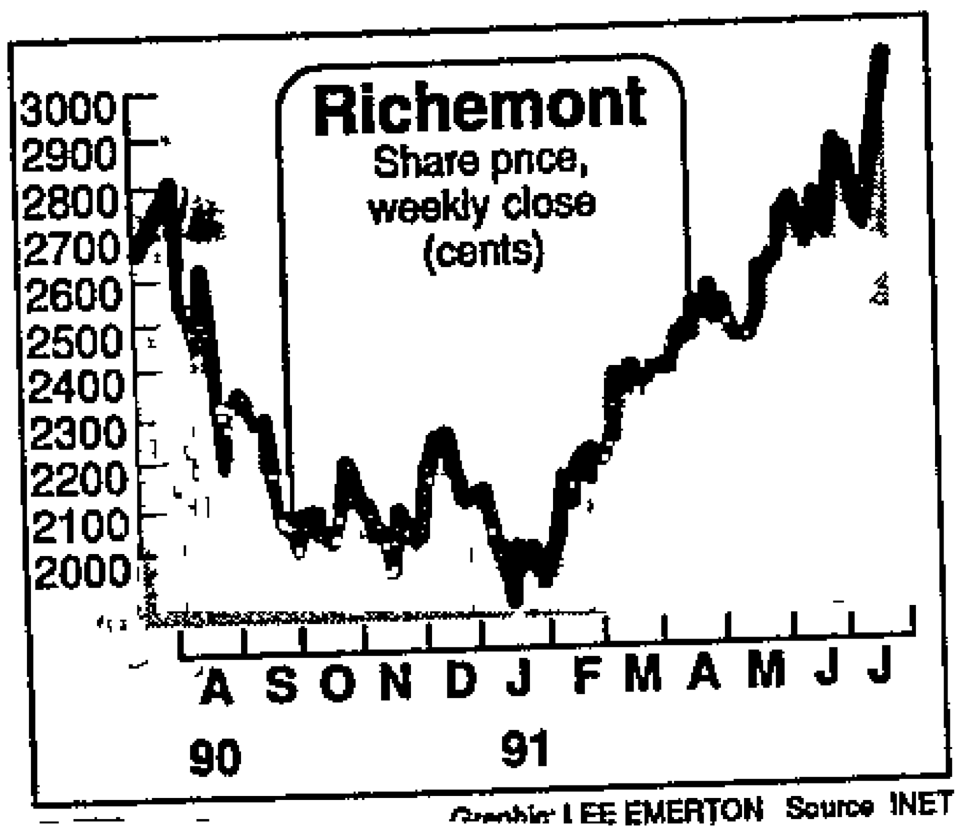
BRENT VON MELVILLE

A SHAKE-OUT in the international luxury goods industry could see a strong re-emergence of big players in the sector, says Richemont MD Johann Rupert.

At a presentation in Johannesburg last week, Rupert told investors in the Europe-based luxury and tobacco conglomerate that because the international luxury goods market was losing its resilience to market forces, it would not be surprising to see Richemont pick up a few more big brands in the short to medium term

Analysts at the meeting said Rupert did not elaborate on what brands could be in the spotlight, but Richemont already exercises operational control over subsidiaries in the fields of tobacco products and luxury goods with an annual turnover of £6,5bn

Its interests in luxury products are held through Luxco SA and Rothmans International, the controlling interest in which Richemont acquired last year for a loan consideration of £612,7m Rothman's interests include a 56,9% holding in Dunhill and 46,8% in Cartier Monde.



Graphic: LEE EMERTON Source INET

The presentation helped push the share to a new peak of R30,70 yesterday, before the price fell back to R30,25 Its current price puts it on a historical price to equity rating of 20,2 times, a dividend yield of under 0,7% and a market capitalisation of R15,2bn

Richemont's 1991 annual report discloses cash and marketable securities of £1,5bn (1990 — £1,4bn) Rupert said that because total cash was consolidated throughout all group companies, it was unlikely that Richemont could motivate all its cash for one acquisition.

Rupert told SA investors, it would not surprise him to see Richemont pick up a few more big brands in luxury goods

In his annual review, Rupert noted that while the consolidated net sales revenue of Cartier, Piaget and Baume & Mercier had increased by 7,7% to £691m, operating profit increased by 3,1% to £152m.

"These results reflect the adverse impact of the strengthening of sterling by some 14% against the dollar during the year"

Rupert said tobacco products had enjoyed a successful year and were likely to continue performing strongly

REMBRANDT FM 2/8/91

Focusing the portfolio (198)

Activities: *Investment company with interests mainly in banking, forestry and timber processing, printing and packaging, financial services, engineering, adhesives, life assurance, medical services, mining, petrochemical products, portfolio investments, tobacco products, food, wine and spirits and other trade mark products*
Control: *Rupert family*
Chairman: *J A Rupert, vice-chairman J P Rupert*
Capital structure: *522m ords Market capitalisation R12,27bn*
Share market: *Price 2 350c Yields 1,3% on dividend, 7,1% on earnings, p e ratio, 14,2, cover, 5,5 12-month high, 2 550c, low, 1 215c. Trading volume last quarter, 4,5m shares*

Year to Mar	**'88**	**'89**	**'90**	**'91**
Investments				
Unlisted (Rm)	925	1 189	2 797	2 682
Listed (Rm)	1 450	2 224	3 333	3 183
Net income (Rm)	450	598	801	841
Earnings (c)	86,8	115,1	144,0	165,8
Dividends (c)	17	20	25	30
Net worth (c)	502	763	1 089	1 107

As an investment vehicle the Rembrandt Group (Remgro) bears comparison with mining houses About 46% of capital employed is invested in mining interests, with the rest in a diversified portfolio of activities However, the mining investments (see graph) are essentially passive, there is no initiation of major mining projects and there is no management fee income

Remgro gains a valuable exposure to international markets and currencies through these holdings Even so, considering the large proportion of the portfolio occupied by these assets, which are cyclical and do not produce a particularly high yield, it would not be surprising to see a lightening of mining investments

As the *FM* suggested a year ago, this could be done through a listing of wholly owned Tegniese Mynbeleggings, which owns 25,2% of Gencor Beherend, an effective 17,4% of Gold Fields of SA and 50% of Trans Hex Any such dilution of the holding is likely to be fairly small, as the directors believe that a rand hedge is important

But it could improve the balance of the portfolio and also bolster liquidity available for investment in higher-growth assets Such funds would augment those from the tobacco interests — the major managed subsidiaries — which are steady generators of free cash flow

PROFIT MIX

Income sources (%)

	1990	**1991**
Trademark group	37,6	39,9
Mining interests	32,6	29,3
Industrial interests	17,2	17,7
Financial services	7,9	8,5
Corp finance & other interests	4,6	4,6
Total	100	100

Funds were invested last year in several companies, though these were all in activities whose proportional contributions to overall net income is small Steps are being or probably will be taken to improve the quality of earnings

In the "other interests," a division which also holds Medi-Clinic, R15,2m was spent to build up a total 28,4% interest in Perskor Beleggings; shares were also acquired by Nasionale Pers Though nobody is saying so, Remgro and Nasionale are bound to be looking at ways of boosting the returns at Perskor, perhaps through a joint printing operation

During May the group followed its rights in the Huntcor rights issue, which arose from the rights issue of Rainbow Chicken This absorbed R106,5m

Other changes to the investment portfolio were concentrated in the financial services sector These included the formation of Absa and the purchase of shares in Standard Bank of SA (SBIC). During March the group spent R35,9m on lifting its holding in SBIC to 11,3% Following an agreement with Liberty Life, 4,5m SBIC shares were sold to Liberty, which also placed 1,8m with third parties. The remaining 5% interest in SBIC will be placed by June 30 1992, or Liberty may be obliged to take them On completion of these transactions, Remgro will realise an extraordinary capital gain of at least R257m

A holding is thus being relinquished in one of the better growth stocks in the portfolio, but for a good price Investments have been made at a fairly high rate in recent years The substantial net cash position of a few years back has been drawn down and, at year-end, there were net borrowings of R270m The balance sheet remained almost ungeared but income from larger cash resources should be useful this year, with recession crimping returns from many of the investments

However, the bulk of attributable income — about 70% — was from just two sectors. the trademark group and mining interests The trademark group is the one sector which chairman J A "Koos" Rupert singles out as having achieved real growth Other divisions, he says, with the exception of the mining interests, achieved "satisfactory" growth But the mining interests achieved only a marginal increase in earnings, owing to lower international commodity prices and local cost pressures

Formation of Absa favourably influenced the contribution from financial services, as certain interests not previous equity account-

How it fits together

Rembrandt Group *

Trademark Interests
100% Rembrandt SA
100% Intercontinental Tobacco
100% Transatlantic Tobacco
30% Distillers Corp
30% SFW
49% W&A Gilbey
Other diverse interests

Capital employed
R701,4m (R467,3m)
Attributable income
R345,3m (R282,9m)

Mining Interests
25,2% Gencor Beherend
17,4% Gold Fields of SA
50% Trans Hex

Capital employed
R2150,6m (R1953,3m)
Attributable income
R253,6m (R245,4m)

Industrial Interests
49,9% Metkor
10% Dorbyl
34,4% Total SA
50% Henkel SA
12,6% Lenco Holdings
65,9% Huntcor
33,6% HLH
12,8% Rainbow Chicken

Capital employed
R863,8m (R798,3m)
Attributable income
R153,2m (R129,7m)

Financial Services
12% Absa
28,7% Momentum Life
22% Sage Holdings
10,5% SBIC
9,9% Boland Bank

Capital employed
R638,7m (R563m)
Attributable income
R73,7m (R59,2m)

Corporate Finance and other
50% Medi-Clinic
28,4% Perskor
100% Rembrandt Group Finance
100% Rupert International

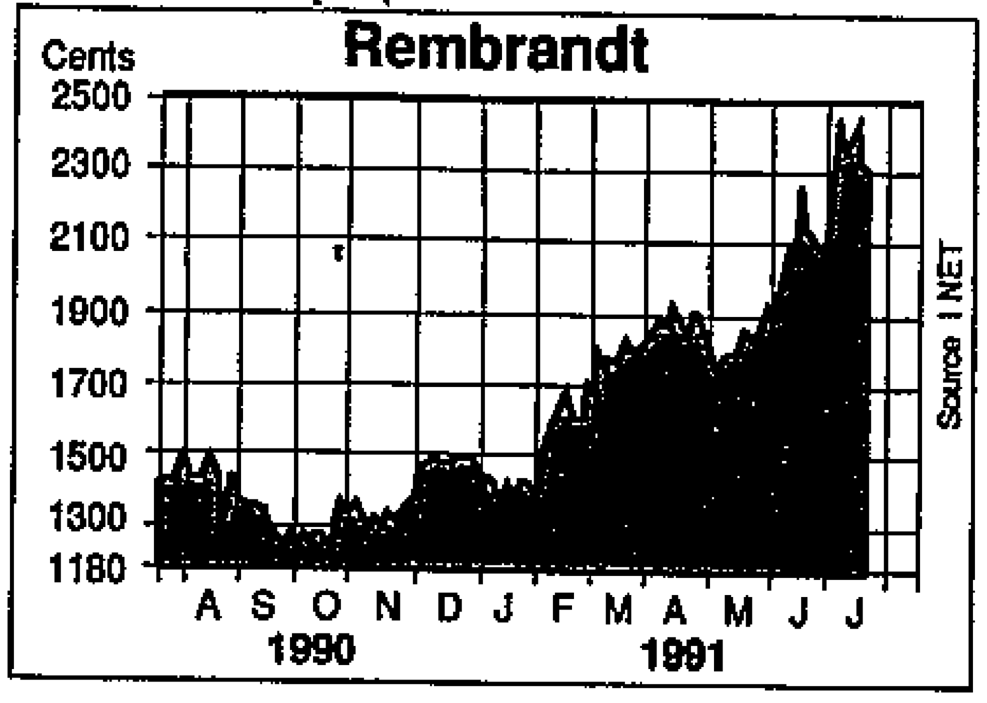
Capital employed
R280,6m (R185,1m)
Attributable income
R39,5m (R34,7m)

* Significant interests at March 31

Continue → PTO

FM 2/8/91

198



ed could be equity accounted from October 1 Financial services contributed only 8,5% of total attributable income

The trademark group kicked in R345,3m after tax, of which most would have been from tobacco Remgro is dominant in the local tobacco industry and, with these products pitched at a Third-World market, real growth should continue This is not unlike the beer division of SA Breweries except there is the important difference that Remgro can increase its sales capacity at minimal capital cost

Most of the investments can at least be considered low-risk with considerable upside potential — though there are also some dull holdings, such as the engineering interests

Dividend cover, based on attributable earnings, was held at 3,6 times With the share at 2 350c, the stock market is evidently assuming the record of consistent earnings and dividend growth will be maintained There is considerable financial flexibility and it is reasonable to expect the dividend will be lifted by, say, 20% to 36c. That still gives an unexciting forward yield of about 1,5% On the fundamentals the share is looking fully valued. It is difficult to justify buying now but it remains well worth holding as a long-term investment *Andrew McNulty*

Snacks a health food for Utico

ROBERT LAING

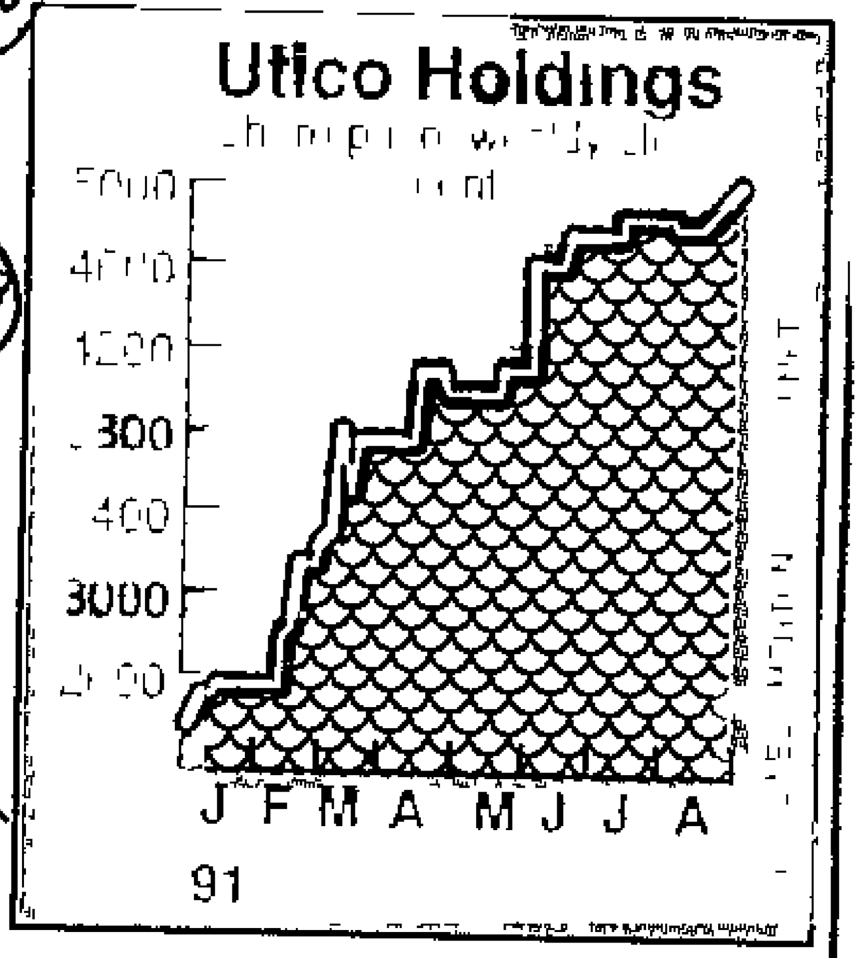
UNITED Tobacco Holdings' (Utico's) interim results show the group's attributable earnings grew a healthy 29% to R10,6m compared with R8,2m in the same period last year

Directors said turnover increased 20% to R242m (R202m) despite reduced consumer spending and ever increasing competitive pressure.

Utico boosted its interim dividend 40% to 105c (75c) a share, dropping its dividend cover to 1,6 from 1,8 Directors said this was done "in view of satisfactory trading results and the group's comfortable gearing"

The group also produces snacks and fruit juices Brand names include Benson & Hedges, Willards Chips, Stimorol gum and Fresh-Up juice

Directors said much of the turnover increase was attributed to snacks. The group expanded its Willards factory in Rosslyn and is constructing a second factory



The second half's earnings are not expected to be as high "Consumer spending continues to tighten and turnover is therefore not maintaining current levels of growth The trend will undoubtedly be exacerbated by the initial impact of VAT"

SAB and Remgro: which is the bluest chip?

B/Day 22/8/91 198

BRENT VON MELVILLE

BASED on their investment merits of stability and growth potential, there is little to choose between the two bluest of blue chips on the JSE, SA Breweries (SAB) and Rembrandt Group (Remgro)

With a combined market capitalisation of R28bn they account for almost 20% of the total weighting of the industrial index, and about 8% of the overall index which currently has a total market capitalisation of R338bn

The high ratings of these two shares has often prompted speculation about which is the better investment

Breweries has generally been accorded a higher rating with a historical price to earnings ratio of about 21, compared with Remgro's 13,7 Remgro's Swiss-based sibling Richemont, however, supports a p e of 20 times largely because it is regarded more as a rand hedge

SAB came out as the favoured group in a recent poll of investment experts by market researcher Campbell Belman But a snap-poll of industrial analysts yesterday yielded a split vote, with some suggesting that Remgro may have earned a higher rating

Remgro has outperformed SAB relative to the industrial index over the past year, moving up about a third against the index

Substantial diversification over the past few years has given both groups a wider profit base

SAB now derives a significant proportion of its earnings from its significant retailing interests in OK Bazaars, Amalgamated Retail, and star-performer Edgars Remgro has major concerns in mining, industry, financial services and corporate finance

The bulk of SAB's ready cash is being poured into its beer and beverage divisions while Remgro's thrust is towards expanding its industrial interests through Huntcor, and has gone big into Rainbow Chicken in particular

Analysts regard most of Remgro's investments as low-risk but with considerable profit potential Last year while Remgro's substantial industrial interests contributed 17,9% (17,5%) and the financial services division (under Absa) 8,5% (7,9%), the trademark division (essentially tobacco) remained dominant, earning R345m, and upping its contribution to profits to 40%

SAB's beverage interest raised its contribution to operating profits of R1bn to about 53% (49%), the beer division alone accounting for 42% (39%) The retail division, led by Edgars, added 24%, and manufacturing chipped in 12%. Hotel interests (the 100% holding in Southern Sun) and non-RSA interests accounted for the balance

Analysts, however, emphasise another important factor the capital cost associated with expanding production capacity, an aspect very much in Remgro's favour SAB's plant costs are high Its latest annual report discloses capex plans for the beverage division alone at R1,1bn for the current year, of a total of R1,5bn for the entire group

Remgro's capital commitments stand at a much more sedate R155m The annual report does not disclose a breakdown of capex requirements

On a technical analysis SAB's recurrent sideways trading and inability to hold ground above the R60 level has inspired some caution about market potential in the short to medium term

But on that basis, Remgro is also relatively overbought, say technical analysts One analyst believes the share price is due to come back to about R21 while SAB's support level is between R50 to R53

RICHEMONT

FM 23/8/91 · (198)

Currency swings

Activities: *Primarily in tobacco products and luxury goods.*
Control: *Rupert family*
Chairman: *N Senn, MD J Rupert*
Capital structure: *522 000 'A' bearer shares of SFr 1000 and 522 000 'B' registered shares of SFr 100 each The 'A' and 'B' shares are twinned to form 574 200 units Market capitalisation R18,66bn*
Share market: *Price 3 250c Yields 0,6% on dividend, 4,5% on earnings, p e ratio, 22,1; cover, 6,1 12-month high, 3 270c, low, 1 850c Trading volume last quarter, 9,1m depositary receipts*

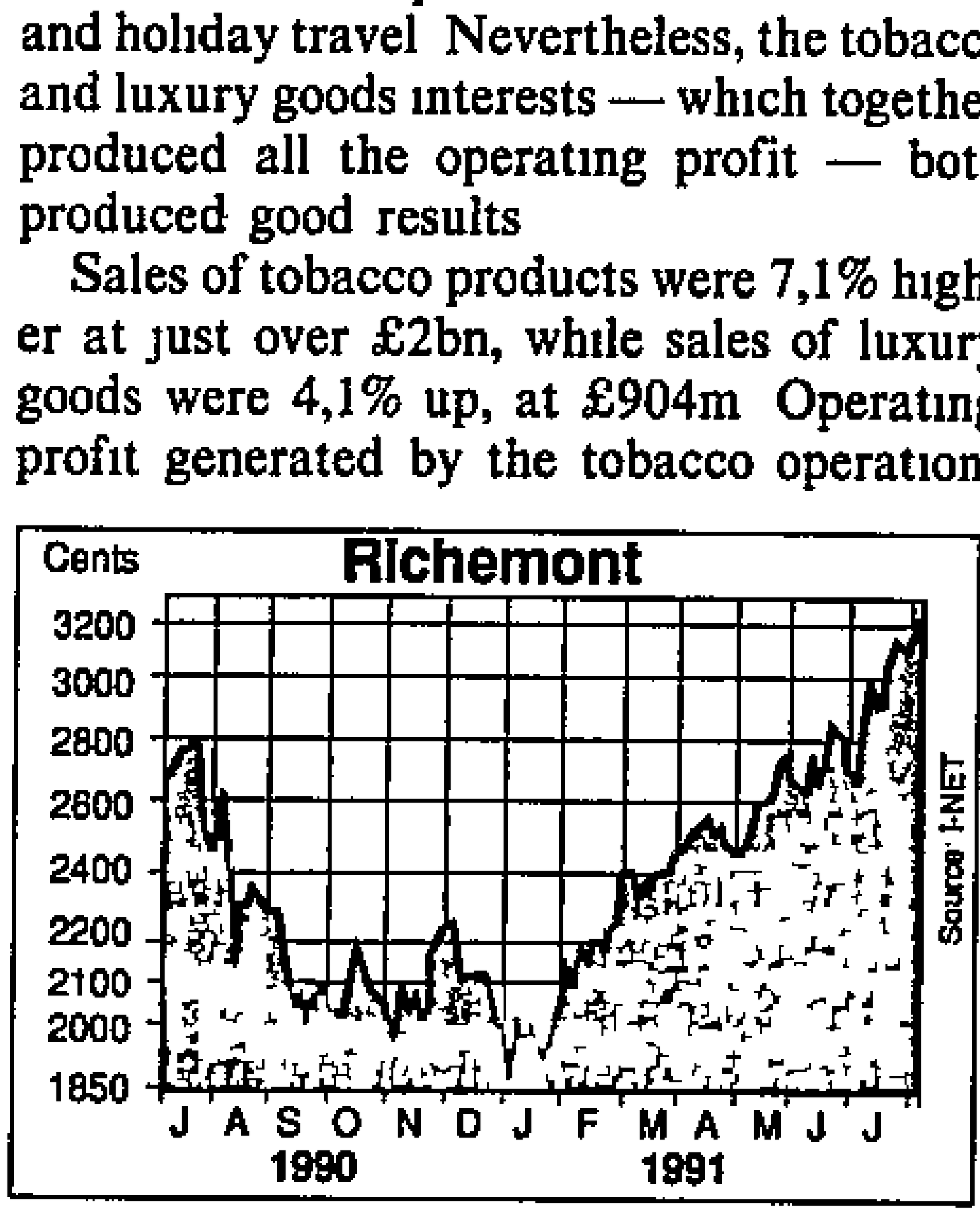
Year to March	'89	'90	'91
ST debt (£m)	129	141	297
LT debt (£m)	822	822	763
Debt equity ratio	n/a	n/a	n/a
Shareholders' interest	0,30	0,29	0,28
Int & leasing cover	n/a	n/a	n/a
Turnover (£m)	2 367	2 862	2 988
Pre-int profit (£m)	417	531	556
Pre-int margin (%)	17,6	18,5	18,6
Earnings (£/unit)	185,4	254,7	308,7
Dividends (£/unit)	33,75	41,25	50,63

After reaching a new high last August, Richemont's share price took a sharp crack in the fourth quarter of 1990 This was partly because of the firming financial rand, but investor perceptions were affected by a slowing world economy following the Iraqi invasion of Kuwait

Events since then — including the swift end to the war, resumption of travel, solid results from Richemont for its 1991 financial year, the bolstering of the balance sheet through the sale of the low-yielding investment in TransAtlantic and renewed weakness in both the commercial and the financial rands — have helped push the counter to a record and rather demanding level

MD Johann Rupert notes that effects of the recession were worsened by the Gulf War, with a steep decline seen in business and holiday travel Nevertheless, the tobacco and luxury goods interests — which together produced all the operating profit — both produced good results

Sales of tobacco products were 7,1% higher at just over £2bn, while sales of luxury goods were 4,1% up, at £904m Operating profit generated by the tobacco operations



Richemont's Rupert . *tobacco industry showing its resilience*

was 8,3% up at £351,5m, while that from the luxury goods interests was 5,4% higher, at £206,6m

These figures, as Rupert says, demonstrate the resilience of the tobacco industry But they also serve to emphasis the sensitivity of Richemont's accounts to exchange rate fluctuations, owing to the geographical spread of activities Profit from the luxury goods operations has previously shown a much faster rate of growth than the tobacco profit When viewed in local currencies, a good pace was still maintained in the 1991 year

For example, the consolidated net sales of Cartier, Piaget and Baume & Mercier — all held through Luxco SA (see diagram) — increased by 7,7% to £690,7m and operating profit by 3,1% to £152,1m This, however, reflects the adverse effect of the strengthening of sterling by some 14% against the dollar during the year In terms of US dollars, the reporting currency of Cartier Monde, net sales revenue increased by 22,3% and operating profit by 17,1% Operating profit reported by Dunhill Holdings was 13,5% better, at £55,1m.

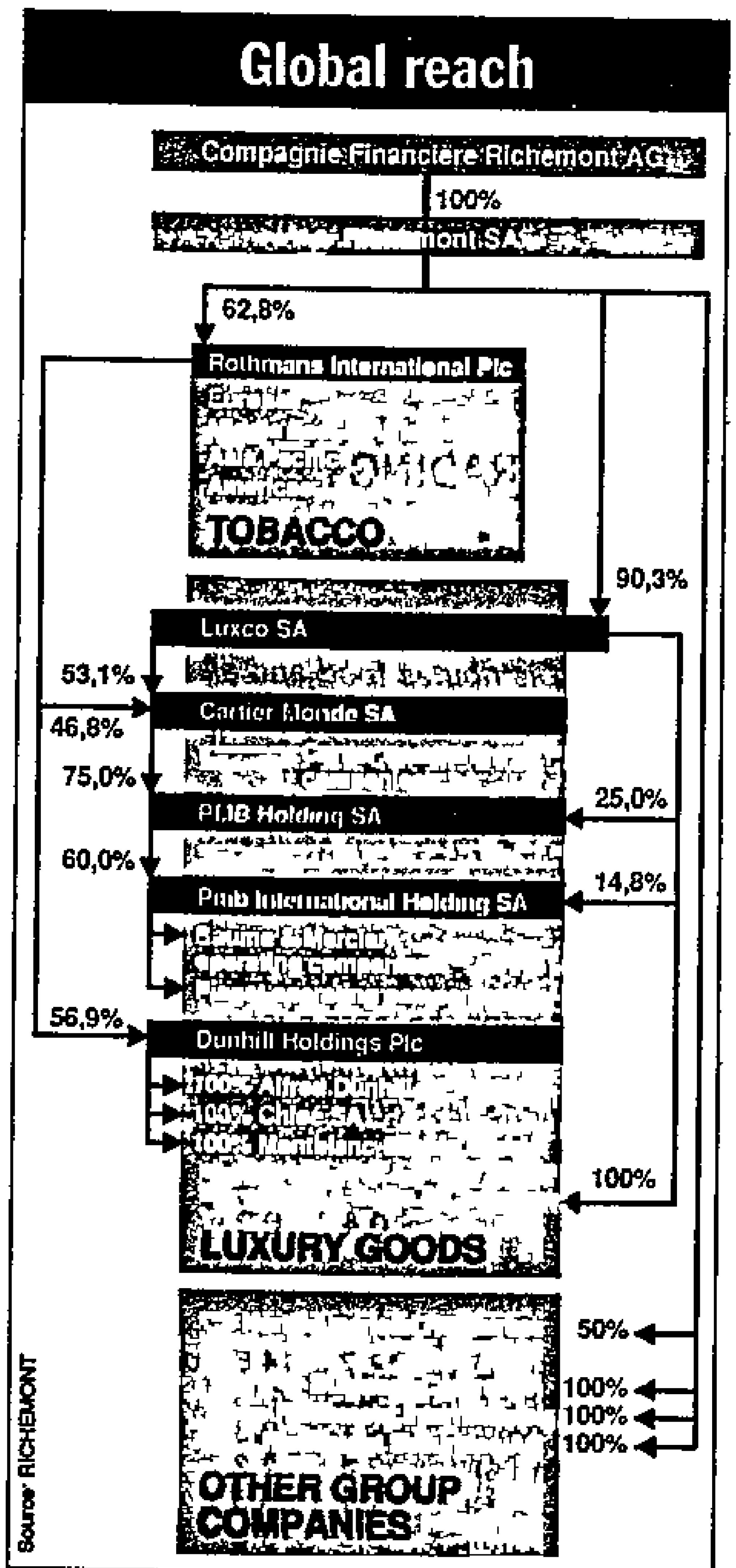
Though the luxury goods may remain fundamentally the faster growth business, the bulk of earnings is still derived from tobacco products This proportion grew with consolidation of Rothmans Plc and tobacco last year contributed nearly two-thirds of Richemont's £556m operating profit. Chairman Nikolaus Senn notes that the year was one of consolidation for Richemont, with the effects of the acquisition of the controlling interest in Rothmans being felt in a number of ways for the first time

Management ties between these two groups were strengthened Moves in this direction included Rupert's appointment as executive deputy chairman of Rothmans last Setember (*Leaders* August 24 1990) William Ryan, formerly CE of Rothmans International's Australian subsidiary, became CE of the tobacco division in December

The tobacco operations are being restructured to integrate more closely the wordwide procurement, production and marketing activities Management will also be seeking to improve efficiencies Rothmans has more than 50 production units, while its much bigger American competitor, Philip Morris, has concentrated its production in only a few large plants.

Better efficiencies would help to compensate for dour markets, particularly in developed countries Rothmans has continued to increase its sales in developing countries, notably in the Pacific Rim, Africa and most Asian countries — which account for a large portion of the group's sales.

Acquisitions during the year included Theodorus Niemeyer BV, a Dutch company specialising in fine cut and pipe tobaccos, for £73,3m, and the purchase for £70,9m of the 61,3% of PJ Carroll which Rothmans did not



Continued — P

P.T.O.

already own The latter company has a dominant position in the Republic of Ireland.

In the luxury goods division, Cartier acquired or opened 14 boutiques, expanding the network of its own boutiques and stores worldwide to 86, and has taken control of its Australian and Caribbean distribution companies New Cartier stores were opened, notably in Madrid, Milan, London and Beverley Hills, increasing the total outlets — owned or franchised — to 141

Cartier has completed construction of its new distribution centre in the canton of Fribourg, Switzerland, and work is well advanced on the production centre being built at St Imier, in the canton of Bern.

Richemont has not had to invest heavily to expand its interests Investing activities last year absorbed a total cash outlay of £236m, whereas cash flow from operations totalled £335,3m There was a £100m net increase in cash and marketable securities, which rose to a total £1,46bn, making the balance sheet effectively ungeared on net borrowings The sale after year-end of the stake in TransAtlantic Holdings realised £150,6m.

Emphasis will continue to be placed on strengthening market share and profitability of tobacco operations where possible and deploying part of the healthy cash generation from these interests in high-growth luxury goods activities, in which Richemont has a portfolio of premium brand names

At 3 250c, on a dividend yield of only 0,6% and p.e of 22,1, the share must be a hold rather than a buy A further firming of the financial rand would lead to renewed weakness in the price But the quality and geographical spread of assets, the powerful balance sheet and steady historical performance suggest Richemont will remain a good long-term investment, especially for local shareholders *Andrew McNulty*

R132-m payout for Rembrandt investors

(198) ARG 29/8/91

TOM HOOD
Business Editor

ANOTHER R132 million will go into the pockets of shareholders of the four Rembrandt companies on October 15.

The companies have increased their interim dividends by 20 percent, which is in line with last year's hike in both interim and final payouts

This means the main company, Rembrandt Group, will pay out R70 million as result of increasing the interim to 12,6c from 10,5c

Remgro's shareholders received R55 milion from the interim and R165 million in total dividends last year.

Payouts from the others will amount to R33 million (9,33c a share) from Rembrandt Controlling Investments, R13,6 million (8,18c a share) from Technical Investments Corporation, R11 million from Technical and Industrial Investments (8,67c).

■ Construction giant **Murray and Roberts** has beaten its budget forecast and market expectations with dividend growth of 18 percent to 156c (132c) a share for the year to June

Group chief executive Dave Brink said mechanical and electrical engineering, property development, international activities and exports, building companies and land, sea and air services put up excellent perfomances

The rest of the group's operations had shown resilience in depressed markets, he said

On a diluted basis, earnings a share rose 13 percent to 500c from a restated figure of 444c

Last year's earnings of 542c have been restated to recognise the conversion of 7,4 million convertible debentures

Mr Brink, however, cautioned that with little sign of an upturn, group earnings in financial 1992 could be down 10 percent

But as the group expects to maintain its strong balance sheet position (gearing was 26 percent), the dividend payout should be increased

The engineering division, of which Genrec is a major part, was a star performer, lifting its contribution to group earnings before interest and tax from R45,7 million to R74 million

Property development lifted its contribution, but Mr Brink said its actual perfomance was understated because some of its project developments were reflected in the results of the building/construction companies

Group turnover rose 15 percent to R4,6 billion, but pre-interest profit was up only seven percent to R323 million

■ The buoyant international seafood market helped **Irvin and Johnson**, Anglovaal's frozen food company, to increase earnings by 20 percent and raise its dividend by 11 percent for the year ended June.

The reduction of 2 percent in the company tax rate contributed to the improvement in earnings, which rose 19 percent to R69 million (R58 million), or 243c (203c a share. This followed a 15 percent increase in turnover to R1 444 million (R1 257 million)

The dividend is up to 78c from last year's 70c and reflects a dividend cover of 3,1 times (2,9 times)

Capital expenditure of R47 million (R31 million) was the highest in the company's history Group borrowings were static at R44,2 million after declining in 1990 to R46 million

The directors say that in spite of the difficult local trading conditions and the depressed international markets, the seafood market was moderately buoyant, and this, combined with the effect of a strenghtening of the US dollar in the last four months of the financial year, helped compensate for depressed domestic trading conditions.

In addition to the hake quota, the Namibian government awarded the group a horse mackerel quota for the first time in the second half of 1990 and a further quota was awarded for 1991

The introduction of appropriate fishing controls in Namibia has led to considerably improved fishing, said the directors. Hake fishing in South African waters has also improved in terms of the size mix and catch per unit of effort.

The board welcomed the removal of import duty on the importation of trawlers

Tobacco bar may cost ad industry R100m

B/Day 2/9/91. (198)

MARCIA KLEIN

THE advertising industry stands to lose well over R100m in billings if government imposes a blanket ban on tobacco advertising

Plans have been mooted to follow recent developments in Europe, where EC social affairs commissioner Vasso Papandreou has stirred up controversy in the industry by calling for a law banning all advertising of tobacco products

Apart from the effect on local advertising agencies and the media, tobacco sponsorship of sport also stands to be severely affected by any legislation

Adindex figures for the year to March show that tobacco and related advertising accounted for about R136,1m of total advertising expenditure

The hardest hit will be cinema advertisements, where seven of the top 10 advertisers are tobacco brands, and billboards, where tobacco brands account for eight of the top 20 outdoor advertisers

Adindex figures show that about R88,4m was spent on Press advertising, R28,9m on radio, and R19,6m on cinema, outdoor and television in the year to March

Advertising agencies with large tobacco related accounts are Ogilvy & Mather RST & M, which handles the Utico account, and IMA, which handles most of the Rembrandt Group's advertising However, many other agencies handle accounts for various brands

Recent figures show that United Tobacco was SA's eighth largest advertiser, spending R16,7m in 1990 Rothmans spent R14,7m, and American Cigarettes spent R10,5m

● See Page 2

Consistent Lion Match is focusing on exports

(198)

Star 3/9/91.

Diagonal Street

LYNNE PEACH

In the past seven years the Lion Match group has been consistent in at least one area — it has always produced some year-on-year earnings growth for its shareholders

The past year was no exception, despite the economy slipping further into recession, and prospects for the year ahead remain satisfactory

Chairman Mr L van der Watt says the focus in financial 1992 will be placed on exports, tightening cost controls and continuing strict cash management

Despite the expectation that minimal growth in private consumption spending will prevail well into next year, Mr van der Watt believes a modest improvement in earnings is attainable

Lion Match, whose holding company is SA Breweries, remains the leading manufacturer of safety matches in South Africa, and is diversified into printing and packaging, shaving, home and garden products and the manufacture of small electrical appliances

The lighters and matches division contributes a major share of the group's trading profit

Packaging accounts for 36 percent, appliances for about 7 percent and shaving, home and garden for the remaining 10 percent.

In the year to March, group turnover advanced from R280 million to R330,6 million

Mr van der Watt says the 18 percent increase reflects successful sales performance in all divisions He also discloses that export sales more than doubled in the period under review

The balance sheet remains strong with interest-bearing debt down from R58 million to R55,7 million and gearing showing improvement from 58 percent to 51 percent

Mr van der Watt says cash flow from operations is expected to contribute to a further reduction in gearing this year and that capital expenditure of about R13 million will be funded from within existing facilities

COMMENT: Lion Match, priced at 400c, is trading on a price earnings ratio of 11,8 and provides a dividend yield of 3,5 percent.

Although the share is not looking particularly cheap at its present level, the sound long-term prospects of the group suggest that investors who are prepared to wait a while will be well rewarded

It has taken Lion Match's share price four years to regain its 1987 peak of 400c

The price has moved up particularly strongly in the past six months and future performance will largely depend on the share's ability to break through the 400c resistance level.

Tobacco industry 'should stand up to ban on advertising'

B/Day 3/9/91 (198)

MICHAEL FRIDJHON

THE Ministry of Health seems firmly committed to smoking out advertisers of tobacco products The liquor industry can comfortably assume that it is next in line This raises several issues which could be matters of public debate

The French government recently passed the controversial Loi Evin which circumscribes the right of liquor and tobacco producers to advertise their brands While the legislation was hotly contested, the big brand owners were not as vociferous in their opposition as those who still needed to gain market shares for their goods

A ban on advertising fixes the big brands' domination forever It would also save on advertising expenditure

It is hardly surprising that the industry flexes its muscles against city councils which legislate against smoking in public places However, it does not use its buying power with the media to ensure massive public opposition to ending advertising

Why would the Minister of Health — in SA or France — engage in an ill-thought out policy which will probably entrench the strong at the expense of the weak? To understand this you must visit the early 60s, before the World Health Organisation targeted tobacco and alcohol

They were not the good old days cigarette smoke hung in a pall above everything and the irresponsible use of alcohol by drivers caused countless tragedies Retribution was in the air and the last three decades have modified human behaviour.

One of the ways this has been achieved is through a powerful propaganda campaign The message of moderation has been lost Tobacco and alcohol are now loosely spoken of in the same breath as hard drugs

But propaganda will not "save" consumers from themselves

If the anti lobbies were concerned about respect for individuals, they would show some respect for freedom of choice They are entitled to engage in the same marketing effort as the producers of the "sinful" products. Government, if it must do anything at all, can levy a tax on sales to ensure that these lobbies have adequate funds at their disposal

Freedom of choice demands that decisions are based on an assessment of the alternatives. Implicit in the anti-advertising policy is the assumption that human beings are not intelligent enough to arrive at their own conclusions

In other words, there are philosophical as well as commercial reasons upon which the industry could base its objections to legislation which tampers with its rights to advertise Unfortunately, the anti-smoking and drinking lobbies have operated so effectively that they occupy the moral high ground

This is why they should now be united in their opposition to this attempt to circumscribe cigarette advertising Too many rights have already been eroded

Suddenly, in the name of the public good, society finds itself without freedom, dominated by an Orwellian dictatorship of puritanical minorities

Canadian court ruling fires up SA tobacco industry

B Day 25/9/91 (198)

TANIA LEVY

AS SA awaits the introduction of legislation to restrict tobacco advertising, a fiery debate over the same issue has erupted in Canada And the local tobacco industry has lost little time in adding the Canadian experience to its own armoury.

On July 26 Quebec Supreme Court judge Jean-Claude Chabot struck down the Tobacco Products Control Act 1988 as unconstitutional and a violation of freedom of expression

He labelled the Act — which banned tobacco advertising on Canadian radio, TV, newspapers, magazines and billboards — as "a form of censorship and social engineering incompatible with the very essence of a free and democratic society"

The Act also made health warnings compulsory on tobacco products, restricted tobacco industry sponsorship of sport and cultural events and prohibited use of tobacco trademarks on anything other than a tobacco product itself.

The Canadian government's attempt to control the thoughts, beliefs and behaviour of its citizens was an unacceptable form of paternalism and totalitarianism, Chabot said

Now Canadian federal lawyers are fighting back with an appeal challenging Chabot's ruling which they say has implications for other federal laws such as the regulation of guns, prescription drugs and alcohol — all legally manufactured products which have socially acceptable restrictions placed on their advertisement, sale and distribution

They claim the fundamental issue is that the Canadian Charter of Freedoms and Rights guarantees both health and freedom of expression as basic rights Restricting the right of tobacco manufacturers would be justified in the interests of public health.

But the Canadian debate is as much about the power of advertising as it is about health or freedom of expression. The anti-smoking lobby sees tobacco advertising as a powerful way of getting young people hooked on smoking, reassuring existing smokers, drowning out health messages and buying silence from mass media dependent on this advertising revenue.

The tobacco industry argues that advertising is not used to recruit new smokers and heralds the Canadian court finding as "the most telling endorsement of the right of tobacco manufacturers to inform smokers about their products". The court finding, says the Canadian Tobacco Industry — in a statement issued locally by the SA Tobacco Institute which represents local tobacco manufacturers, farmers and other tobacco interests — "is the most telling deconstruction of unsupported arguments for tobacco advertising bans".

Chabot dismissed the "enormous volume" of scientific evidence filed by the attorney-general on tobacco's health hazards as "irrelevant" to the case and said it "served merely to colour the debate unnecessarily".

At the heart of his judgment was his finding that the Act was not about health but about advertising Chabot said the Act's stated objective of protecting public health was "incidental if it existed at all". As he saw it the true purpose was to control the advertising and promotion of tobacco products

"Advertising" — in particular tobacco advertising — was the "evil" which parliament intended to prohibit, not the manufacture, sale or use of tobacco, he said. The Act was "singularly timid, not to say mute", on concrete measures to deal with the problems of tobacco use.

And this is the crux of the matter. The ban sought to stop advertising and Chabot could see nothing wrong with advertising It did not promote hatred or violence and in and of itself was not harmful Quoting Aristotle, he said no one had ever been bitten by the word "dog" In fact, advertising had an important role to inform

Banning tobacco advertisements deprived a third of Canada's adult population — 6,7-million consumers of the product — of information regarding existing products, new trade marks or changes in products — information which would allow them to make important economic choices, said Chabot

He took this a step further and said this freedom to make economic choices was an important aspect of self-fulfilment and personal autonomy. Furthermore he found that the "virtual totality of evidence in the state's possession" did not prove a ban on advertising would affect consumption

"With or without adverts nicotine would or would not continue to create addiction, as the case might be."

Needless to say, the anti-smoking lobby here and abroad does not agree National Council Against Smoking SA executive director Dr Yussuf Saloojee quotes statistics which show tobacco consumption in Canada has fallen a record 20% since the introduction of the legislation in 1988

This, he says, is two to three times as fast as the drop in the US and in the UK where advertising is still allowed

Saloojee says an analysis of 33 countries showed average cigarette consumption fell by 1,6% a year with a total advertising ban, and increased by 1,7% where no restrictions were imposed

He is particularly scathing about the judge's ruling that associating cigarettes with glamour, success and sporting prowess is not misleading "He sees nothing wrong with skilfully manipulating young people with images and illusions to use a product that will first addict and then kill them. Shorn of its symbolic value as an entry to adulthood, the cigarette is not saleable on its own merits Youth and children are not sold cigarettes, they are sold independence, maturity and an affluent lifestyle"

SA Institute of Medical Research community health director Dr Derek Yach says advertising is clearly targeted at children and developing communities — new markets for tobacco products

The decrease in smoking among whites over the past 10 years has been coupled with an increase in smoking and tobacco-related deaths in black and coloured communities, which proved that manufacturers had identified their new market sectors well and relied heavily on advertising, especially on radio

But will local tobacco manufacturers follow their Canadian counterparts and take government to court?

Yach believes they could But the industry will not even comment on government's proposed legislation, which has yet to be published but which will not go as far as a total ban on advertising, according to National Health Department deputy director-general Dr Hans Steyn.

Wits University law professor Johan van der Vyver says SA tobacco manufacturers would not be able to contest any legislation on the grounds that it infringes freedom of expression because SA has no bill of rights

In a post-apartheid SA, a bill of rights would most likely follow the more detailed European model than those of Canada or the US which are very general, leaving it to the courts to weigh up conflicting values such as public health and freedom of expression

Van der Vyver says he would be surprised if a future SA bill of rights did not give powers to restrict rights and freedoms such as in the interests of public health or to outlaw the expression of racial discrimination

Tobacco companies would still be able to contest advertising restrictions in court, but would be less likely to win.

COMMODITIES

Tobacco set for healthy future

(198) B Day 1/10/91

WILLIAM GILFILLAN

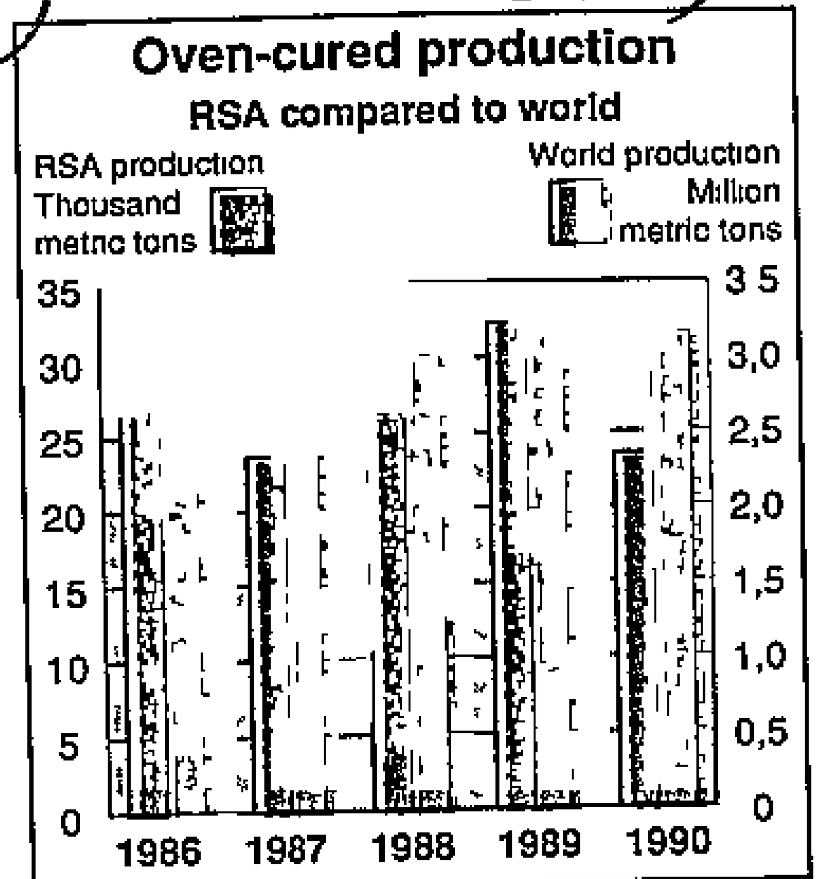
SA's tobacco growers have been suffering from an intensifying cost-to-price squeeze. Nonetheless, they can take some comfort from the fact that local cigarette smokers, who have been puffing away at an annual 4% growth for the past 10 years, are unlikely to kick their addiction to the weed.

Last year, SA consumed 40-billion cigarettes — three a day for every man, woman and child

The fast urbanising black population is hooked on branded cigarettes And that means that like other developing countries, SA is likely to see growing sales volumes for several years

Tobacco Exchange chief economist De Villiers Brits said local growers have been coming under pressure as real profit margins have shrunk from about R2,68/kg in 1987 to about R1,75/kg this year

This applies to the oven-cured class of tobacco which, at an average output of 32-million kg each year, accounts for just under 90% of the 36/37-million kg local production. The other three classes grown in the dominant Rustenburg and Nelspruit areas are air-cured oriental and burley



Graphic FIONA KRISCH Source TOBACCO EXCHANGE

Burley and oriental give cigarettes a roasted "American" taste

Local growers are protected by a gentlemen's agreement with the local cigarette manufacturers in which manufacturers are obliged to use domestic tobaccos ahead of imports

The manufacturers may then import any tobacco which is not available locally, but have to pay duty Any local tobacco not required by manufacturers is exported

The Tobacco Exchange, which represents local growers, meets local buyers each year to fix a price for the next season's crop There are no fast-talking auctions, like those which characterise the Zimbabwean or US trading scene

Brits said if agreement was not reached between the exchange and purchasers (the Rembrandt Group and Utico are the largest buyers), the Agriculture Minister was asked to resolve the dispute by fixing a price

Although the price of locally grown tobacco is down 8% in real terms on 1980 levels, imported tobacco remains cheaper The local price of packed oven-cured tobacco is likely to average R13,10/kg by the time the 1990/91 season closes

This is higher than the SA landed price from Zimbabwe (where labour costs are two thirds of those in SA) which sells for an average of R11,94/kg Malawian tobacco lands here at R10,58

Brits said measured by industry standards — aroma and the ratio of light to dark colour — SA's tobacco was inferior to Zimbabwean, Malawian or Brazilian

But, he noted, the local industry had increased research expenditure and quality had improved in the past five years

In SA 1 021 tobacco farmers cultivate 22 000ha under irrigation and employ about 44 000 people The growing season lasts all year while harvesting can be done almost all year round

Farmers produce about 8-million kg more than local manufacturers can use each year and export the surplus to Europe and the Far East

But Rembrandt and Utico need to import high-quality Zimbabwean and Malawian tobaccos to blend with local leaf As a result about 24% of the manufacturers' needs come from outside our borders Small amounts are imported from Paraguay and Brazil

Top of the growers' league is China, which grows about 2,6-million of the 6,5-million tons produced worldwide Malawi and SA are the 12th and 28th largest respectively

Brits is optimistic about world prices as he estimates worldwide import demand will increase to 1,5-million tons a year by 2000 from the current 1-million tons Meanwhile, export availability is expected to increase to only 1,3-million tons a year from the present 1,1-million tons The gap will narrow if prices rise to persuade growers to grow and export more

Richemont's earnings climb 15%

Bday 22/11/91

BRENT VON MELVILLE

RICHEMONT Securities AG, the Swiss-based tobacco and luxury goods company, has justified its high market rating with a 15% earnings rise in poor market conditions for the half-year to September.

Richemont, with listings in Johannesburg, Zurich, Geneva and Basle, posted earnings per unit of £151,70 (£132), translating to a rand equivalent of about 75,7c a share No dividend was declared. (198)

The group also heightened its cash pile to £606,1m, an increase of £206,8m over the period The rise reflects the sale of the group's interest in TransAtlantic Holdings for £150,6m, and according to directors, illustrates the cash-generating capacity of Richemont's principal businesses

The TransAtlantic sale reduced investments in associated undertakings by £108,6m to £66,3m Other investments reflect the acquisition by Rothmans International of a 3,9% interest in Spanish state-controlled tobacco monopoly Tabacalera SA at a cost of £37,5m.

The luxury goods subsidiaries were

To Page 2

Richemont

BDay 22/11/91 (198)

From Page 1

hardest hit by the weak markets, with consolidated net sales revenue of luxury goods subsidiaries Cartier, Piaget and Baume & Mercier declining by 2,6% in US dollar terms, but increasing marginally in sterling terms to £317,8m, reflecting the stronger dollar

With margins under pressure, operating profits for the companies declined by 3,7% in dollar terms, and the contribution stayed in line with last year's at £60,3m

Sales were also down at Dunhill Holdings plc, which reported net revenue of £102,8m, while operating profits dropped 18,7% to £20,5m, although that was offset somewhat by increased profitability from Montblanc

The tobacco operations showed a 7,9% rise in operating profits to £1[illegible]0,1m, off consolidated net sales revenue by Rothmans International (owned 62,8% by Richemont), in respect of tobacco products, of £1,1bn, an increase of 6,2% from the previous year

The acquisition of Dutch group Theodoris Niemayer and the remaining share capital of the 61,3% in Irish cigarette company PJ Carroll accounted for £8m of operating profit, while £10,1m was provided for a change in accounting policy by Rothmans Holdings in Australia

Richemont is leading a consortium into negotiations for the purchase of a 75% stake in FilmNet International Holdings BV, with an option to acquire the remaining 25% for an aggregate consideration of about £85m

Filmnet is northern Europe's largest pay-TV network and analysts have speculated that local pay-TV station M-Net may be included in the consortium

Richemont closed in Johannesburg yesterday at R33, on a historical p e of 22,6 times and a dividend yield of 0,7%

Associate firms knock Rembrandt

BDay 28/11/91 (198)

LINDA ENSOR

CAPE TOWN — The recession bit deep into the performance of the Rembrandt Group's associated companies in the six months to end-September with the result that earnings of the diversified group showed no real growth.

Earnings rose only 10,7% to 83,18c (75,13c) a share

However, if the contribution of the associated companies is stripped out of the results, earnings a share increased by 25% to 61,26c (49,04c), reflecting a strong performance by Rembrandt's tobacco and liquor interests

The interim dividend has increased by 20% to 12,6c (10,5c)

The R24,6m decline in the contribution from associated companies to R120,9m (R145,5m) saw the 23,5% growth in pre-tax income of R544,1m (R440,4m) — which largely reflects the liquor and tobacco interests — translate into a 10,7% growth in attributable income of R434,2m (R392,2m)

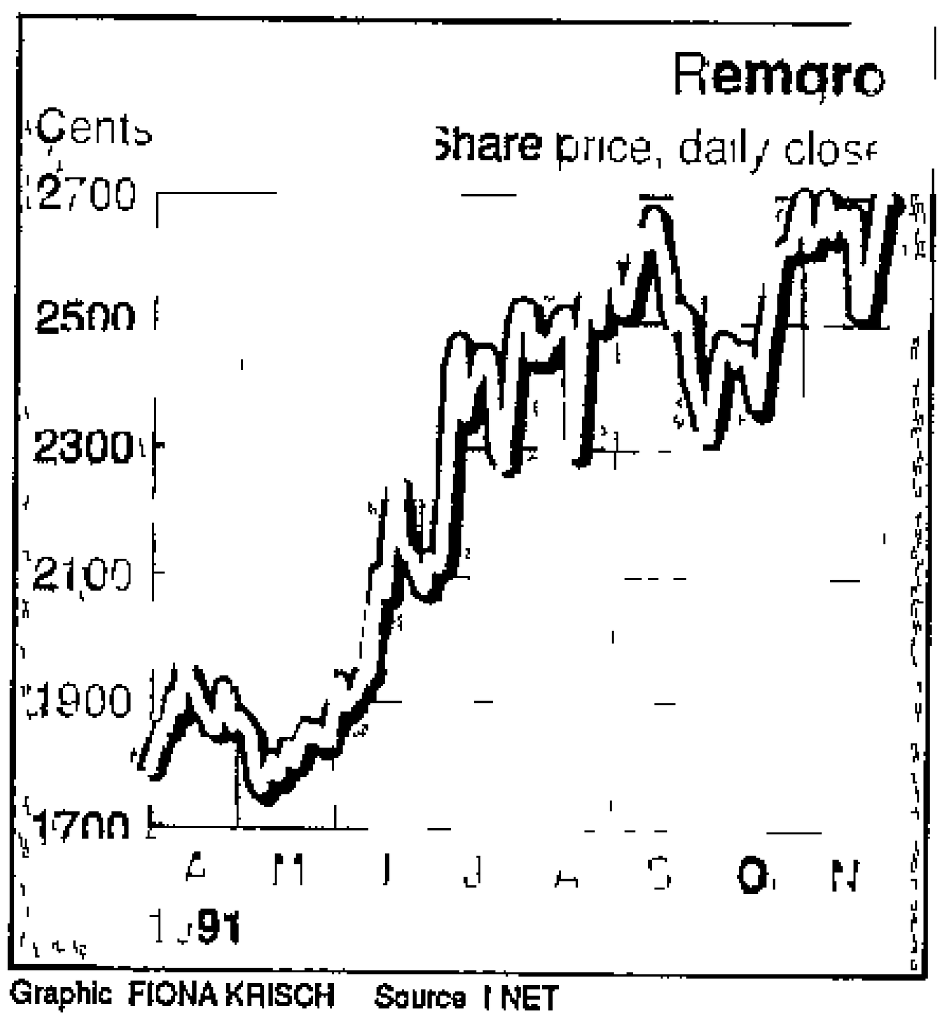
The sale of the major part of the Standard Bank Investment Corporation (SBIC) stake brought in R452m cash into the group, with an extraordinary capital gain of R242,6m being realised in the interim period The figures do not reflect an extraordinary profit of R216m

The group's capital commitments at end-September was R56,1m (R99m)

Rembrandt Controlling Investments has declared a 9,33c (7,78c) dividend on earnings a share of 61,58c (55,64c) The company's share of the group's capital gain was R123,9m and it made an extraordinary profit of R110,4m.

Technical Investment Corporation (TIC) notched earnings a share of 54,01c (48,79c) and declared a dividend of 8,18c (6,82c) a share Technical and Industrial Investments (TIV) declared a dividend of 8,67c (7,23c) a share on earnings of 57,2c (51,67c). TIC's share of the group's capital gain amounted to R50,3m and it made an extraordinary profit of R44,8m, while the respective figures for TIV were R42,3m and R37,6m

Chairman Johann Rupert cautioned in the profit announcement that the second half's earnings should not be expected to match those of the first half



Graphic FIONA KRISCH Source I NET

E

Business Report

Rembrandt boosts income by 23,6%

(198) CT 28/11/91

STELLENBOSCH — Diversified investment holding company Rembrandt Group yesterday reported a 25,8% increase in pre-tax income to R544,1m for the half year ended September 30.

After tax income was 23,6% higher at R343,5m.

Earnings per share excluding the interest in retained income from associated companies, consisting mainly of cash earnings, increased by 21,9% to 61,26c a share.

Total group earnings attributable to normal business operations for the six months increased to 83,18c a share or R434,2m, up 10,7% on last year.

An interim dividend of 12,6c a share was declared, 20% higher than the corresponding period last year.

The company generated extraordinary earnings from the sale of a major portion of its stake in Standard Bank Investment Corporation for R452,1m in cash, realising a profit of R242,6m.

Capital commitments, excluding expenditure authorised but not yet contracted for, amounted to R76,1m (R99m).

● Rembrandt Controlling has reported an increase in net income before taxation of 25,8% to R544,1m in line with its major subsidiary Rembrandt Group for the half year.

The group's total attributable earnings from normal business operations for the six months increased by 10,7% to 61,58c a share or R221,7m.

Earnings not including the interest in retained income of associated companies increased by 24,9% to 15,36c a share.

An interim dividend of 9,23c a share, up almost 20% on last year, was declared.

Extraordinary items, not included in the net income from normal business operations, amounted to a favourable R110,4m compared to the R8,8m last year.

● Technical Investment Corporation has reported a 25,8% increase in pre-tax net income to R544,1m for the half year.

Net income after tax was in line with other Rupert family controlled companies, up 23,6% at R343,5m.

Total attributable earnings from normal business operations was 10,7% higher at 54,01c a share or R69,9m.

Earnings excluding the interest in retained income of associates was 24,9% higher at 39,78c a share.

An interim dividend of 8,18c a share has been declared, up 19,9% on the same period last year. — Sapa.

Rembrandt's profits surprise

STAR 28/11/91

(198)

STELLENBOSCH — With the recession solidly in place, Rembrandt Group has reported a surprising 25,8 percent increase in pre-tax income to R544,1 million for the six months to end-September

After-tax income was 23,6 percent higher at R348,5 million

Earnings per share, excluding the interest in retained income from associated companies, consisting mainly of cash earnings, increased by 24,9 percent to 61,26c a share.

Total group earnings attributable to normal business operations for the six months increased to 83,18c a share, or R434,2 million, up 10,7 percent on last year

An interim dividend of 12,6c a share was declared, 20 percent up on last year

The company said earnings for the second half of the year could not be expected to equal those of the period under review since income did not necessarily accrue evenly througout the year.

The company generated extraordinary earnings from the sale of a major portion of its stake in Standard Bank Investment Corporation for R452,1 million in cash, realising a profit of R242,6 million.

Remgro's holding company Rembrandt Beheerend reflected the performance of its subsidiary with earnings, excluding retained income, up by 24,9 percent to 45,36c a share

An interim dividend of 9,33c a share, up almost 20 percent on last year, was declared

FM 29/11/91

RICHEMONT

(198)

Liquidity buffer

The depth of the world recession has taken some of the steam out of Richemont's growth Earnings per unit for the six months to September increased by 14,9% to £151,70, still a good performance considering that inflation is fairly low in some of its most important markets

But it is a slowdown from previous results, in which there were increases of between 20% and 40% Exchange rate fluctuations again played a part Sterling weakened against the dollar — the group's major sales currency — by about 4% compared with the year-ago period

Liquidity improved further after the sale of Richemont's 21% holding in TransAtlantic for £151m in May Net liquid funds increased more than 50%, to £606m, which is reflected in a one-third increase in interest income, to about £25m An extraordinary profit of £34m was taken on the disposal MD Johann Rupert says Richemont intends to maintain strong cash flow and conservative levels of debt

The additional liquidity offset a weaker operating performance Operating income increased by less than 5% to £261m Tobacco interests were more resilient than luxury goods Rothmans' profit rose 8%, to account for 70% of group operating profit

The luxury goods market was depressed Dollar income from Cartier Monde, which includes Cartier, Piaget and Baume & Mercier, fell by 3,7%, though sterling income was static at £60m The contribution from Dunhill Holdings, which is more exposed to the recession-hit US and UK, was down almost a fifth

Richemont has moved out of its well-defined core businesses by leading a consortium to take over the north European pay TV network FilmNet Holdings Pay TV is a reliable cash generator once a subscriber base is established; FilmNet already has half a million subscribers The entire consortium is committing about £90m, a fraction of Richemont's cash Richemont's share is not disclosed

The share has come off its peak of nearly R36, to stand at R32,80, partly affected by a narrowing of the financial rand discount and the recent shocks in world equity markets It still offers a p·e of 22,5 and a dividend yield of only 0,7% Though these are demanding ratings, the cash pile gives Richemont considerable scope to buy good companies, or to enjoy steady interest income if opportunities do not arise

Stephen Cranston

TOP 100 COMPANIES

BRUCE EDMUNDS . . . savouring the tang of success in tobacco and snacks that comes from a small and flat management structure

Utico's smoking on cigs and snacks

(198)

S|Times (BUSS) 1/12/91

By JULIE WALKER

UTICO chief executive Bruce Edmunds is looking to the day when South Africa's growth rate ventures above 4% a year.

Considering that in the recent years of low or negative economic growth, Utico has turned in one of the best performances over five years, it is easy to appreciate the kind of growth it could achieve in an economic boom

The two-pronged investment company has interests in cigarettes and tobacco, and in snack foods and soft drinks

Spotty

Mr Edmunds says that until five years ago, the earnings performance was spotty and inconsistent. But from 1986, the payoff from extensive capital and directional investment began to show in a steady and sustainable growth pattern

The flat management structure is an advantage, as is being relatively small — turnover in the last full financial year was R440-million and income attributable reached R22,3-million.

Five years ago, turnover was barely half that and profit only a third of 1990's performance

"With a small and flat management team there are inherent advantages. There is a high accountability and everyone pulls his weight," says Mr Edmunds.

Notch

"We all celebrate each small victory."

Mr Edmunds believes that sticking to two fields has been a major factor behind the success

Management has been stable. When tobacco division head John Woodcock retired earlier this year after almost three decades with the group, he was succeeded by long-serving Stuart Sutherland

Everyone in Utico's tobacco management moved up a notch, and newcomers came in to learn the ropes from a wealth of experience

Cigarette smokers are under high pressure in today's health-conscious society, but there is no shortage of customers in a growing population. Sport and other sponsorship should bring new marketing opportunities now that SA is welcome back in the real world.

Cricket is thankful for the Benson & Hedges night series, beautiful night pictures of which adorn the Utico offices along with John Player soccer trophies and Winston awards

The growth in snack-food consumption has been extraordinary. Utico owns Willards, a leading brand name in chips and allied snacks, and is behind the highly successful Flanagan's kettle-fried crisps.

Utico also owns the Fresh-Up juice company, which has increased sales markedly in the past five years and seeks export opportunities

Brands

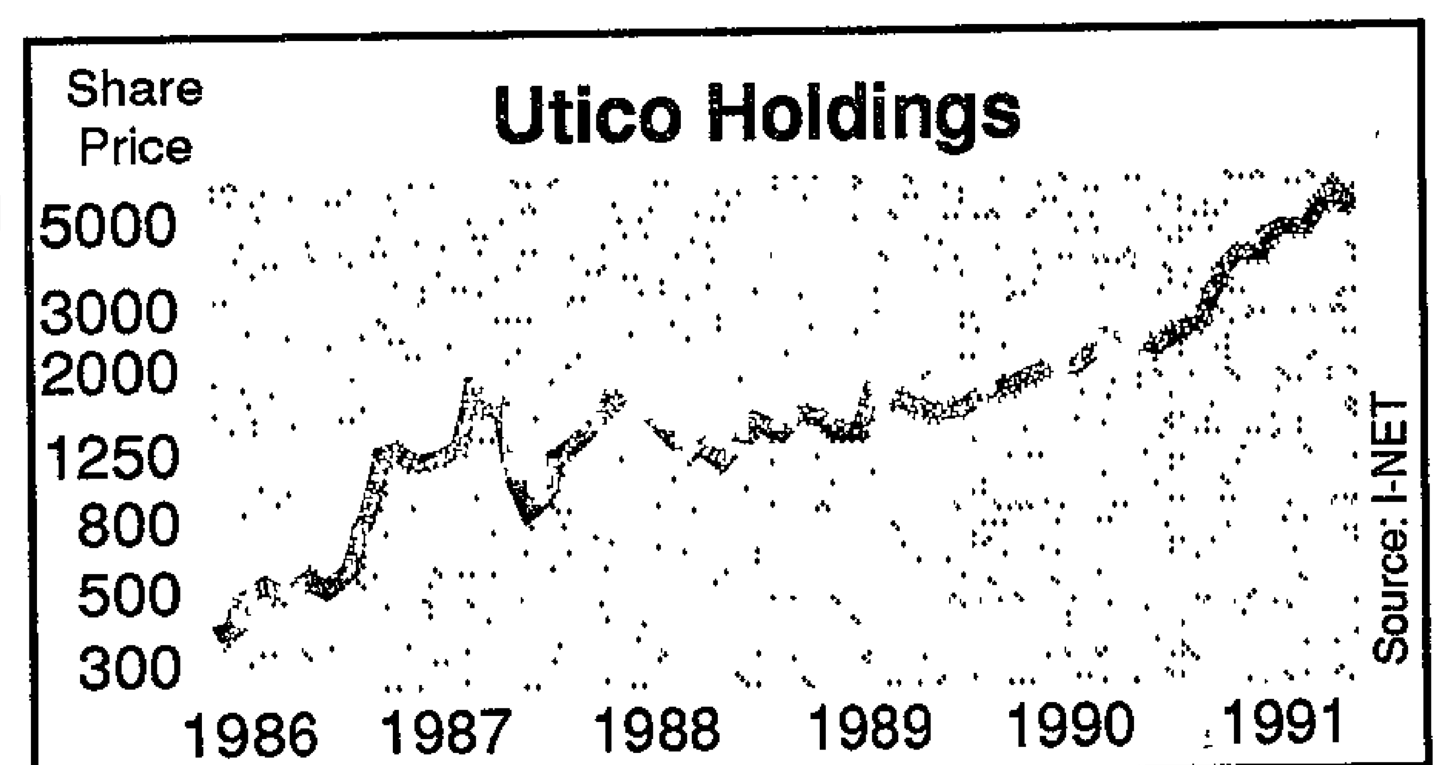
Advertising plays an important role in the sale of the group's low-ticket items Mr Edmunds says cigarette sales fall slightly in recession because people have to watch their spending.

But when more people find work, sales start to grow The company makes more than a million cigarettes a day under a dozen or more brand names, all of which have their loyal customers

Consistent playing of the same advertising message pays dividends The whole of South Africa could furnish the brand name that goes with the "Share the feeling" campaign

Investors have shared in the growth of this sterling company An investment of R10 000 in 1986 would be worth-R121 669 today.

'With a small and flat management team there are inherent advantages. There is a high accountability and everyone pulls his weight'



Toco Holdings keeps on growing

ROBERT LAING

INDUSTRIAL supplies manufacturer and distributor Toco Holdings held its trend of continued growth in the six months to end-September

B/Day 3/12/91

Interim turnover rose 16% to R65,7m, compared with R56,8m in the corresponding period last year

(198)

Chairman Paul Todd said the rise reflected a combination of organic growth and last year's acquisition of outside shareholders' interests in the group's associated companies Toco made the vitreous steel section of its building division and its automotive refinishing division wholly owned subsidiaries last year

A better product mix helped the group buck the trend in the steel industry, but operating margins shrank fractionally to 15,6% from 15,8%, limiting the rise in operating income to 14% The operating income was R10m (R9m).

The effective tax rate was reduced to 10% from 22% by transactions completed last year Toco MD Adrian Goodman said the lower tax rate was expected to last until the final results, after which a return to a range of 25% to 30% was expected

The absence of attibutable income of associated companies (previously R272 000) resulted from all operating companies becoming wholly owned

Attributable income rose 15% to R6,6m (R5,7m), but an increase in the number of shares in issue diluted the growth in earnings a share to 2%

Interim dividends were increased 10% to 2,75c (2,5c) on earnings of 9c (8,8c) a share, equating to a dividend cover of 3,3.

Todd said the group was moving its dividend cover from 2,5 towards an average cover of 4 times "We aim to achieve this improvement without deviating from our target of steady increases in dividends"

Toco reduced its gearing to 36% from 43%

Smoking to become more expensive

(198)

Sowetan

THE price of cigarettes is expected to rise by 5c a pack of 20s following an increase in the wholesale price, Transatlantic Tobacco Company said yesterday 6/12/91

After allowing for VAT, the increase to the consumer will be about 2,6 percent, according to distributors of Rembrandt, Peter Stuyvesant, Lexington and Dunhill.

"The latest increase was necessitated mainly because of rising costs of imported materials and tobacco. Over a period of 12 months the increase could be limited to 11 percent due to a saving brought about by VAT," Transatlantic Tobacco said. — Sapa

FM 6/12/91

REMGRO FM 6/12/91

Showing stability

The resilience of tobacco in recessions is matched perhaps only by beer, but the true contribution of tobacco to the performance of Rembrandt Group (Remgro) until end-September is not easy to discern from the few lines which make up the interim report

Analysts estimate earnings from tobacco increased by a fifth and certainly exceeded inflation

Interest income was another principal contributor to the 24% increase in pre-tax profit Remgro realised R452m from the sale of its interest in Standard Bank Investment Corp, which represented a capital gain of nearly R243m

198

Borrowings down

At year-end, borrowings were already R150m lower than at the 1990 year-end and the proceeds from the sale comfortably exceeded remaining borrowings Capital commitments, which are down to R56m from R99m a year before, are unlikely to upset this liquid position, thanks to the strong cash flows in the group

The major investment in the first half was R106m to follow rights in Huntcor, which increased the effective stake in Rainbow Chicken from 25% to 40%.

The 17% drop in the contribution from associates was expected, as most of their results have already been published. A low point was a R13m abnormal loss to Metkor from its associate Usko

But it was creditable for the group as a whole to increase EPS (including the share of net income retained by associated companies) by almost 11% in a recession Its effective 12% interest in Absa and 34% stake in Total give consistent earnings and help to insulate Remgro against the more volatile earnings from mining, the poultry industry and the mining services operation Fraser Alexander. Even wine and spirits are declining in real terms during the recession

At R26,25, Remgro offers an earnings multiple of 15,1 and a dividend yield of 1,2%. It is, as ever, a demanding rating, but the core product — tobacco — remains strong and the portfolio is managed so as to offer good long-term returns and minimise financial risk.

Stephen Cranston

ASSOCIATES DIVE

Six months to	Sep 30 '90	Mar 31 '91	Sep 30 '91
Pre-tax income (Rm)	440	520	544
Income retained by assoc (Rm)	146	177	121
Net income (Rm)	392	473	434
Earnings (c)			
— Normal	75,1	90,7	83,2
— excl associates	49,0	58 4	61 3
Dividends (c)	10,5	17,4	12,6

198

Tobacco Board gets new lobby group

B Day 17/12/91. (198)

PAUL ASH and NINA SHAND

THE Tobacco Board has taken a tough new stand against the anti-smoking lobby with the formation of the Tobacco Institute of Southern Africa

In its annual report released at the weekend, it said its action group has been dissolved and replaced by the institute, which is a private company

"The move was necessary following the growth in the biased, emotional and also at times irrational attacks and actions against the smoking habit and thus against the tobacco industry," said Tobacco Board chairman Neil le Roux

The institute would emphasise the economic importance of the local tobacco industry as well as promote a "realistic image" of smoking

The board's membership of the International Tobacco Growers' Association, approved in October 1989, had given SA access to information on growing and marketing tobacco, and consumer trends and new strategies to combat the increasingly powerful anti-smoking lobby.

The annual report painted a dismal picture for the industry It said that despite ideal climatic conditions, the 1990/91 year would end with a "serious" average decrease in SA's crop Crops were further affected by a drop in the number of producers

Tobacco production during 1990/91 fell 2,4-million kg to 27,46-million kg from 29,8-million kg in 1989

The drop was a result of a drop in real profitability for the producer.

Le Roux said the future of the industry was being hampered by the drop in production The board was planning to boost tobacco imports

In the year under review, gross agricultural production earned about R312,4m South Africans consumed 43,6-million kg of tobacco and spent about R3 482m on tobacco products

Meanwhile, DAVE LOURENS reports that two Cape Town organisations have announced anti-smoking campaigns

Pharmaceutical manufacturer Warner-Lambert has banned smoking on its premises from January 1, and the Wine of the Month Club has launched a financial incentive scheme to end smoking among its employees

MANUFACT. – TOBACCO

1992

COMPANIES

Richemont shoots into Top 100

B/Day 14/1/92 (198)

Own Correspondent

LONDON — Richemont, the Swiss-based holding company controlled by the Rupert family's interests, is ranked 92nd among Europe's Top 500 companies, published yesterday by the Financial Times

The ranking is by market capitalisation in dollars — $5,04bn in the case of Richemont, which controls international tobacco giant Rothmans and the luxury goods groups Cartier and Dunhill Richemont did not appear in last year's Top 500

In terms of turnover, Richemont comes in at 75th place with its $11,1bn sales, up 9,2% in the year to the end of March 1991

The survey shows that Richemont bucked the trend among the 28 companies in its sector, "diversified holding companies" While their aggregate profits declined by 16,9%, Richemont enjoyed a 2,7% gain to $1,03bn

Stocks does deal

149

By JULIE WALKER

CONSTRUCTION group Stocks & Stocks hit a 12-month high of 205c on the JSE ahead of a deal with York Timbers

Yorkcor has unconditionally bought Cape door manufacturer and exporter Phoenix from Stocks for R1,8-million It will become part of Yorkcor's timber beneficiation and exporting division which is headed by group managing director Ivor Tucker S|TIME)(BUSS)

Mr Tucker says Phoenix chief executive Hugh Paine will stay on Mr Paine is an expert finisher of timber furniture and has built a good reputation 5|11|92

The association between Yorkcor and Stocks goes back years Stocks chief Dick Glanvill's father established Pretoria Amalgamated Quarries as part of Katzenellenbogen, now Yorkcor

Stocks does deal

199

By JULIE WALKER

CONSTRUCTION group Stocks & Stocks hit a 12-month high of 205c on the JSE ahead of a deal with York Timbers

Yorkcor has unconditionally bought Cape door manufacturer and exporter Phoenix, from Stocks for R1,8-million It will become part of Yorkcor's timber beneficiation and exporting division which is headed by group managing director Ivor Tucker

S| Times (Buss)

Mr Tucker says Phoenix chief executive Hugh Paine will stay on Mr Paine is an expert finisher of timber furniture and has built a good reputation

5|11|92

The association between Yorkcor and Stocks goes back years, Stocks chief Dick Glanvill's father established Pretoria Amalgamated Quarries as part of Katzenellenbogen, now Yorkcor

Rochelle Gosling-Hughes reports that forestry in SA is cleaning up its act

Seeing the wood from the trees

3 Timber 199

STAR 7/1/92

FORESTRY in South Africa is cleaning up its act Managers and directors in the industry have devised a code of environmental conduct which has been universally accepted by the industry.

Companies such as Sappi, Mondi and H L&H — the three biggest in South Africa — along with the Government's Department of Forestry have joined forces to promote the Forestry Council's new initiative

One of forestry's dilemmas is the limit on the amount of land that can be covered by plantations. Already one million hectares are covered by plantations, and the industry says another one million will have to be covered soon if South Africa is to avoid a timber and pulp shortage next century.

One strategy has been to clone a super-tree — fast growers which need minimum water and are not too fussy about where they grow. H L&H has produced a "super eucalyptus tree" which grows twice as fast as a normal gum tree. Thus, with eucalyptus at least, the industry may soon be able to halve its demand for land

A prime example of forestry's new commitment to the environment is the White River Water Project where rivers in the White River area are being stripped of invasive pines and gums

The industry is also beginning to accept the idea of environmental auditing where progress is weighed against environmental damage. While Sappi's forestry division accepts this, there has been no environmental audit, as yet, for Sappi's industrial division. However, the bulk of Sappi's research and development budget is spent on environmental protection.

Mondi Paper Company state that they do not hesitate to "draw upon the international pool of technology resources where proven developments could further reduce the impact of its operations on the environment".

Indeed the forestry industry has little choice — manufacturers which use forestry products for export goods are being questioned by overseas buyers about where their timber comes from and how it is grown

Bruce Mackenzie, chairman of the Forest Owners Association, says production must be doubled within the next three decades to keep up with export demands.

He says the southern hemisphere is the only available place for increasing production

A doubling in production is expected for South Africa for the period from 1989 to 2020

At present, South Africa caters for about four percent of world export needs □

SA's low-cost high-flyers

S/Times (Buss) 12/1/92

(1991)

DIAGONAL STREET

by Robin Pegler

IT is a good idea to examine companies which sell a large part of their output on international markets and whose costs are low by world standards

The reasoning behind this is

● A low-cost producer is better placed to withstand prolonged world recession than one whose costs are high In South Africa we see profits falling but at least our companies are not incurring losses as applies to some producers abroad

● Producers in low cost countries tend to expand, as we are seeing in SA. A high cost producer has a static output. Indeed, if its costs are too high or if its debt is too heavy it may be forced out of business.

There are anomalies in these arguments In some cases foreign businesses are state owned and are likely to continue to operate in order to maintain employment, even if they incur losses However one can get a broad picture.

SA ferrochrome producers — Samancor in particular — are perhaps the first to come to mind

I asked Samancor chief executive Hans Smith for his views

He tells me that one important advantage is that SA and Zimbabwe have low-cost chrome deposits Samancor is an integrated producer its plant being close to its mines On the other hand, producers abroad have to pay high transport costs to get their ore This more than offsets the benefit of proximity to markets

This leads to another advantage — flexibility To avoid flooding the market, Samancor is operating at 75% of capacity It can mothball a furnace for a week or a month as it thinks fit. A foreign producer which has a contract to buy ore will need to keep going

Mr Smith says Samancor has about 30% of the world market. It has the advantage of being a predictable producer with regular customers and is in a better position to decide on its own price terms than if it operated on the spot market, which it avoids

Spot markets are traditionally far more volatile than contract ones and ferrochrome is no exception.

Power in SA is relatively cheap, although we do not have the advantages of hydro-electric (as in Finland) or low-cost atomic power (as in Sweden)

The state owns the mines in those two countries. Accordingly, they take little account of overall costs, which Mr Smith suspects are high. In any case, they sell on the spot market.

Although SA labour is generally less productive, the cost of employees at all levels is considerably lower than it is abroad.

Of prospects for the next year or so, Mr Smith says Samancor is receiving $0,52 a pound for ferrochrome Prices received have been as low as $0 47

However, destocking appears to be over, and customers are operating hand-to-mouth They will probably continue to work on minimum stocks until they see signs of a recovery in the world economy So restocking is likely to lag behind an improvement in trade.

Samancor's share of the world market in ferromanganese is smaller at 17% However, for this commodity, Samancor has similar cost advantages.

More than 50% manganese ore mined is exported compared with less than 50% for chrome.

Samancor is taking a 50% interest in the Columbus stainless-steel project in conjunction with Highveld Steel & Vanadium. The cost is estimated to be about R3-billion.

Recent tax concessions have made this project possible. This is part of an increasing trend to greater beneficiation

Columbus will have the advantage of vertical integration It will enjoy cheap ferrochrome which can be fed to the stainless-steel plant in liquid form without the need for remelting and without incurring transport costs

Unlike the position with ferrochrome, SA will be a relatively small player in the stainless-steel market and its entry will not upset the apple cart

The long-term trend will be for SA to add more and more volume in the form of beneficiation of metals By the next century, SA should have expanded its market share in stainless steel and the more sophisticated commodities

Samancor's strong balance sheet has enabled it to pay without difficulty the R250-million cash for its 50% share of the stainless-steel division of Middelburg It has acquired the whole of Middelburg's ferroalloy operations and chromite interest for, in effect, the issue of 22-million shares. This takes Samancor's issued capital from 167 million to 189 milion shares, a relatively small dilution

Samancor has made a cheap purchase considering the potential when world markets recover

CMI originally had all its ferrochrome smelting operations at Lydenburg and bought its chrome ore from nearby Winterveld However, Winterveld, which was in the Rand Mines stable, was sold to Middleburg Steel and is now part of the Samancor group

CMI is naturally concerned that Winterveld is owned by a competitor although there is a two-year notice on either side to terminate supplies

CMI is conducting a feasibility study on the Thorncliffe ore deposit owned by its parent JCI Thorncliffe is about 65km from Lydenburg Because of transport costs reasonable proximity to the smelter is important.

Purity Chrome is an integrated operation at Rustenburg It has a chrome mine and was bought by CMI in 1990

The impression I get is that Purity has lower overall costs than the Lydenburg operation Its access to the vast UG2 chrome reserves helps in this respect.

CMI's profits fell in the year to June 1991 when the ferrochrome price was $0 47/lb in the first half and $0 49 in the second Working profit did not cover interest charges on loans raised to buy Purity and CMI incurred a loss

It has since made a 40-for-100 rights issue of 10% convertible prefs at 105c reducing debt-equity ratio from 109% to 49%

Although CMI's capital has been diluted, its annual production capacity has increased from 220 000 to 330 000 tons, equivalent to about 12% of world supply

It is now more comfortable with its current price of about $0 52/lb and should do much better in the current year

Generally speaking, SA's pulp and paper producers also have a cost advantage because they benefit from cheap power and faster-growing trees.

Sappi Kraft managing director Ian Forbes says a tree that takes 12 years to grow here needs 30 years in a colder climate Generally producers in the warmer countries have fared best in recession

Although SA company profits have fallen they are at least holding out. Much the same applies to manufacturers in the southern states of America Further north, in Canada and Scandinavia, for example producers are incurring losses

However Mondi commercial director Graham Perrins says one must be careful in comparing costs Producers in developed countries are closer to their markets so they do not need to incur heavy shipping costs They also have longer standing relationships with customers

SA labour is cheaper, but productivity is lower Plants abroad are more highly mechanised than here

SA producers and others in warmer countries have expanded production They will have similar advantages to SA's

Overall, SA has the benefits of being a low-cost producer The Saiccor division of Sappi which makes dissolving pulp is the lowest-cost producer in the world in its field

The best time for expansion is in a recession If it does so a company can enjoy the benefits of increased production when the market recovers.

Sappi has raised R1-billion through a rights issue of 35 for 100 at 3 200c Of this R700-million will be used to expand Saiccor

Total capital expenditure by the group is estimated at more than R1 billion up to mid 1994

In the interim, the proceeds of the rights offer will reduce the debt.equity ratio from 0,68 to 0,24 It makes sense for a company which pays no tax to avoid interest charges which cannot be claimed as an expense for tax

Mondi has also expanded A R1,3 billion capital programme was started in 1987 and is more or less complete.

Both companies have invested abroad. To gain predictable markets and avoid the vagaries of commodity prices, Sappi has bought five paper mills in Britain. Mondi has taken a 49% in Neusiedler a high-quality Austrian producer of photocopy and business papers These investments are likely to be developed further

It is often believed that our pulp and paper producers are able to shelter behind tariffs, but this is not so At present, there is no tariff on pulp or uncoated paper Linerboard has a 10% tariff and coated paper 15%

An application has been made for tariffs on all types of paper

Ideally a free-trade situation where there are no tariffs makes most sense economically It enables a country to specialise in what it can produce best and cheapest. Tariffs are inflationary

However, world recessionary conditions tend to lead to dumping If a SA pulp producer were to export surplus production to the US or Europe, anti-dumping action could be implemented within weeks

But for some reason the SA Government is unable to react quickly to dumping by international producers. The position will be investigated but in the interim it is quicker to give tariff protection. Regrettably this does make sense

The fall in the rand's value in the past eight years has led to better prices for SA's commodity producers

The other side of the coin is that imported plant for expansion has become prohibitively expensive Replacement costs are much higher than for original machinery

The producers concerned do not allow for this in their accounts as do such companies as Anglo-Alpha and Afrox

This is why Columbus requires major tax concessions SA also has a large disadvantage in that the cost of capital (interest rates) and the rate of taxation are so high

Concessions to exporters help to some extent, but most of them are to be phased out in 1995

Duties must still be paid on imported plant and machinery

In other words, SA has physical advantages in its natural resources, but the structure of its economy and its tax is all wrong The countries which have done best in exports such as Germany and Japan are those with the firmest currencies.

This is a disadvantage from which all SA companies suffer We cannot hope for level playing fields We must search out those fields which have the gentlest slope.

At least government policy is now slanted more to the promotion of exports and less to the protection of uneconomic SA production.

It pays to take the long-term view and invest in industries where SA has a natural advantage Temporary setbacks in profits should be seen for what they are.

HANS SMITH Integrated Samancor steals a march on foreigners financial printing

Sappi's eco-friendly paper is based on sugar cane fibre

B/Day 27/1/92

199

A LOCALLY produced, environmentally friendly paper good enough for corporate use will be available within months

Industry sources say it will be cheaper than imported options

It will break the notion of only imported recycled papers being good enough for corporate communications with a green thrust

The quality of locally produced recycled paper has to date been below specifications for corporate requirements, despite a trend towards the recycled look

Several factors have held up the development of quality recycled paper

Spicers marketing manager Peter Tannahill says a lack of demand has hindered growth, with insufficient social pressure for recycled materials

But the momentum towards environmentally friendly paper and graphics supplies is picking up locally

US paper mills are reaching a point where most of their output is in recycled paper, an industry which has seen phenomenal growth in the past two years

A problem in the local recycling industry, says First Paper House marketing manager Gus Mason, is that 40% of SA's paper output is exported, leaving only 60% for recycling.

Australia, by contrast, imports 40% of its paper, providing a substantial amount of paper for recycling.

Adapting

SA's paper industry, while adapting to meet environmental demands, ranges from the environmentally friendly to unfriendly

Ignorance still exists as to what is environmentally friendly

Mason says "It would help if we could do away with the myth that recycling is necessarily kind to the environment"

Sappi Fine Papers has introduced a new range of eco-friendly quality art paper made from sugar cane

Sappi says New Dukuza Coated Art is suitable for corporate use while satisfying environmental pressure groups by using post-industrial waste in its production

New Dukuza is manufactured using a high proportion of bagasse — the fibrous residue left in sugar cane after the juice is extracted

Almost 800 million tons of sugar cane are harvested annually, producing over 60 million tons of bagasse Historically, this has been used as fuel for steam production in sugar factories.

Although its primary use is still a factory fuel, it is increasingly sought after as a valuable, ecologically safe resource for the paper industry

Sappi says the new paper is manufactured using a soda-based pulping process to eliminate toxic gas and unpleasant odours

Chemical levels are reduced by up to 90% by effluent being treated in an aeration lagoon

Rembrandt dividends

(198)

Rembrandt companies yesterday announced a special dividend to commemorate the group's 50th anniversary in conjunction with the final dividend for the year to March 1992 STAR 7/12/92

The declarations are (final dividend, total for financial 1991/2, special dividend)

- Rembrandt Group 20c, 32,6c, 30c
- Rembrandt Beheerend 14,81c 24,14c, 22,21c,
- Technical and Industrial Investments 13,78c, 22,45c 20,66c.
- Technical Investment Corporation 13c, 21,18c, 19,49c.

Remgro announces special dividend

8/Day 7/2/92

JABULANI SIKHAKHANE

THE Rembrandt Group (Remgro) is to mark its half century with a special dividend of 30c a share That, added to the 20c final declared today and the 12,6c interim means a total payout of 62,6c a share for the past year as a whole The previous year's total dividend was 30c

The latest declarations, totalling R261m, will create no undue strain for the group Last year Remgro realised R452m from the sale of its stake in banking group Standard Bank Investment Corporation It also has enormous cash-generation capacity During financial 1991 cash (including investment income) available from activities topped R641m

(198)

Shareholders in Rembrandt Controlling Investments, which owns 51% of Remgro's issued capital, will be paid a special dividend of 22,21c a share and a final ordinary dividend of 14,81c

Technical and Industrial Investments will pay 20,66c as a special dividend and shareholders in Technical Investment Corporation at the top of the pyramid will receive R25,74-million or 19,49c a share.

The Rembrandt empire was founded in 1942 when Anton Rupert and the late Dirk Hertzog established Technical and Industrial Investments. They started with a dry-cleaning business before focusing on tobacco with their firm Voorbrand Tobacco

MD of Utico Holdings, Bruce Edmunds, speaks about the group's results. Picture BRIAN HENDLER

Utico enjoys sixth year of real earnings growth

BDay 13/2/92 (198)

MARCIA KLEIN

TOBACCO and snacks group Utico Holdings' results for the year to end-December represent its sixth year of sustained real earnings growth

Despite severe pressure on consumer spending during the year, the group — whose brands include Benson & Hedges, John Player, Winston, Willards Foods and Fresh-up fruit juices — increased its earnings by 27% to 466c (368c) a share

In addition, the group announced yesterday that shareholders would receive a 35% higher final dividend of 175c (130c) a share.

This brings its full year dividend up by 37% to 280c (205c) a share, with the cover lowered from 1,8 to 1,7 times

Although slightly below the first six months, turnover grew 18% to R517,5m (R440,5m) — reaching a R0,5bn turnover for the first time in Utico's history

MD Bruce Edmunds said in an interview that the group had shown turnover growth in markets which were pretty flat

Operating margins were improved and operating income was 24% up at R56,5m (R45,7m)

Edmunds said the 1991 year had been one of consolidation in which expenses had been contained

Utico's interest bill increased by 30% to R3,6m (R2,7m), resulting mainly from the cost of the new Willards plant in Parow. Despite this, gearing was reduced from 15% to 13,5% The increased interest saw pre-tax income increase by 23% to R52,9m (R43m)

But a reduction in the effective tax rate from 48% to 46,5%, which saw the group pay 19% higher taxation of R24,6m (R20,6m), brought attributable profit up by 27%.

Edmunds said he was happy with the results but said trading conditions remained tough and the group had to work hard to achieve them It was also working off a much bigger base following six years of real growth

Venter avoids showdown on smoking

198 SoutL (Southside) 20/2 – 26/2/92

HEALTH Minister Rina Venter, whose anti-smoking legislation is likely to come before parliament this week, shied away from publicly challenging a Cabinet colleague's support for the tobacco industry in its battle with the anti-smoking movement.

However the colleague, Minister of Agriculture Dr Kraai van Niekerk, was slammed by both the Medical Research Council and the executive director of the National Council Against Smoking, Dr Yusuf Saloojee, who said it was obvious that there was a clash in government on the issue.

Van Niekerk told a meeting of the Tobacco Board in Cape Town that it had become "fashionable" to criticise smoking.

"It is fitting that the industry is trying to position itself better to fight the anti-smoking onslaught by, among other things, the founding of the Tobacco Institute of Southern African," Van Niekerk said.

Asked whether these statements did not contradict her own efforts, Venter declined to reply directly.

Her department remained "committed to inform the public of the dangers of smoking," she said through a spokesperson. She also said she would not be put off her stride.

But the Medical Research Council (MRC) said Van Niekerk's statement was "highly irresponsible".

South Africa was probably the only country in the Western world where smoking was still justified by the government, instead of the public being alerted to the dangers of the habit, the MRC said.

Saloojee said he had no doubt that the tobacco industry would use all its power to oppose the anti-smoking legislation.

" But given the dire consequences of smoking, no Minister of Health can ignore smoking as probably the number one health issue in South Africa," he said.

"Our concern is not a fight with the tobacco farmers, it's with preventing death and disease from smoking.

"It is regrettable that the Minister of Agriculture has chosen the economic welfare of a small sector of the community over the health of the majority of South Africans."

Every prediction was that, contrary to trends in most of the developed world, tobacco use would actually increase in South Africa in this decade.

Saloojee said the Tobacco Institute mentioned by Van Niekerk was set up by the tobacco industry in 1991 to combat what it termed the "biased, emotional and at times irrational" attacks on the industry.

It aims to promote, among decision-makers and opinion shapers, a "realistic image of the smoking habit".

Venter's delayed in tabling the anti-smoking Bill, which was circulated in draft form midway through last year.

Her spokesperson said the reason for the delay was that she had instructed her legal division to ensure that the legislation conformed to the principle in the Universal Declaration of Human Rights that people had the right to "make their own decisions. □

— DONALD ZAKE

198 ARG 22/2/92

Rembrandt spreads

Group now controls a 'remarkable' 14,3% of JSE

ROY COKAYNE
Weekend Argus Correspondent

PRETORIA — The Rembrandt group's control of the Johannesburg Stock Exchange, based on the market capitalisation of companies it controls, has increased dramatically in less than 10 years from 2,1 percent to 14,3 percent

The increase in Rembrandt's control has been described as "remarkable" by Mr Robin McGregor, author of "Who Owns Whom - The Investor's Handbook" The latest and 12th edition of the handbook has just been released

Mr McGregor added that Rembrandt's current 14,3 percent did not include Amalgamated Banks of South Africa (Absa), which is due to merge soon with the Bankorp group

But he admitted it was debatable whether Rembrandt controlled the giant banking group and refused to speculate about what Rembrandt's control of the JSE would be if Absa was included

"I can't take a flier like that," he said

Mr McGregor revealed the Anglo American group's control of the JSE now amounted to 43,6 percent compared to 52,5 percent in 1983 while Sanlam's stake had risen from 9,4 percent in 1983 to a current 13,9 percent

SA Mutual had increased its share in the same period from 0,6 percent to 9,2 percent while directors had the next highest level of control at 4,9 percent

This means that overall 81 percent of the market capitalisation of the JSE is controlled by four groups, which is marginally down from the 81,2 percent last year

In 1983, the top four companies controlled 64,6 percent of the market capitalisation of the JSE but this increased dramatically to 70,3 percent in 1984 and 80,2 percent in 1985

The rate of increase slowed down in the next two years when in 1986 it rose to 80,7 percent and in 1987 to 83,1 percent Surprisingly, the control of listed companies dropped in 1988 to 77,7 percent but increased again in 1989 to 80,7 percent and to 81,2 percent last year - its second highest level in eight years

The increase in local control of companies listed on the JSE has been attributed directly to disinvestment

But Mr McGregor did not believe recent political developments, which had made South Africa more acceptable to investors, would in the future be the most important factor influencing control of companies listed on the JSE

"Unbundling, which is happening and continuing to happen, will be The conglomerates will unbundle for a variety of reasons and are realising this is the right route to go purely from an economic viewpoint and from a management control viewpoint Hopefully companies will be sold to directors

"I think the private sector is almost as bureaucratic as the public sector," he said

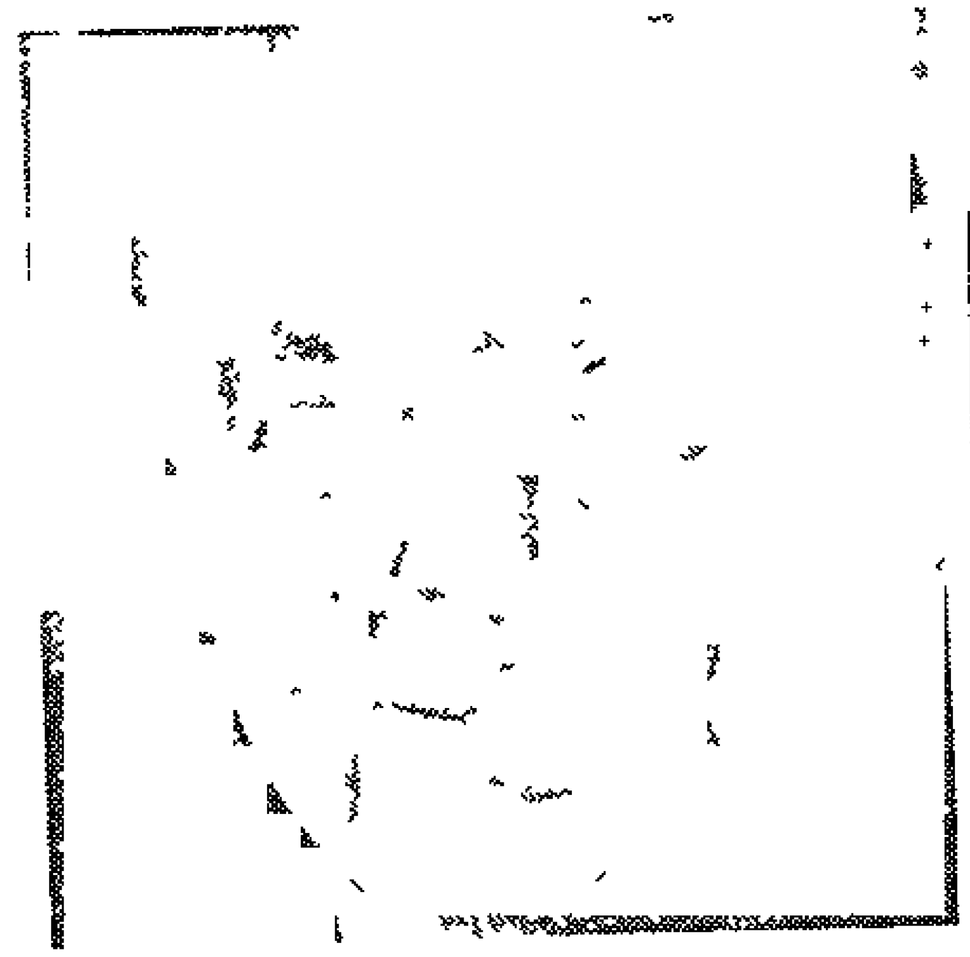
The latest edition of "Who Own Whom" reveals that 42,6 percent of South Africa's Gross Domestic Product (GDP) is generated by the 24 000 companies featured in the handbook while the remaining 30 000 registered companies in South Africa only produced 26,1 percent

The 1 200 pages of the handbook are devoted to the financial scutiny of the more than 700 companies listed on the JSE and which employ more than 3-million people

It also includes schedules of stock broking firms, transfer secretaries, newly listed and delisted companies, name changes, unit trust performances over a 15-year period, mines working results and a host of other valuable analytical information about listed companies

The comprehensive Directory of Directors show Mr Clem Sunter of the Anglo American group is the new leader in the multiple directorship stakes, now holding seats on the boards of 23 listed companies

"This section and the identification of over 500 nominee companies explains unexpected influences which have been influenced in the policies of many companies," Mr McGregor said



☐ **ANTON RUPERT:** Company is growing dramatically

☐ **CLEM SUNTER:** On the board of 23 listed companies

Marketing poser for SA tobacco industry

198

AAQ 25/2/92

AMSTERDAM — South Africa's tobacco manufacturers will have to find new ways of selling their wares in European markets from next year if a European parliament vote last week to ban all tobacco product advertisements is upheld

The paliament's decision is still to be ratified by the European Commission which is now divided about the issue with the Netherlands, Germany, the UK and Denmark opposing some of the more stringent measures

The commission's first proposals had been turned down by the European parliament — which felt these had "not gone far enough" and there is considerable disagreement among the member states about the issue.

Mr Jacques Vernier of France, one of the strongest proponents of the new law, said it was one of the parliament's aims to "break down the positive image of tobacco products"

He said another strong motivation for the stern new law was that they wanted to stop youths from even starting on the tabocco habit

The ban on handing out free samples and the ban on sponsorship of public and especially of sports events by tobacco manufacturers were all designed towards this goal, although another primary concern had also been the issue of public health

The new law includes a total ban on any direct or indirect advertising and companies whose primary products are tobacco, but which also manufacture non-tabacco products, will also find themselves unable to advertise any of their products from January next year

The widespread European practice of issuing free cigarette samples in attractive packages to teenagers in coffee shops, discos and from automatic dispensers will no longer be allowed under the new law in any member states of the European parliament

Advertising any tobacco products in public, even inside tobacco shops, will also not be allowed if this were to be visible from outside.

Moreover, consumer organisations will have considerably more legal clout when trying to enforce the new anti-advertisement laws, as they will be given the legal right to take manufacturers to court over public advertising of any tobacco products in Europe — Sapa

Cigarette groups face setback in Europe

STAR 27/2/92

(198)

AMSTERDAM — South Africa's cigarette manufacturers will have to find new ways of selling their wares in European markets from next year if a European Parliament vote last week to ban all tobacco product advertisements is upheld

The parliament's decision is still to be ratified by the European Commission which is now divided over the issue, with the Netherlands, Germany, the UK and Denmark opposing some of the more stringent measures.

The commission's first proposals had been turned down by the European Parliament — which felt these had "not gone far enough" and there is considerable disagreement among the member states about the issue

Jacques Vernier of France, one of the strongest proponents of the new law, said it was one of the parliament's aims to "break down the positive image of tobacco products"

He said another strong motivation for the stern new law was that they wanted to stop youths from even starting on the tobacco habit.

The ban on handing out free samples and the ban on sponsorship of public and especially of sports events by tobacco manufacturers were all designed towards this goal, although another primary concern had also been the issue of public health

The new law includes a total ban on any direct or indirect advertising and companies whose primary products are tobacco will also find themselves unable to advertise any of their products from January next year.

The widespread European practice of issuing free cigarette samples in attractive packages to teenagers in coffee shops, discos and from automatic dispensers will no longer be allowed under the new law in any member states of the European Parliament — Sapa

Heading	Subheading	Article Description	Statistical Unit	Rate of Duty
	8501 32	Of an output exceeding 750W but not exceeding 75 kW	No	5%
	8501.33	Of an output exceeding 75 kW but not exceeding 375 kW	No	5
	8501.34	Of an output exceeding 375 kW	No	5%
	8501 40	Other AC motors, single-phase	No	5%
	8501.5	Other AC motors, multi-phase.		
	8501 51	Of an output not exceeding 750 W	No	20%
	8501 52	Of an output exceeding 750 W but not exceeding 75 kW	No	20%
	8501 53	Of an output exceeding 75 kW	No.	20%
	8501 6	AC generators (alternators):	No.	20%
	8501 61	Of an output not exceeding 75 kV.A	No.	20%
	8501 62	Of an output exceeding 75 kV A but not exceeding 375 kV.A	No	20%
	8501 63	Of an output exceeding 375 kV.A but not exceeding 750 kV.A	No.	20%
	8501.64	Of an output exceeding 750 kV.A	No.	free
85 02		**Electric generating sets and rotary converters.**		
	8502.1	Generating sets with compression-ignition internal combustion piston engines (diesel or semi-diesel engines):		
	8502.11	Of an output not exceeding 75 kV A	No	20%
	8501.12	Of an output exceeding 75 kV A but not exceeding 375 kV.A	No.	20%
	8502.13	Of an output exceeding 375 kV A	No.	20%
	8502 20	Generating sets with spark-ignition internal combustion piston engines	No.	free
	8502 30	Other generating sets	No	free
	8502.40	Electric rotary converters	No	5%
85 03	8503.00	**Parts suitable for use solely or principally with the machines of Heading No. 85.01 or 85.02.**	No	20%

Voorsiening in Bylae 4 vir korting van die reg op:

Vlamdigte of plofvry elektriese motore, mits die Kommissaris ten tyde van klaring vir plaaslike verbruik tevrede is dat die motore inderdaad vlamdig of plofvry is	Volle reg min 5%

(*Opmerking:* Die hersiening van die tussentydse reg ingestel by Goewermentskennisgewing R. 2574 in die *Staatskoerant* van 1 November 1991 sal tesame met bogenoemde herondersoek gedoen word.)

Belanghebbendes word versoek om besware teen en kommentaar op die moontlike wysiging van die vlak van doeaneregte op bogenoemde produkte binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001 voor te lê

[RHN-verw. T5/2/16/3/4 (920015)
(Mnr. R. J. van den Berg)]

Lys 7/92 is by Algemene Kennisgewing 186 van 28 Februarie 1992 gepubliseer

(6 Maart 1992)

Provision in Schedule 4 for a rebate of the duty on:

Flame-proof or explosion-proof electric motors, provided the Commissioner is satisfied at the time of entry for local consumption that the motors are in fact flame-proof or explosion-proof	Full duty less 5%

(*Note:* The revision of the interim duty instituted by Government Notice R. 2574 in terms of *Government Gazette* of 1 November 1991 will be done with the above-mentioned reinvestigation.)

Interested parties are requested to submit objections to and comments on the possible amendment of the customs duties on the above-mentioned products to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice

[BTI Ref T5/2/16/3/4 (920015)
(Mr R. J. van den Berg)]

List 7/92 was published under General Notice 186 of 28 February 1992.

(6 March 1992)

KENNISGEWING 220 VAN 1992

DEPARTEMENT VAN NASIONALE GESONDHEID EN BEVOLKINGSONTWIKKELING

Die volgende Wetsontwerp word hierby vir algemene inligting en kommentaar gepubliseer. Geen besluit oor enige beginsel of bepaling van die Wetsontwerp is al geneem nie. Enige kommentaar en vertoe daaromtrent moet skriftelik gerig word aan die Direkteur-generaal: Nasionale Gesondheid en Bevolkingsontwikkeling, Privaatsak X828, Pretoria, 0001, om hom voor **4 Mei 1992** te bereik.

NOTICE 220 OF 1992

DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

198

The following draft Bill is hereby published for general information and comment. No decision has been made on any principle or provision of the Bill. Any comments and representations thereanent should be submitted in writing to the Director-General National Health and Population Development, Private Bag X828, Pretoria, 0001 to reach him bevore **4 May 1992.**

WETSONTWERP

Om voorsiening te maak vir die beheer oor en regulering van die gebruik en advertering van tabakprodukte; en vir bykomstige sake.

DAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika soos volg:

Woordomskrywing

1. In hierdie Wet, tensy uit die samehang anders blyk, beteken—

(i) **"advertensie"**, met betrekking tot 'n tabakproduk, enige skriftelike, geïllustreerde, visuele of ander verklaring, mededeling, voorstelling of vermelding wat onder lede van die publiek versprei word of wat op enigerlei wyse onder die aandag van die publiek gebring word wat bedoel is om die verkope van die tabakproduk te bevorder of die gebruik daarvan aan te moedig of aandag te vestig op die aard, eienskappe, voordele of gebruike daarvan, en het "adverteer" 'n ooreenstemmende betekenis; (i)

(ii) **"Direkteur-generaal"**, die Direkteur-generaal: Nasionale Gesondheid en Bevolkingsontwikkeling; (ii)

(iii) **"gevaarlike bestanddeel"**, met betrekking tot 'n tabakproduk beteken nikotien en, met betrekking tot 'n tabakproduk wat bedoel is om gerook te word, ook teer, (iii)

(iv) **"hierdie Wet"**, ook 'n regulasie kragtens hierdie Wet uitgevaardig, (xii)

(v) **"Minister"**, die Minister van Nasionale Gesondheid; (v)

(vi) **"nikotien"**, nikotien-alkaloïede; (vi)

(vii) **"openbare plek"**, enige binnenshuise gebied wat toeganklik is vir die publiek of 'n deel van die publiek asook 'n openbare vervoermiddel; (ix)

(viii) **"pakket"**, 'n verpakking, karton, omslag of enige ander houer waarin tabakprodukte gewoonlik in die kleinhandel verkoop word; (vii)

(ix) **"plaaslike bestuur"**, enige instelling fo liggaam wat by of kragtens 'n wet ingestel is met die oog op die uitvoering van plaaslike regeringsfunksies ten opsigte van 'n besondere gebied of streek, (iv)

(x) **"rook"**, die rook, snuif of suig van 'n tabakproduk en ook die hou van of die beheer oor 'n aangesteekte tabakproduk of toestel wat die aangesteekte tabakproduk hou; (x)

(xi) **"tabakproduk"**, 'n produk wat van tabak vervaardig is en bestem is om gerook, gesnuif, gesuig of gepruim te word; (xiii)

(xii) **"teer"**, die water- en nikotienvrye kondensaat van tabakrook; (xi)

(xiii) **"voorgeskryf"**, by regulasie kragtens hierdie Wet voorgeskryf. (viii)

BILL

To provide for the control and regulation of the use and advertising of tobacco products; and for incidental matters.

(198)

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:

Definitions

1. In this Act, unless the context otherwise indicates—

(i) **"advertisement"**, in relation to any tobacco product, means any written, pictorial, visual or other statement, communication, representation or reference distributed to members of the public or brought to their notice in any other manner and which is intended to promote the sale of any tobacco product or encourage the use thereof or draw attention to the nature, properties, advantages or uses thereof, and "advertise" has a corresponding meaning; (i)

(ii) **"Director-General"** means the Director-General: National Health and Population Development; (ii)

(iii) **"hazardous constituent"**, in relation to any tobacco product, means nicotine and, in relation to a tobacco product intended for smoking, includes tar; (iii)

(iv) **"local authority"**, means any institution or body established by or under any law with a view to performing local government functions in respect of a particular area or region; (ix)

(v) **"Minister"**, means the Minister of National Health; (v)

(vi) **"nicotine"** means nicotine alkaloids, (vi)

(vii) **"package"** means any pack, carton, wrapping or any other container in which tobacco products are generally sold by retail; (vii)

(viii) **"prescribed"**, means prescribed by regulation in terms of this Act; (xiii)

(ix) **"public place"**, means any indoor area which is open to the public or any part of the public, including a public conveyance; (vii)

(x) **"smoke"**, means the smoking, sniffing or sucking of a tobacco product and inlcudes the holding or the control over any ignited tobacco product or any device containing an ignited tobacco product, (x)

(xi) **"tar"**, means the anhydrous and nicotine free condensate of tobacco smoke; (xii)

(xii) **"this Act"**, includes a regulation made in terms of this Act, (iv)

(xiii) **"tobacco product"**, means any product manufactured from tobacco and intended for smoking, sniffing, sucking or chewing, (xi)

Beheer oor die rook van tabakprodukte

2. Indien die Minister, na oorweging van 'n skriftelike klagte of vertoë, van oordeel is dat dit in die openbare belang nodig is om spesiale voorsorgmaatreels te tref ten einde—

(a) te verseker dat 'n omgewing wat goed is vir die gesondheid gehandhaaf word; of

(b) te verseker dat die gesondheid van persone wat nie self rook nie, nie aangetas word deur die rook van andere nie; of

(c) die oorlas te voorkom wat rook kan veroorsaak vir persone wat nie self rook nie; of

(d) te voorkom dat kinders of jongmense uitgelok word om te rook of te begin rook,

kan hy rook in voorgeskrewe openbare plekke verbied, beperk of reël.

Advertensie van en pakkette van tabakprodukte

3. Niemand mag 'n voorgeskrewe tabakproduk adverteer of verkoop nie, tensy—

(a) die advertensie, of die pakket wat die tabakproduk bevat, 'n voorgeskrewe waarskuwing bevat betreffende die gesondheidsgevare wat die gebruik van tabakprodukte inhou; en

(b) die hoeveelhede van gevaarlike bestanddele wat in die tabakproduk aanwesig is op die pakket en die advertensie aangegee word.

Verbod op die verkope van tabakprodukte aan persone onder die ouderdom van16 jaar

4. (1) Niemand mag 'n tabakproduk aan iemand onder die ouderdom van 16 jaar verkoop nie, hetsy vir laasgenoemde se persoonlike gebruik al dan nie.

(2) Indien die Direkteur-generaal van mening is dat 'n muntmasjien vir die verkoop van tabakprodukte, wat op 'n perseel gehou word, gebruik word of moontlik gebruik kan word deur persone onder die ouderdom van 16 jaar, kan hy die persoon op wie se perseel sodanige masjien gehou word, skriftelik gelas om sodanige voorsorg te tref om te verhoed dat dit gebruik word soos vermeld in die bevel of om sodanige masjien binne die tydperk insgelyks vermeld te verwyder.

Delegering van bevoegdhede

5. (1) Die Direkteur-generaal kan enige beampte in die Departement van Nasionale Gesondheid en Bevolkingsontwikkeling skriftelik magtig om 'n bevoegdheid of 'n werksaamheid uit te oefen of te verrig wat ingevolge hierdie Wet aan die Direkteur-generaal verleen of opgedra is.

(2) Die bevoegdhede en werksaamhede van die Direkteur-generaal ingevolge artikel 4 kan uitgeoefen of verrig word binne die regsgebied van 'n plaaslike bestuur deur die plaaslike bestuur deur middel van sy behoorlik gemagtigde beamptes

Regulasies

6. (1) Die Minister kan regulasies uitvaardig—

(a) wat die wyse en vorm voorskryf waarop inligting bedoel in artikel 3 op die pakket van 'n tabakproduk of enige advertensie van so produk aangedui word;

Control of smoking of tobacco products

2. If the Minister, after consideration of any written complaint or representation, is of the opinion that it is necessary in the public interest to take special precautions to— (198)

(a) ensure that a healthful environment is maintained; or

(b) ensure that the health of persons who do not themselves smoke are not impaired by the smoking of others; or

(c) prevent the nuisance which smoking may cause to persons who do not themselves smoke; or

(d) prevent children and young persons being tempted to smoke or to start smoking,

he may, by regulation, prohibit, restrict or regulate smoking in prescribed public places.

Advertisements and packages of tobacco products

3. No person may advertise or sell any prescribed tobacco product unless—

(a) the advertisement or the package containing the tobacco procuct contains a prescribed warning, conceming the health hazards incidental to the use of tobacco products; and

(b) the quantities of hazardous constinuents present in the tobacco product are stated on the package and the advertisement.

Prohibition of sale of tobacco to persons under the age of 16 years

4. (1) No person may sell any tobacco product to any person under the age of 16 years, whether for the latter's personal use or not.

(2) If the Director-General is of the opinion that a vending-machine for the sale of tobacco products which is kept on any premises is being or is likely to be used by persons under the age of 16 years, he may in writing order the person on whose premises such machine is being kept to take such precautions to prevent it being used as specified in the order or to remove such machine within time likewise specified.

Delegation of powers

5. (1) The Director-General may in writing authorise any officer of the Department of National Health and Population Development to exercise or perform any power or function conferred or imposed on the Director-General in terms of this Act.

(2) The powers and functions of the Director-General in terms of section 4 may be execised or performed within the area of jurisdiction of a local authority by the local authority through its duly authorised officers.

Regulations

6. (1) The Minister may make regulations—

(a) prescribing the manner and form in which information referred to in section 3 shall be reflected on the package of a tobacco product or any advertisement of such product,

(b) wat die wyse en metode voorskryf waarop die hoeveelhede van gevaarlike bestanddele bepaal moet word;

(c) wat die besonderhede, eienskappe, eise of voorstellings ten opsigte van 'n tabakproduk of sy gebruik voorskryf wat nie in advertensies mag verskyn nie;

(d) wat die opgawes, verslae en inligting voorskryf wat vervaardigers en invoerders van tabakprodukte aan die Direkteur-generaal moet verstrek;

(e) met betrekking tot enige saak wat ingevolge hierdie Wet by regulasie voorgeskryf of andersins mee gehandel kan word,

en in die algemeen, met betrekking tot enige aangeleentheid wat die Minister nodig en dienstig ag om voor te skryf of te reël ten einde die oogmerke van hierdie Wet te bereik of te bevorder, en die algemeenheid van hierdie bepaling word nie deur die voorafgaande paragrawe van hierdie subartikel beperk nie.

(2) Regulasies uitgevaardig kragtens subartikel (1) (b) kan 'n wyse en metode voorskryf wat uiteengesit word in 'n publikasie wat na die mening van die Minister algemeen as gesaghebbend erken word.

(3) Die Minister moet, minstens drie maande voordat hy 'n regulasie kragtens hierdie Wet uitvaardig, die teks van die voorgestelde regulasie in die *Staatskoerant* laat publiseer tesame met 'n kennisgewing waarby verklaar word dat hy van voornemens is om so 'n regulasie uit te vaardig en belanghebbende persone uitgenooi word om opmerkings oor, of vertoë wat hulle wil maak in verband met die voorgestelde regulasie aan hom te verstrek.

(4) Die bepalings van subartikel (3) is nie van toepassing nie ten opsigte van—

(a) 'n regulasie wat, nadat daar aan die bepalings van daardie subartikel voldoen is, deur die Minister gewysig is as gevolg van opmerkings of vertoë deur hom ontvang na aanleiding van die kennisgewing ingevolge daardie subartikel gepubliseer;

(b) 'n regulasie ten opsigte waarvan die Minister van oordeel is dat dit in die openbare belang nodig is om dit sonder versuim uit te vaardig

Oortredings en strawwe

7. (1) Iemand wat—

(a) 'n tabakproduk strydig met die bepalings van hierdie Wet gebruik, adverteer of verkoop; of

(b) weier of versuim om die voorsorg te tref of om 'n muntmasjien te verwyder soos in artikel 4 (2) beoog,

is aan 'n misdryf skuldig.

(2) Iemand wat aan 'n misdryf kragtens subartikel (1) skuldig bevind word is strafbaar met 'n boete of gevangenisstraf vir 'n tydperk van hoogstens ses maande of met sowel daardie boete as daardie gevangenisstraf.

(b) prescribing the manner or method in which the quantities of hazardous constituents shall be determined;

(198)

(c) prescribing the particulars, properties, claims or representations in respect of a tobacco product or its use which may not appear in advertisements;

(d) prescribing the returns, reports and information which shall be furnished to the Director-General by manufacturers and importers of tobacco products;

(e) with regard to any matter which in terms of this Act may be prescribed or otherwise dealt with by regulation,

and, in general, with regard to any matter which the Minister considers necessary or expedient to prescribe or regulate in order to attain or further the objects of this Act, and the generality of this provision shall not be limited by the preceding paragraphs of this subsection

(2) Regulations made under subsection (1) (b) may prescribe any manner or method set out in a publication which in the opinion of the Minister is generally recognised as authoritative.

(3) The Minister shall, not less than three months before making any regulation under this Act, cause the text of the proposed regulation to be published in the *Gazette* together with a notice declaring his intention to make such regulation and inviting interested persons to furnish him with any comments on, or representations they may wish to make in regard to the proposed regulation.

(4) The provisions of subsection (3) shall not apply in respect of—

(a) a regulation which, after the provisions of that subsection have been complied with, has been amended by the Minister in consequence of comments or representations received by him in pursuance of a notice published in terms of that subsection;

(b) any regulation in respect of which the Minister is of the opinion that the public interest requires it to be made without delay

Offences and penalties

7. (1) Any person who—

(a) uses, advertises or sells a tobacco product in contravention of this Act; or

(b) refuses or fails to take the precautions or to remove a vending-machine as contemplated in section 4 (2),

shall be guilty of an offence.

(2) Any person convicted of an offence under subsection (1) shall be liable to a fine or imprisonment for a period not exceeding six months or to both such fine and such imprisonment.

Kort titel en inwerkingtreding

8. (1) Hierdie Wet heet die **Wet op die Beheer van Tabakprodukte, 1992,** en tree in werking op 'n datum wat die Staatspresident by publikasie in die *Staatskoerant* bepaal.

(2) Verskillende datums kan kragtens subartikel (1) bepaal word ten opsigte van verskillende bepalings van hierdie Wet.

(6 Maart 1992)

Short title and commencement (198)

8. (1) This Act shall be called the **Tobacco Products Control Act, 1992,** and shall come into operation on a date fixed by the State President by proclamation in the *Gazette*.

(2) Different dates may under subsection (1) be fixed in respect of different provisions of this Act.

(6 March 1992)

KENNISGEWING 222 VAN 1992

ADMINISTRASIE: VOLKSRAAD

DEPARTEMENT VAN LANDBOU-ONTWIKKELING

KENNISGEWING VAN VERGADERING VAN SKULDEISERS KRAGTENS ARTIKEL 22 (1) VAN DIE WET OP LANDBOUKREDIET, 1966

VERBETERINGSKENNISGEWING

Algemene Kennisgewing 159 gepubliseer in *Staatskoerant* No. 13775 van 21 Februarie 1992 word hierby verbeter deur op bladsy 74 die uitdrukking "Daniel Jacobus van Staden Erasmus" in kolom 1 van die tabel te vervang met die uitdrukking "Daniel Jacobus van Straten Erasmus".

(6 Maart 1992)

NOTICE 222 OF 1992

ADMINISTRATION: HOUSE OF ASSEMBLY

DEPARTMENT OF AGRICULTURAL DEVELOPMENT

NOTICE OF MEETING OF CREDITORS IN TERMS OF SECTION 22 (1) OF THE AGRICULTURAL CREDIT ACT, 1966

CORRECTION NOTICE

General Notice 159 published in *Government Gazette* No. 13775 of 21 February 1992 is hereby amended by the substitution of the expression "Daniel Jacobus van Straten Erasmus" for the expression "Daniel Jacobus van Staden Erasmus" where it appears in the first column of the table on page 74.

(6 March 1992)

RAADSKENNISGEWINGS

RAADSKENNISGEWING 18 VAN 1992

WET OP STADS- EN STREEKBEPLANNERS, 1984 (WET No. R. 19 VAN 1984)

NEGENDE WYSIGING VAN DIE REËLS VAN DIE SUID-AFRIKAANSE RAAD VIR STADS- EN STREEKBEPLANNERS AFGEKONDIG INGEVOLGE ARTIKEL 28 VAN DIE WET OP STADS- EN STREEKBEPLANNERS, 1984 (Wet No. 19 van 1984)

Die onderstaande verdere wysiging van die Reels wat op 8 Maart 1985 in *Staatskoerant* No. 9614 afgekondig is, is deur die Raad met ingang 1 April 1992 goedgekeur.

Die Tweede Bylae by die Reëls word soos volg verder gewysig ten opsigte van Jaargeld:

BOARD NOTICES

BOARD NOTICE 18 OF 1992

TOWN AND REGIONAL PLANNERS ACT, 1984 (ACT No. 19 OF 1984)

NINTH AMENDMENT OF THE RULES OF THE SOUTH AFRICAN COUNCIL FOR TOWN AND REGIONAL PLANNERS PUBLISHED IN TERMS OF SECTION 28 OF THE TOWN AND REGIONAL PLANNERS ACT, 1984 (ACT No. 19 OF 1984)

The following further amendment to its Rule published in Government Gazette No. 9614 on 8 March 1985, has been approved by the Council with effect from 1 April 1992.

The Second Schedule to the rules is furhter amended as follows in respect of the Annual Fee·

TWEEDE BYLAE

REËLS VAN DIE SUID-AFRIKAANSE RAAD VIR STADS- EN STREEKBEPLANNERS

Gelde:

1 Registrasie- en jaargelde betaalbaar deur Stads- en Streekbeplanners en Stads- en Streekbeplanners-in-opleiding (Reël 4 2 1).

1.1 ***Registrasiegeld:***

Stads- en Streekbeplanner R100
Stads- en Streekbeplanner-in-opleiding .... R 50

1 2 ***Jaargelde:***

Stads- en Streekbeplanner R310
Stads- en Streekbeplanner-in-opleiding R150

Die volle bedrag aan registrasie- en jaargelde is met die indiening van 'n aansoek om registrasie betaalbaar aan die Raad en daarna is die volle jaargeld verskuldig en betaalbaar op 1 April van elke jaar Met dien verstande dat waar die Raad 'n aansoek om registrasie van die hand wys, word die volle jaargeld wat inbetaal is en die helfte van die inbetaalde registrasiegeld terugbetaal

DEPARTEMENT VAN LANDBOU

No. R. 809 **13 Maart 1992**

BEMARKINGSWET, 1968
(WET No 59 VAN 1968)

BEHEER OOR DIE UITVOER VAN SEKERE PLANTAARDIGE OLIES. HERROEPING

Ek, André Isak van Niekerk, Minister van Landbou, handelende kragtens artikel 87 van die Bemarkingswet, 1968 (Wet No. 59 vàn 1968), herroep hierby Proklamasie No. R 35 van 1978.

A. I. VAN NIEKERK,
Minister van Landbou.

DEPARTEMENT VAN MANNEKRAG

No. R. 751 **13 Maart 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

MEUBELNYWERHEID, OOSTELIKE KAAPPROVINSIE. HERNUWING VAN HOOFOOREENKOMS

Ek, Dennis van der Walt, Direkteur. Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings R 1654 van 6 Augustus 1982, R 33 van 7 Januarie 1983, R 163 van 3 Februarie 1984, R. 2093 van 21 September 1984, R. 141 van 24 Januarie 1986, R 843 van 2 Mei 1986, R 438 van 6 Maart 1987, R. 1704 van 7 Augustus 1987, R 2808 van 18 Desember 1987, R. 805 van 21 April 1989, R 2525 van 17 November 1989 en R 725 van 5 April 1991, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1992 eindig

D. VAN DER WALT,
Direkteur· Arbeidsverhoudinge

No. R. 817 **13 Maart 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

TABAKNYWERHEID, RUSTENBURG· WYSIGING VAN HOOFOOREENKOMS

Ek, Glen Morris Edwin Carelse, Adjunk-Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Maart 1992 eindig, bindend is vir die werkgewer en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werknemers wat lede van genoemde vereniging is

G. M. E. CARELSE,
Adjunkminister van Mannekrag

DEPARTMENT OF AGRICULTURE

No. R. 809 **13 March 1992**

MARKETING ACT, 1968
(ACT No. 59 OF 1968)

CONTROL OF THE EXPORTATION OF CERTAIN VEGETABLE OILS: REPEAL

I, André Isak van Niekerk, Minister of Agriculture, acting under section 87 of the Marketing Act, 1968 (Act No 59 of 1968), hereby repeal Proclamation No. R. 35 of 1978.

A. I. VAN NIEKERK,
Minister of Agriculture.

DEPARTMENT OF MANPOWER

No. R. 751 **13 March 1992**

LABOUR RELATIONS ACT, 1956

FURNITURE MANUFACTURING INDUSTRY, EASTERN CAPE PROVINCE: RENEWAL OF MAIN AGREEMENT

I, Dennis van der Walt, Director. Labour Relations, duly authorised thereto by the Minister of Manpower, hereby in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices R. 1654 of 6 August 1982, R 33 of 7 January 1983, R. 163 of 3 February 1984, R. 2093 of 21 September 1984, R. 141 of 24 January 1986, R. 843 of 2 May 1986, R. 438 of 6 March 1987, R 1704 of 7 August 1987, R. 2808 of 18 December 1987, R 805 of 21 April 1989, R. 2525 of 17 November 1989 and R. 725 of 5 April 1991, to be effective from the date of publication of this notice and for the period ending 30 June 1992

D. VAN DER WALT,
Director· Labour Relations.

No. R. 817 **13 March 1992** (198)

LABOUR RELATIONS ACT, 1956

TOBACCO MANUFACTURING INDUSTRY, RUSTENBURG AMENDMENT OF MAIN AGREEMENT

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 March 1992, upon the employer and the trade union which entered into the Amending Agreement and upon the employees who are members of the said union

G. M. E. CARELSE,
Deputy Minister of Manpower

BYLAE

NYWERHEIDSRAAD VIR DIE TABAKNYWERHEID (RUSTENBURG)

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

United Tabakmaatskappy

(hierna die "werkgewer" genoem), aan die een kant, en die

NATIONAL UNION OF TOBACCO AND ALLIED WORKERS

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Tabaknywerheid (Rustenburg),

om die Ooreenkoms gepubliseer by Goewermentskennisgewing No. R. 372 van 25 Februarie 1983, soos gewysig en verleng by Goewermentskennisgewings Nos R. 2142 van 30 September 1983, R 1231 van 22 Junie 1984, R. 2443 van 9 November 1984, R 2766 van 21 Desember 1984, R 207 van 7 Februarie 1986, R. 2243 van 31 Oktober 1986, R. 2641 van 27 November 1987, R 1080 van 2 Junie 1989, R. 2526 van 17 November 1989 en R. 1799 van 2 Augustus 1991, te wysig.

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet in die Tabaknywerheid (Rustenburg) nagekom word—

(a) deur die werkgewer en deur alle werknemers wat lede is van die vakverenigings wat partye is by die Ooreenkoms, welke lede werksaam is by die United Tabakmaatskappy,

(b) in die munisipale gebied van Rustenburg

(2) Ondanks subklousule (1) is hierdie Ooreenkoms van toepassing slegs op werknemers vir wie lone in die Ooreenkoms voorgeskryf word

2. KLOUSULE 4: LONE

(1) Behoudens subklousules (4) en (5) van hierdie klousule is die minimum weekloon wat 'n werkgewer aan elke lid van ondergenoemde klasse van sy werknemers moet betaal, dié soos hieronder uiteengesit. Met dien verstande dat—

(i) by die indeling van 'n werknemer by geag moet word in die klas te wees waarin hy uitsluitlik of hoofsaaklik werksaam is,

(ii) verhogings van toepassing op werknemers wat 12 maande diens by die werkgewersmaatskappy voltooi het en wat meer as die voorgeskrewe lone verdien, waar sodanige verhogings op fabrieksvlak beding is en deur die Nywerheidsraad bekragtig en aangeteken is, nie hierdeur geraak word nie.

Vervang die voorgeskrewe 1990-lone deur die volgende

"Loonskaal	Per week
	R
Assistent-voorman	338,85
Leierwerksman en produksietegnikus	479,55
Ambagsman	453,60
Ketelinstallasie-toesighouer	357,65
Skofkontroleur (gehalteversekering)	361,35
Assistent-skofkontroleur (gehalteversekering)	345,90
Gehalte-inspekteur—	
gedurende eerste jaar ondervinding	321,90
gedurende tweede jaar ondervinding	325,65
daarna	332,05
Toesighouer (sigaretvervaardiging)—	
gedurende eerste jaar ondervinding	321,90
gedurende tweede jaar ondervinding	325,65
daarna	332,05

SCHEDULE

INDUSTRIAL COUNCIL FOR THE TOBACCO MANUFACTURING INDUSTRY (RUSTENBURG)

AGREEMENT (198

in accordance with the provisions of the Labour Relations Act, 1956, made by and entered into and between the

United Tobacco Company

(hereinafter referred to as the "employer"), of the one part, and the

NATIONAL UNION OF TOBACCO AND ALLIED WORKERS

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the Industrial Council for the Tobacco Manufacturing Industry (Rustenburg),

to amend the Agreement published under Government Notice No. R 372 of 25 February 1983, as amended and extended by Government Notices Nos. R 2142 of 30 September 1983, R 1231 of 22 June 1984, R 2443 of 9 November 1984, R 2766 of 21 December 1984, R 207 of 7 February 1986, R 2243 of 31 October 1986, R 2641 of 27 November 1987, R 1080 of 2 June 1989, R 2526 of 17 November 1989 and R 1799 of 2 August 1991

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Tobacco Manufacturing Industry (Rustenburg)—

(a) by the employer and by all employees who are members of the trade unions that are parties to the Agreement and who are employed at the United Tobacco Company,

(b) within the municipal area of Rustenburg

(2) Notwithstanding the provisions of subclause (1) the terms of this Agreement shall apply only to employees for whom wages are prescribed in the Agreement

2. CLAUSE 4: WAGES

(1) Subject to the provisions of subclauses (4) and (5) of this clause, the minimum weekly wage which shall be paid by an employer to each member of the undermentioned classes of his employees shall be as set out hereunder Provided that—

(i) in classifying an employee, he shall be deemed to be in the class in which he is wholly or mainly employed,

(ii) this shall not affect increases applicable to employees who have completed 12 months' service with the employing company and who earn in excess of the prescribed wages, where such increases have been negotiated at plant level and ratified and recorded by the Industrial Council

Substitute the following for the prescribed 1990 wages

"Wage Rates	Per week
	R
Assistant foreman	338,85
Leading hand and production technician	479,55
Artisan	453,60
Boiler plant supervisor	357,65
Quality assurance—shift controller	361,35
Quality assurance—assistant shift controller	345,90
Quality inspector—	
during first year of experience	321,90
during second year of experience	325,65
thereafter	332,05
Supervisor (cigarette manufacturing)—	
during first year of experience	321,90
during second year of experience	325,65
thereafter	332,05

"Loonskaal	Per week
	R
Toesighouer (pyptabak)	307,80
Ondersoeker, ongekwalifiseer—	
gedurende eerste ses maande ondervinding	289,30
gedurende tweede ses maande ondervinding	295,60
Ondersoeker, gekwalifiseer	303,90
Seksieman, ongekwalifiseer—	
gedurende eerste jaar ondervinding	321,90
gedurende tweede jaar ondervinding	330,70
gedurende derde jaar ondervinding	344,50
Seksieman, gekwalifiseer	361,35
Senior seksieman	378,10
Masjienbediener, ongekwalifiseer—	
gedurende eerste jaar ondervinding	316,40
gedurende tweede jaar ondervinding	323,15
gedurende derde jaar ondervinding	333,20
Masjienbediener, gekwalifiseer	345,90
Veiligheidsbeampte—A en B	314,40
Terreinopsigter	316,40
Fabrieksklerk, versendingsklerk, ontvangsklerk en magasynman, ongekwalifiseer—	
gedurende eerste jaar ondervinding	292,10
gedurende tweede jaar ondervinding	295,85
gedurende derde jaar ondervinding	299,95
gedurende vierde jaar ondervinding	304,65
Fabrieksklerk, versendingsklerk, ontvangsklerk en magasynman, gekwalifiseer	311,65
Voorraadbediener, ongekwalifiseer—	
gedurende eerste jaar ondervinding	287,10
gedurende volgende ses maande ondervinding	289,95
gedurende volgende ses maande ondervinding	293,35
gedurende volgende ses maande ondervinding	297,10
gedurende volgende drie maande ondervinding	301,50
Voorraadbediener, gekwalifiseer	306,45
Motorvoertuigdrywer van—	
motorkarre en stasiewaens	300,10
bestel- en vragwaens met 'n onbelaste massa van—	
tot 1 362 kg	300,10
meer as 1 362 en tot 2 723 kg	305,20
meer as 2 723 en 3 632 kg	309,05
meer as 3 632 kg	313,15
Deeltydse motorvoertuigdrywer	293,65
Eethuistoesighouer	300,10
Faktotum—	
gedurende eerste drie maande ondervinding	289,30
gedurende volgende drie maande ondervinding	291,20
gedurende volgende drie maande ondervinding	293,70
daarna	297,45
Onderbaas	297,45
Spanleier—	
van werknemers Graad 1A	302,65
van werknemers Graad 1B	300,10
van werknemers Graad II	294,90
van werknemers Graad III en arbeiders	291,10
Werknemer Graad 1A, ongekwalifiseerd—	
gedurende eerste drie maande ondervinding	287,10
gedurende volgende ses maande ondervinding	289,60
gedurende volgende ses maande ondervinding	292,45
gedurende volgende ses maande ondervinding	295,25
gedurende volgende drie maande ondervinding	298,10
Werknemer Graad 1A, gekwalifiseer	301,35
Werknemer Graad 1B, ongekwalifiseer—	
gedurende eerste drie maande ondervinding	287,10
gedurende volgende ses maande ondervinding	289,30
gedurende volgende ses maande ondervinding	291,45
gedurende volgende ses maande ondervinding	293,70
gedurende volgende drie maande ondervinding	295,85
Werknemer Graad 1B, gekwalifiseer	298,75
Tabakverpakker, ongekwalifiseer—	
gedurende eerste drie maande ondervinding	287,10
gedurende volgende drie maande ondervinding	288,95
gedurende volgende drie maande ondervinding	291,20
gedurende volgende drie maande ondervinding	293,35

"Wage Rates	Per week
	R
Supervisor (pipe tobacco)	307,80
Examiner, unqualified—	
during first six months of experience	289,30
during second six months of experience	295,60
Examiner, qualified	303,90
Sectionman, unqualified—	
during first year of experience	321,90
during second year of experience	330,70
during third year of experience	344,50
Sectionman, qualified	361,35
Senior sectionman	378,10
Machine minder, unqualified—	
during first year of experience	316,40
during second year of experience	323,15
during third year of experience	333,20
Machine minder, qualified	345,90
Security officer—A and B	314,40
Groundsman	316,40
Factory clerical employee, despatch clerk, receiving clerk and storeman, unqualified—	
during first year of experience	292,10
during second year of experience	295,85
during third year of experience	299,95
during fourth year of experience	304,65
Factory clerical employee, despatch clerk, receiving clerk and storeman, qualified	311,65
Stores attendant, unqualified—	
during first year of experience	287,10
during next six months of experience	289,95
during next six months of experience	293,35
during next six months of experience	297,10
during netxt three months of experience	301,50
Stores attendant, qualified	306,45
Motor vehicle driver of—	
cars and station wagons	300,10
vans and lorries with an unladen mass of—	
up to 1 362 kg	300,10
over 1 362 kg and up to 2 723 kg	305,20
over 2 723 kg and up to 3 632 kg	309,05
over 3 632 kg	313,15
Part-time motor vehicle driver	293,65
Canteen supervisor	300,10
Handyman—	
during first three months experience	289,30
during next three months of experience	291,20
during next three months of experience	293,70
thereafter	297,45
Chargehand	297,45
Team leader—	
of Grade 1A employees	302,65
of Grade 1B employees	300,10
of Grade II employees	294,90
of Grade III employees and labourers	291,10
Grade 1A Employee, unqualified—	
during first three months of experience	287,10
during next six months of experience	289,60
during next six months of experience	292,45
during next six months of experience	295,25
during next three months of experience	298,10
Grade 1A Employee, qualified	301,35
Grade 1B employee, unqualified—	
during first three months of experience	287,10
during next six months of experience	289,30
during next six months of experience	291,45
during next six months of experience	293,70
during next three months of experience	295,85
Grade 1B Employee, qualified	298,75
Tobacco Packer, unqualified—	
during first three months of experience	287,10
during next three months of experience	288,95
during next three months of experience	291,20
during next three months of experience	293,35

"Loonskaal	Per week
	R
Tabakverpakker, gekwalifiseer	296,20
Werknemer Graad II, ongekwalifiseer—	
gedurende eerste ses maande ondervinding	287,10
gedurende volgende ses maande ondervinding	289,30
Werknemer Graad II, gekwalifiseer	292,35
Wag	289,75
Werknemer Graad III	288,45
Arbeider	287,10
Werknemer nie elders in hierdie Ooreenkoms vermeld nie	292,35"

3. KLOUSULE 16: RAADSFONDSE

Vervang paragraaf C deur die volgende

"(i) Weekliks betaalde werkers R1,00 per week

(ii) maandeliks betaalde werkers R4,30 per maand "

Namens die partye op hede die 29ste dag van Mei 1991 te Rustenburg onderteken

L. J ROELOFSE,
Voorsitter van die Nywerheidsraad

R. ZILILO,
Verteenwoordiger van die Vakvereniging.

H. J. VAN REENEN,
Sekretaris van die Nywerheidsraad

No. R. 818 **13 Maart 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

JUWELIERSWARE- EN EDELMETAALNYWERHEID (KAAP). WYSIGING VAN HOOFOOREENKOMS

Ek, Pieter Gabriel Marais, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is, en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd die vervat in klousule 1 (1) (a) met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1992 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer

P. G. MARAIS,
Minister van Mannekrag

"Wage Rates	Per week
	R
Tobacco Packer, qualified	296,20
Grade II Employee, unqualified—	
during first six months of experience	287,10
during next six months of experience	289,30
Grade II Employee, qualified	292,35
Watchman	289,75
Grade III Employee	288,45
Labourer	287,10
Employee not elsewhere specified in this Agreement	292,35"

(198)

3. CLAUSE 16: COUNCIL FUNDS

Substitute the following for paragraph C

"(i) Weekly-paid employees R1,00 per week

(ii) monthly-paid employees R4,30 per month "

Signed for and behalf of the parties at Rustenburg, this 29th day of May 1991

L. J. ROELOFSE,
Chairman of the Industrial Council

R. ZILILO,
Representative for Trade Union

H. J. VAN REENEN,
Secretary of the Industrial Council

No. R. 818 **13 March 1992**

LABOUR RELATIONS ACT, 1956

JEWELLERY AND PRECIOUS METAL INDUSTRY (CAPE): AMENDMENT OF MAIN AGREEMENT

I, Pieter Gabriel Marais, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1992, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. G. MARAIS,
Minister of Manpower

Utico voices caution

198

Diagonal Street
STAR 16/3/92
LYNNE PEACH

Although the 1991 results of tobacco group Utico appear to have bypassed the recession, a negative impact is expected this year.

In the annual report, chairman Fred Haslett says notwithstanding Utico's sustained strong growth over the past six years and excellent management team, he has reservations about prospects for 1992.

Continued pressure on consumer spending, intensified competition and the consequences of the drought are bound to affect performance this year, he says

The Utico group comprises three divisions — United Tobacco, Willards Foods and Fresh-up Juice — which manufacture and market tobacco products, snack foods and fruit juices

In the year to December, group turnover climbed 17 percent from R440,5 million to R517,5 million and operating profit grew 24 percent from R45,7 million to R56,5 million

After interest expense increased 30 percent from R2,7 million to R3,6 million, pre-tax profit rose 23 percent from R43 million to R52,9 million.

A decline in the effective tax rate from 48 to 46,5 percent boosted attributable income to R28,3 million.

This is 27 percent higher than the previous year's profit of R22,4 million.

Earnings per share increased from 368c to 466c and the dividend for the year was raised 37 percent from 205c a share to 280c

The balance sheet reveals a negligible increase in group borrowings from R15,5 million to R15,7 million and an improvement in gearing from 15 to 13,5 percent.

Net asset value appreciated 13 percent from R17,03 a share to R19,20.

Mr Haslett says that while the group's investment in extending the United Tobacco modernisation programme will increase borrowings this year, gearing is expected to remain at an acceptable level.

Utico, priced at R73, is trading on a P/E ratio of 15,7 and provides a dividend yield of 3,8 percent.

Despite the price rising significantly in recent months, the share does not look expensive relative to others in the tobacco & match sector

COMMENT: Utico's price rose particularly steeply in 1991, and, so far this year, it has continued to climb.

During the past 12 months the price has more than doubled from R29 to the current all-time high of R73.

The positive trend is intact, which means the price is likely to go higher still

UTICO FM 27/3/92 (198)

Tighter controls

Consistently strong growth in earnings and dividends over recent years has seen the share price rise from R15,50 at the 1989 year-end to R71,50 Investors could hardly have been disappointed with the latest results, derived primarily from the efforts of management rather than buoyant market conditions

EPS were up 26,7%, on turnover growth of 17,5% Chairman Fred Haslett says productivity was boosted by substantial investment in technology (mainly production machinery) This, with generally improved asset management, including "extremely tight" cost and overhead control, saw the operating margin rise from 10,4% to 10,9%, resulting in a 23,6% increase in operating profit

Working capital ratios also indicate tighter controls Stock turn rose to 4,1 (3,9) times and the working capital (stock plus debtors less creditors) requirement fell to R84,6m (R89,9m), amounting to 16,4% (20,4%) of turnover

Net investment totalled R28,7m last year, including R25m on additions to fixed assets To fund this, borrowing had to be increased slightly, but the balance sheet remains strong

The Rustenburg rationalisation programme was completed with the disposal of a warehousing facility. Haslett notes that the programme has enhanced the profitability of the pipe tobacco manufacturing operation.

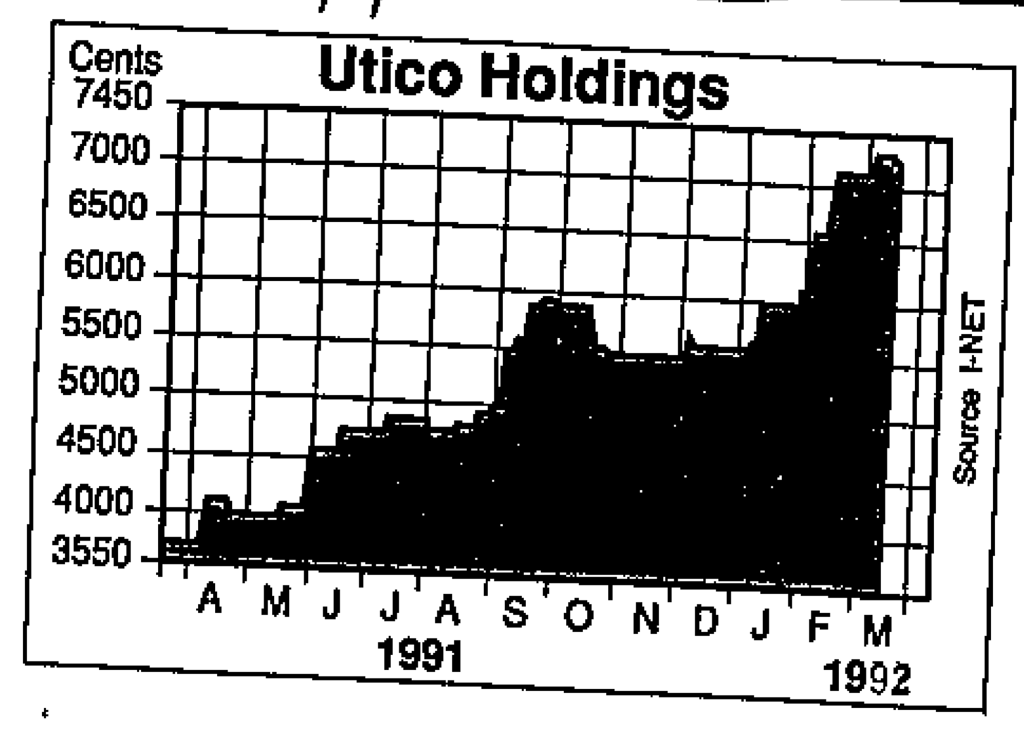
Utico's Haslett ...
productivity gains

FM 27/3/92 (198)

Activities: *Makes and markets cigarettes, tobacco, snack food and fruit drinks*
Control: *BAT Industries Plc 63,6%*
Chairman: *F N Haslett; MD C B Edmunds*
Capital structure: *6,1m ords Market capitalisation R436m*
Share market: *Price 7 150c Yields 3,9% on dividend, 6,5% on earnings, p e ratio, 15,3, cover, 1,7 12-month high, 7 150c, low, 3 275c Trading volume last quarter, 18 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	1,3	6,5	7,7	5,7
LT debt (Rm)	0,8	4,7	7,9	10
Debt equity ratio	0,03	0,12	0,15	0,13
Shareholders' interest	0,45	0,48	0,46	0,44
Int & leasing cover	165,4	23,2	16,7	15,8
Return on cap (%)	18,6	19,4	20,3	21,4
Turnover (Rm)	311	361	440	517
Pre-int profit (Rm)	32	38	46	56
Pre-int margin (%)	10,2	10,4	10,4	10,9
Earnings (c)	260	307	368	466
Dividends (c)	110	153	205	280
Net worth (c)	1 386	1 540	1 703	1 920

FM 27/3/92 (198)



Though the cigarette market showed little growth last year, the United Tobacco division saw a "very satisfactory" profit improvement

In the Willards Food division, the new plant at Parow in the western Cape started production on schedule, last October

Fedfood's Simba division has a larger market share in the snack food business and the market saw only marginal growth last year. Nevertheless, Haslett says Willards' snack sales posted "meaningful real gains," and, despite a greatly increased interest burden resulting from the investment in plant, attributable earnings growth was deemed highly satisfactory.

Tobacco sales volumes should continue to show steady growth, though price increases are probably restraining sales at present Both the tobacco and the snack foods division should show further benefits from capital investments.

The fruit juice division, which still contributes little to group earnings, is looking to expand the export business started a couple of years ago Though it will take time for this to make a noticeable impression on the bottom line, exports could ease the tax rate, now at 46,5%

The bulk of the shares are firmly held BAT Plc shows no signs now of relinquishing its 63,6% interest and Old Mutual has a further 18,1% The price has nearly doubled over the past 12 months, but it looks high enough, with the earnings multiple at 15,3

Basil Barber

continued

Cigarette launch set for April 27

BDay 9/4/92 MARCIA KLEIN (198)

A SMALL company is to launch a new cigarette in SA, taking on the likes of Rembrandt and Utico.

Mastermind Tobacco SA, which describes itself as "a company you've never heard of", has launched a teaser advertising campaign ahead of the April 27 launch of its new product in the PWV area. A cryptic crossword — part of the teaser campaign — challenges the public to guess the brand name. Business Day believes that it will be called Forum.

Mastermind director Bernard le Roux said yesterday that the company began manufacturing cigarettes in 1978 in Burundi, where it holds a 95% market share, and had established itself in Zaire and Kenya.

In 1990, after recognising SA "as an ideal base to manufacture and export cigarettes", it bought a facility in East London.

Research had shown there was room for a new cigarette with "a touch more individuality". Le Roux said Mastermind would launch a Virginia blend filter and a Virginia mild filter. Estate tobaccos would be used in the blend.

The brand would be available nationally by the end of the year.

Le Roux said the company believed the market was big enough to support a new entrant

Call to curb tobacco use with tax

CAPE TOWN — Increased tobacco taxes could generate revenue for health promotion projects and fund an extended exemption from VAT on essential foodstuffs, says the group executive for community health research at the Medical Research Council, Dr Derek Yach.

Yach, who returned recently from the eighth world conference on tobacco and health in Argentina, said it was surprising that increased taxes on tobacco products had not been part of a comprehensive approach to controlling tobacco use and preventing children from starting to smoke.

"Tobacco consumption is related to affordability, and an increase in tax on cigarettes would reduce their affordability, particularly for children," Yacht said. BDay 14/4/92

"Compared to increases in other goods, cigarettes have actually become more affordable in the last decade."

An increased tobacco tax would be good for public health, good for government revenue and would probably receive public support ahead of income or sales increases. (198)

While Australia had announced a total ban on sport sponsorship by tobacco companies, to be phased in over the next five years, sport sponsorship in SA was being expanded, Yach said.

He cited the Paris-Le Cap Rally sponsored by Camel and the almost hourly radio and television adverts of Benson and Hedges cricket. — Sapa.

New Canadian plane sent to SA

CANADIAN aircraft manufacturing company de Havilland has sent a new 50-seater airliner to SA for demonstration flights to the soon-to-be-launched airline Bass Airways, as well as Comair, Bop Air, SAA and economics research house Econometrix

The twin-engined Dash-8 series 300 airliner arrived in Johannesburg at the weekend after a ferry flight from Toronto via Greenland, Iceland, Scotland, Austria, Crete, Egypt and Kenya to SA

Bass Airways MD Mike Basson said he was considering acquiring three of the $13m (about R39m) aircraft for use on scheduled flights between Durban's Louis Botha Airport and Grand Central Airport at Midrand BDay 14/4/92

He said his new airline would probably begin operations in the final quarter of the year

LINDEN BIRNS

"Initially we were hoping to operate four return flights a day, but it appears we'll have enough demand to lay on three morning return flights, three afternoon return trips and a return flight over lunchtime," said Basson.

De Havilland, which was recently sold by Boeing to a partnership made up of the Canadian government and Bombardier, has sold more than 380 Dash-8s to 52 airlines across the world

Bombardier also owns Learjet, Shorts Belfast and Canadair Challenger, and is a major subcontractor on several other aircraft manufacturing programmes It is represented in SA by Lanseria-based Executive jet, which is owned by local electronics mogul Roux Marnitz.

Lion Match sees turnover shrink

STAR 5/5/92

198

By Derek Tommey

Lion Match, which produces small appliances, shaving accessories, garden tools as well as matches, and is also a paper and plastic converter, had the misfortune in the year ended March to see its turnover actually shrink

However, the directors say the company is well placed to finance its budgeted R17,2 million capital expenditure programme this year

They report that sales dropped by 1 percent to R329,6 million, and group trading profit by two percent to R39,3 million following lower contributions from all operations other than the lights division.

Profit after tax dropped six percent to R14,4 million, and earnings attributable to shareholders declined by 18 percent to R12,56 million, equal to 27,7c (33,9c) a share

A reduced final dividend of 7,0c (7,5c) has been declared making a total payment of 11,5c (14,0c) for the year

The appliance operation has been merged with Haz and Tedelex Housewares division to form Amalgamated Appliances. Lion Match has a half interest in this company.

This and the sale in February of its 29,5 percent investment in Chet Industries resulted in a cash realisation of R19,4 million This enabled the group to reduce its closing gearing level to 31 percent of shareholders' funds.

The company sees little improvement in consumer demand this year, but is forecasting a reasonable increase in earnings

EC plan to end ads for tobacco stymied

B/Day 18/5/92

BRUSSELS — The EC agreed on Friday to ban sales of a special tobacco snuff from July, but plans to end tobacco advertising were still totally stymied, EC officials said

Health ministers spent just long enough on the ambitious and highly divisive proposal to ban all tobacco advertising in the EC for Britain, the Netherlands and Germany to reaffirm their unflinching opposition, the officials said.

The three have enough voting power to kill any attempt to make progress on the proposal.

The European Commission, which proposed the ban on all Press advertising as well as indirect publicity for tobacco a year ago, told ministers it would not hit fashion or luxury goods carrying tobacco-linked brand names such as Dunhill, as some had feared

Health Commissioner Vasso Papandreou told Denmark, which like Greece is neither firmly for or against the ban, that its worries about it killing freedom of expression were misplaced as the UN human rights convention allowed for limits to protect public health

Sweden, a leading contender for EC membership, may well be dismayed by the approval of a law banning from July a form of wet tobacco ball used by about one in 10 people in the Scandinavian country

So-called "moist oral snuff" is placed under the lip as an alternative to cigarette, pipe or cigar smoking, but has already been banned in some EC states. It is the first tobacco product banned at EC level

"It hasn't got a real market here (in the EC) yet and that's why it's being banned now," a commission spokesman said (178)

He said the same law also contained provisions making it compulsory for cigar boxes and pouches of tobacco, as well as cigarette packets, to carry large-print health warnings such as "Smoking Causes Cancer" from the end of 1993

British Health Minister Virginia Bottomley used the twice-yearly ministerial session to attack the huge subsidies the community gives to tobacco growers, the spokesman said, echoing earlier attacks by cancer research charities — Sapa-Reuter.

Johann Rupert to return to SA

MARCIA KLEIN (198)

RICHEMONT CE Johann Rupert, heir apparent to the Rembrandt crown, is set to return to SA to head the Rembrandt Group (Remgro), sources said at the weekend. B|Day 1/6/92.

This means that he could replace his uncle J A "Koos" Rupert as chairman of the group. Apart from being the Richemont CE, Rupert is also vice-chairman of Remgro.

Market sources said while Rupert was expected to take over the reins of the SA operation soon, it was unclear whether he would retain his Richemont position.

Richemont financial director Jan du Plessis has been mooted as a possible successor offshore.

Market analysts said the move was not surprising.

One analyst said Rupert could probably hold down both jobs, and he had always had a large influence on decision-making in both operations.

He had been instrumental in many Remgro deals.

Rupert was a major co-ordinator of the separation of the group's SA and foreign assets into Remgro and Compagnie Financière Richemont AG.

Apart from establishing Richemont, he also secured a significant stake of Gold Fields SA and secured control of Rothmans International.

Tobacco laws attacked

B/Day 2/6/92

198

KATHRYN STRACHAN

THE tobacco industry remained the most powerful lobbying group in Parliament when it came to legislation on smoking, National Council Against Smoking executive director Dr Yussuf Saloojee said at the Johannesburg City Council's World No Tobacco Day seminar yesterday

There was "much muddled thinking" in government's approach to controls on smoking Although new legislation and increased taxes were being discussed, previous efforts to get these passed through Parliament had all failed, he said.

Contrary to most assumptions, tobacco cost the state more than the revenue it brought in through taxation Studies conducted by the council showed that in 1988 R1,4bn was spent on treating patients with smoking-related diseases at state hospitals, as opposed to the R988m that was gained in revenue from the tobacco industry

Smoking also contributed to lost profitability as it was calculated that smokers took twice as much sick leave as non-smokers, and were also far more susceptible to heart disease, Saloojee said

Medical Research Council spokesman Dr Derek Yach warned the battle for a tobacco-free future would be tough because the tobacco industry knew that its power was still dominant.

"In SA a total of 25 000 deaths per year are due to smoking-related causes This translates into a cost to the economy of between R1,5bn and R2,5bn a year. Despite the growing evidence, the tobacco industry continues its relentless attempts to increase local addiction rates virtually free of government opposition," he said

The R100m spent on tobacco advertising was more than 20 times the total national budget for promoting all aspects of primary health care.

However, the first glimmers of hope for global tobacco control had begun to emerge World Bank loans to tobacco farmers had been replaced by crop substitution programmes and new strategies were being devised to help vulnerable countries that were dependent on foreign currency earnings from tobacco, he said.

Concern over new Katina P oil slick

DURBAN — One of the worst oil spills believed to have come from the sunken Greek tanker Katina P was sighted between the Tugela River and Umtunzini on Natal's North Coast yesterday.

The head of the Pollution Division of the Department of Sea Fisheries, Anton Moldan, said a large quantity of this oil had washed onto beaches within this stretch of about 40km.

"There's thick oil on the beach there and we've informed the Natal Parks Board who will organise for it to be cleaned up," said Moldan.

The oil was probably the worst encountered on the SA coastline since the Katina P sank over a month ago.

Small quantities of oil had also washed up on Natal's South Coast and some Transkeian beaches over the weekend.

The Natal Parks Board, meanwhile, said oil was still coming ashore around Kosi Bay and clean-up operations were continuing

Our Durban Correspondent reports an Antarctic fur seal died at Seaworld in Durban after being covered in Katina P oil and beaching on the South Coast. — Sapa.

Maize Board predicts drop in sales

B/Day 2/6/92

MEREDITH JENSEN

THE Maize Board was preparing for a drop in sales as millers were no longer permitted to sell white maize products from June 1, a Maize Board spokesman said yesterday

He said white maize for human consumption had to be mixed with yellow maize at a ratio of 30 70.

Industry sources predicted this could have a positive effect on wheat sales.

However, Wheat Board GM Ivan Hemingway said he did not think people had money for bread. Since March 1991, bread prices had increased by 40%

Hemingway said current crop predictions were at one million tons

"That means we may have to import one million tons from Canada, Australia and the US in order to meet the demand," he said.

World market prices for wheat average R550 a ton The Wheat Board's fixed price for SA wheat is about R700 a ton

Millers and bakers reported a 4% fall in demand compared to last year

Our Political Staff reported from Cape Town that government yesterday announced a drought relief package of R130m for the six non-independent homelands and for farmers on state land

This follows the earlier announcement of R1bn drought relief for farmers

Agriculture Minister Kraai van Niekerk said recommendations by the implementing committee on drought relief were being evaluated and an announcement would be made on June 8

Van Niekerk said the R130m for the homelands would be only for drought relief and controls

Richemont subsidiary Dunhill buys Karl Lagerfeld business

STAR 3/6/92.

Finance Staff (198)

Richemont, the luxury goods group controlled by the Rupert family, yesterday established a firm foothold in the French fashion industry by acquiring the business of designer Karl Lagerfeld through its UK subsidiary Dunhill

The Financial Times of London reports that Lord Douro, chairman of Dunhill, said he paid less than Ffr160 million (R82 million) to buy Karl Lagerfeld from Revillon Luxe, the privately owned French group which used to control it.

The Karl Lagerfeld business includes a Paris-based haute couture house, a shop on the exclusive Rue du Faubourg St Honore, near the Elysee Palace, trade marks, a franchise and a network of foreign boutiques

In return, Mr Lagerfeld has agreed to again become designer for Dunhill's Chloe ready-to-wear fashion business, acquired by the British company in 1985 He will present his first Chloe collection in October

Mr Lagerfeld used to work for Chloe in the 1970s, but left when Dunhill took over.

He was hired by Chanel where he is credited with having restored the group's image and fortunes It is understood that he will continue to design collections for Chanel

"This acquisition is evidence of our strategic objective to have a significant investment in the female luxury fashion market worldwide," Lord Douro told the Financial Times

"We look forward to further growth in the Lagerfeld and Chloe brand names over the coming years," he said Both brands' distribution and franchise networks would be enlarged

There will be no senior management changes, so that Ralph Toledano will continue as Karl Lagerfeld's managing director and Jean-Claude Piedelievre will stay on as Chloe's managing director

Several leading Parisian fashion houses are believed to be incurring losses after two years' of recession worsened by the blow of the Gulf war

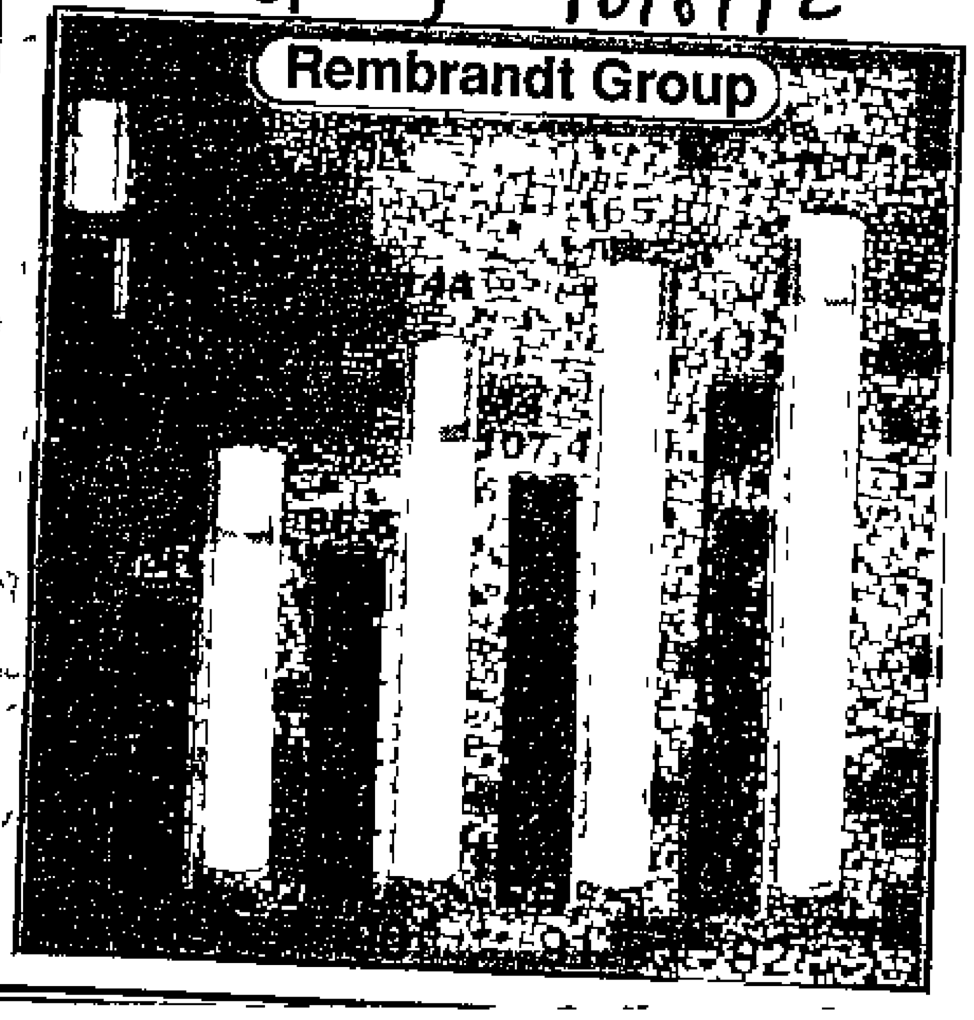
Like most of its French competitors, Karl Lagerfeld does not publish results It would be surprising, however, if it were not affected by the fashion industry downturn, the Financial Times says

Dunhill also owns Mont Blanc pens and Hackett, a chain of classic English clothing stores. It also markets its own brands of accessories and clothes.

Remgro results disappoint

BDay 10/6/92

(198)



LINDA ENSOR

CAPE TOWN — Annual results of diversified conglomerate Rembrandt Group (Remgro) for the year to end-March were well below analyst's expectations, indicating the effect of the recession on the group and its mining and industrial interests.

Earnings a share from business operations rose 8,8% to 180,3c (165,8c) compared with analysts' forecasts of earnings growth of about 11% or 12%. Attributable profit amounted to R941m (R865,3m)

Gencor, Gold Fields of SA, Absa, Huntcor, Metkor, Distillers, Stellenbosch Farmers' Winery and Gilbeys are some of the major groups in the Remgro fold.

☐ To Page 2

Remgro

BDay 10/6/92

(198)

☐ From Page 1

Analysts believed Remgro's tobacco operations continued to underpin the group's performance However, tobacco sales were believed to have slowed markedly due to pressure on disposable incomes. Volume growth of 1% to 2% was forecast though improvements in margins were expected to have resulted in a 20% increase in tobacco profits

Interest on cash surpluses — derived in part from the R242,6m gross profit from the sale of the group's interest in Standard Bank Investment Corporation — would have had a favourable impact.

Pre-tax income, including dividend income of R221,3m, rose 22,2% to R1,2bn (R960,3m), while the share of net income retained by associated companies fell 16% to R269,9m (R322m) If the share of net income of associated companies (mainly cash earnings) was excluded, earnings a share rose 22,9% to 132c (107,4c).

The market value of the group's investments was R6,6bn

The group's second half proved more difficult than the first as at the interim stage attributable earnings rose 10,7%

Remgro's trademark group, consisting of its tobacco and liquor interests, was estimated to have contributed about 40% of attributable profit, mining 29%, industrial interests about 17,7%, financial services about 8,5% and corporate finance 4,6%.

Earnings of Rembrandt Controlling Investments (RembBeh), which has a 51,1% stake in Remgro, rose to 133,5c (122,8c) Earnings of Technical Investment Corporation (Tegkor), which holds 20,7% of Remgro, rose to 117,16c (107,73c) and earnings of Technical & Industrial Investments (TIB), which has a 17,4% stake in Remgro, rose to 124,2c (114,2c).

Lion Match on export and cost-cutting drive

Bday 15/6/92

198

MARCIA KLEIN

SA BREWERIES subsidiary Lion Match is to focus its attention on exports, tightened cost controls and strict cash management in financial 1993, chairman Laurie van der Watt said in his annual review

Although restrictive monetary and fiscal measures and the drought would inhibit consumer spending, Lion was entering the new year in a sound financial position This, together with the benefits from the rationalisation of the appliances division, would enable Lion to produce a reasonable improvement in earnings in financial 1993.

In the year to end-March, Lion's turnover was marginally lower at R329,6m and earnings dropped 18% to R12,6m Cashflow from operations rose 3% to R23,9m and gearing was reduced to 31% from 51%

Van der Watt said gearing would decline marginally with the contribution of retained cash flow.

Capex of R17,2m had been approved, of which about R11,3m would be absorbed by the lights division The capex would be funded without increased borrowings

Commenting on the group's performance over the past year, he said the core lights division had an excellent year The 15% turnover rise reflected a marginal real growth in match sales, including a substantial rise in exports Trading profit grew 25% on containment of distribution costs and improved efficiencies

Disposable lighter sales declined in real terms, but market share was maintained

The packaging division's turnover grew 7%. All its divisions were affected by the decline in private consumption expenditure and competitive market conditions

The appliances division, which showed a R1,3m trading loss (for nine months to December), suffered from highly competitive market conditions and a deliberate reduction of production volume

In a joint venture between Lion and Tedelex, the bulk of the division's assets have been incorporated into newly formed company Amalgamated Appliances, which is now equity accounted The R1,9m loss attributable to Amalgamated Appliances included abnormal costs of R800 000.

The shaving division had a 17% rise in sales and a small increase in market share.

Lion Match flickers (198) less brightly

STAR 16/6/92

By Des Parker

DURBAN — Lion Match flickered a litle less brightly in the year to March as turnover slipped from R331,3 million previously to R329,6 million.

Chairman Laurie van der Watt says in the annual report that restrictive monetary and fiscal measures and drought are likely to keep the lid on demand for group products in the current year.

During the year, the group merged its Lion Appliance Enterprises company with Haz and Tedelex Housewares to form Amalgamated Appliances, an enterprise jointly owned by Lion Match and Tedelex.

The consequent rationalisation of the business and the sale of a 29 percent interest in Chet Industries brought Lion Match R19,4 million in cash and helped reduce borrowings to R35,9 million and the gearing to 31 percent.

Contribution

However, the re-arrangement cost the division R800 000, which constituted a substantial contribution to the R1,9 million drop in turnover.

The brightest performance came from the lights division, where turnover climbed 15 percent to R112,8 million (R97,9 million) and trading profit 25 percent to R23,5 million (R18,7 million).

The division will receive R11,3 million of the group's planned capital expenditure for this year of R17,2 million.

Packaging division Interpak Holdings came under competitive pressure, says Mr van der Watt.

Sales rose seven percent to R139,8 million (R130,3 million), but squeezed margins resulted in trading profit falling to R13,4 million from R14,6 million the previous year.

A 17 percent growth in turnover to R24,3 million (R20,7 million) was reported by the companies making shaving products, scissors and garden shears, although sales volumes fell.

FM 19/6/92. (198) FM 19/6/92. (198)

LION MATCH

Softer glow

Activities: *Manufactures and distributes matches, packaging materials, shaving, home and garden products, and small electrical appliances*

Control: *SA Breweries 70,6%*

Chairman: *L van der Watt, MD E M Turner*

Capital structure: *45,5m ords Market capitalisation R164m*

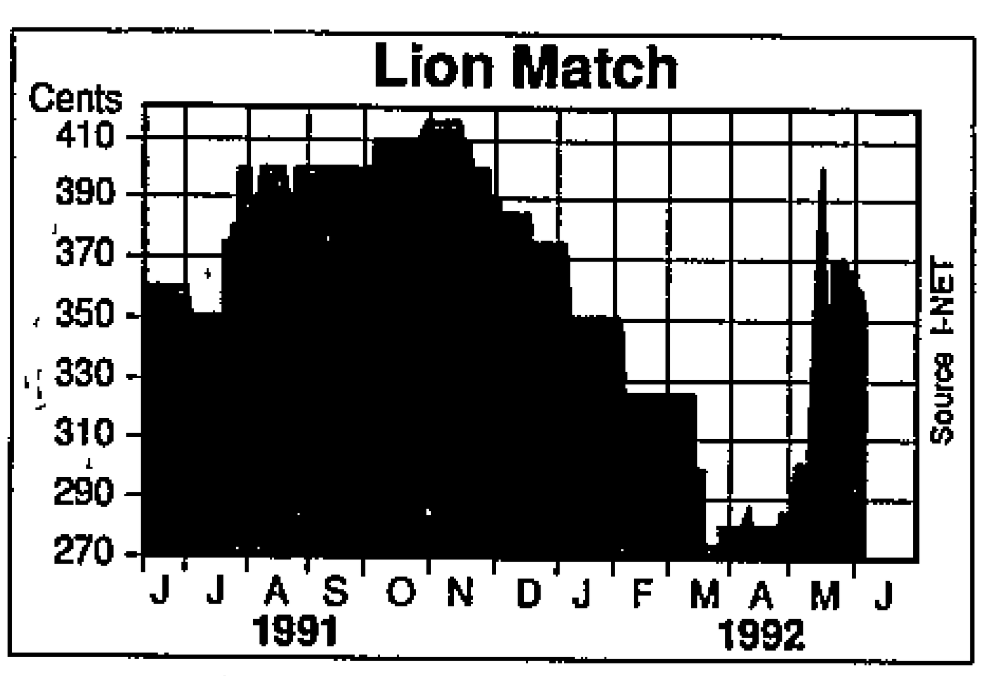
Share market: *Price 360c Yields 3,2% on dividend, 7,7% on earnings, p e ratio, 13,0, cover, 2,4 12-month high, 415c, low, 275c Trading volume last quarter, 69 700 shares*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	—	0,3	6,8	12,7
LT debt (Rm)	42,8	57,6	48,9	23,2
Debt equity ratio	0,54	0,58	0,51	0,25
Shareholders interest	0,44	0,43	0,44	0,51
Int & leasing cover	5,0	3,4	3,3	3,2
Return on cap (%)	14,5	14,6	16,1	17,1
Turnover (Rm)	223	280	331	330
Pre-int profit (Rm)	25,6	34,3	40 0	39,3
Pre-int margin (%)	11,1	12,2	12,1	11,9
Earnings (c)	27,0	30,9	33,9	27,7
Dividends (c)	11,0	13,0	14,0	11,5
Net worth (c)	175	222	242	256

Strike a light! Every day South Africans do that 207m times, much to the gratification of Lion's shareholders Matches remain a key product in this diversified company's growing range of consumer goods, contributing about 95% of the profit of Lion Match's lights division, most important of the varied operations

But it hasn't all been good cheer in 1992 Turnover dropped for the first time in seven years, trading margins were squeezed as part of a planned sacrifice to retain market share, the tax rate held steady at around 46% and EPS fell nearly 19% An inevitable consequence, given the board's determination to hold cover at 2,4 times, was a cut in the dividend to 11,5c, a level last seen in 1989

Lion's business operations are conducted through four divisions Of these the most important profit contributor is the Lights division, which manufactures, inevitably, matches, and imports disposable lighters and which controls, logically, the company's forestry activities Trading profit rose by a quarter, to R23,5m, which Lion MD Ted Turner ascribes primarily to a successful and sustained effort to improve factory efficiencies This was the only division to improve over 1991 Turner says 1992 was a year in which trading was characterised by increased competition and savage reductions in margins



Lion's Van der Walt *opting for a joint venture*

The packaging division, consisting of Lion's sole ownership of Interpak companies, stood still The business is concentrated in producing labels for Breweries, and in the production of litho-printed folding cartons, where Turner says a major effort is being made to improve operating efficiencies Inroads are being made successfully into business traditionally held by its major competitors

The shaving, home & garden division is the smallest, last year it produced a modest trading contribution of R3,6m Its business is concentrated in Wilkinson-brand products, which it makes under a licensing arrangement

It was in the appliances division that Lion really ran into trouble last year From R52,7m turnover, the division produced a trading loss of R1,3m, and urgent steps were needed to rectify the situation Turner says, "we had a bad year There was an acute need to rationalise the business because we were all being murdered by imports "

Lion negotiated a comprehensive deal with Tedelex, effective from January this year, in terms of which a new company has been created, Amalgamated Appliances owned equally by Tedelex and Lion, which makes and distributes brands previously controlled by Lion, Haz and Tedelex

The arrangement involved a once-off write-off of about R1,8m, the retrenchment of about 200 employees at Tedelex's Krugersdorp plant, the sale of that plant and reestablishment at Lion's New Germany factory This brings the principal SA manufacturers under one roof Turner says it answers one side of the equation, the other is to carry the fight to the importers by substantial improvements in manufacturing efficiencies

In addition, Lion sold its 29,5% share in Chet Industries, a company concentrated in soap manufacturing, not considered a strategic investment Colgate Palmolive bought the stock This, with benefits arising out of the merger with Tedelex's operations, brought Lion a cash injection of R19,4m.

The funds have been applied principally in retiring long-term debt With debtors and stocks significantly reduced and creditors maintained, the balance sheet has strengthened materially Turner says Lion is in a good position to take advantage of an upturn

But he expects 1993 to be a very tough trading year "With these high levels of unemployment, the national uncertainty and continued inflation, discretionary spending is drying up," he says However, he adds "I will be disappointed if our earnings don't match inflation this year "

Even then, earnings will still be below 1991's level of nearly 34c The share trades on a p e of 12,6 in a sector dominated by Rembrandt and Utico, with an average p e of 15,7 On this basis, the share could have a little way to go, but investors will first want to see a return to former levels of profitability and dividend payments *David Gleason*

REMBRANDT GROUP (198)

Filtered profits FM 19/6/92

Though Rembrandt's earnings growth in the 1992 year remained well above that of many other large industrial groups, the market does seem to have been expecting better

The share closed at 2 935c before release of the results last week, but had fallen to 2 550c by June 16. That slide of just over 13% was substantially steeper than the 3,4% drop in the JSE Industrial index over the same period

As ever, detail with the preliminary results is sparse But the accounts show interesting trends Profit growth in the managed operations looks as healthy as ever, with net pretax income rising 22,2%

The main curb on overall earnings is the performance of the diversified investments held as associates, many of which are more cyclical than the group's core operations in tobacco Some indication of the extent to which the performance of associates has been dented is given by the 16,3% decline in the equity adjustment for the share of net income retained by associated companies

This, presumably, is largely a result of the recession However, the exclusion from the second-half income of a growth investment such as SBIC may also have played a part

At the same time, it's apparent that Remgro continues to place a heavy emphasis on maintaining a high level of liquidity and a conservative balance sheet Long-term liabilities at year-end were only R195,9m (1991 R188,8m) and net current assets

FM 19/6/92

jumped to R705,9m (R274,3m) (198)

After a 20% increase in the dividend at the halfway stage, the second-half payout was up by only 26%, giving an 8,7% higher total Dividend cover, based on EPS excluding the share of income retained by associates and thus the mainly cash figure, was lifted from 3,6 to 4,1 times

That should help to ensure the group remains flexible and capable of at least generating nominal growth in earnings and dividends Whether growth below inflation is enough to justify a share price yielding less than 2% is another matter *Andrew McNulty*

SLOWER PACE

Year to March 31	1991	1992
Pre-tax income (Rm)	960,3	1 173,6
After tax income (Rm)	615,6	747,7
Equity adjustment (Rm)	322,3	269,9
Net income		
— Normal bus operations (Rm)	865,3	941,1
Earnings (c)		
— Normal operations	165,8	180,3
— Excluding assoc's share	107,4	132,0
Dividends (c)	30,0	32,6
— Special (c)	—	30,0

Acquisitive Richemont won't disappoint

198

STAR 24/6/92

By Stephen Cranston

Richemont's board meeting in Zug, Switzerland later this week is likely to be the last one with Johann Rupert at the helm

In spite of the international recession, Richemont is expected to produce improved results once again At the half way stage earnings increased by 14,9 percent to £87,1 million (about R440 million).

Mr Rupert is looking for a grand finale because if market speculation is correct, he will take over as chairman of the Rembrandt Group from his uncle Koos Rupert later this year.

Johann Rupert . . on acquisition spree.

Mr Rupert's time as chairman of Richemont SA has been characterised by an international acquisition spree to make Richemont into a world class luxury goods empire.

Mr Rupert has concentrated on the Rupert family's traditional area of expertise, tobacco although through Dunhill and Cartier he has moved into the luxury goods market.

But analysts believe that a different kind of chief executive with different skills will be needed now that Richemont has diversified into electronic media through FilmNet.

Previously, Richemont's main non-core investment was its 21 percent holding in Liberty Life's offshore arm, TransAtlantic Holdings. After a much publicised "divorce" between the Ruperts and Liberty Life chairman Donald Gordon this was sold for '151 million in the first half of the financial year.

Richemont had net liquid assets of £606 million at the September half time, up £207 million from the March 1991 year-end.

Mr Rupert has not just been sitting on the cash. Most recently, Richemont's Dunhill subsidiary bought Karl Lagerfeld from Revillon Luxe.

Though small, Karl Lagerfeld operates in the high margin fashion business with a jet set clientele.

But the bigger prize for the Rupert family is that Mr Lagerfeld will be designer for Dunhill's ready-to-wear Chloe label.

Richemont is now 92nd in Europe's Top 500 companies. Last year Richemont did not even appear in the list.

Richemont's cash resources have been combined with M-Net's expertise in electronic media by the acquisition of FilmNet, based in Holland. FilmNet is a subscription service on the lines of M-Net, and M—Net MD Koos Bekker has moved to Holland to oversee the expansion of the service

The investment has changed the nature of Richemont from a luxury goods company into a pan-European group with international media interests. Investors will watch the progress of this development with interest.

Tobacco sector 'set to expand'

HARARE — Zimbabwe's tobacco industry was poised for expansion because the country produced, handled and marketed tobacco better than any other in the world, newly elected Zimbabwe Tobacco Association president Ian Alcock said yesterday

He told the Zimbabwe African News Agency it was estimated tobacco consumption would increase 1,4%-1,8% annually up to the year 2000 "Certainly we will get our share of that expansion because no other country handles tobacco the way we do Furthermore, we have aggressive marketing organisations like the tobacco marketing board"

Alcock said the industry's successs depended on whether Zimbabwe would experience recurring droughts, like the current one which had devastated most countries in southern Africa.

Tobacco growers were not worried about the current anti-smoking campaign because some of the reasons being put forward had very minimal impact "We do not believe the arguments will have much impact in stopping people from smoking. The price of cigarettes is the only factor which we know has an impact"

The association (198) aware of stiff competition from other major tobacco producing countries like Brazil, but Zimbabwe's industry was not worried as it was capable of competing BDay 25/6/92.

The association's recent financing problems had been resolved by the Reserve Bank of Zimbabwe Alcock expected the interest rates situation to improve, particularly those charged on tobacco bills

This year it appeared the central bank had introduced "punitive" interest rates on tobacco bills and this had had a negative impact on prices paid to producers

"It appears the bank is trying to fix prices on the auction floor because, when interest rates increase, it impacts heavily on grower prices in the sense that growers have to pay for the increase," he said.

If next season was normal, the association expected tobacco to earn about Z$2,3bn "This year dams are empty and next season we expect about 8% of tobacco to come under irrigation Therefore because of the constraint of water we are not expecting to get anything more than 180-million kg next season" — Sapa

Richemont lives up to earnings expectations

STAR 26/6/92

By Stephen Cranston (198)

As predicted earlier this week, Richemont has once again produced improved results

In the year to March, attributable profit rose 11,3 percent to £197,3 million, or £343,60 a unit

Richemont's units, which are listed in Switzerland and in Johannesburg, will be split ten for one on the Swiss exchanges, if shareholders approve.

Chairman Johann Rupert said yesterday earnings improved despite a significant reduction in tobacco profits from Australia, further charges for the rationalisation of the group's tobacco business and a difficult year even for the super-rich clients of the luxury goods business

The turnover of the luxury goods companies, Cartier Monde and Dunhill Holdings, was up 2,7 percent to £928 million, but margins increased Operating profit was up 4,1 percent to £214,6 million.

Dunhill's sales were up by 10,6 percent after the purchase of a substantiaL interest in Alfred Dunhill's Japanese distributor

Outside the core interests, profits from associates were up £6,6 million, mainly because of an increased contribution from North American Resources

Overall, operating profit was up five percent to £584 million, but net interest income was down by 10 percent to £36 million

Pre-tax profit was up four percent to £620 million

Taxed profit, however, was up seven percent at £400 million, thanks to a reduction in the tax rate from 37,4 percent to 35,6 percent.

Richemont profit up 11,3%

(198)

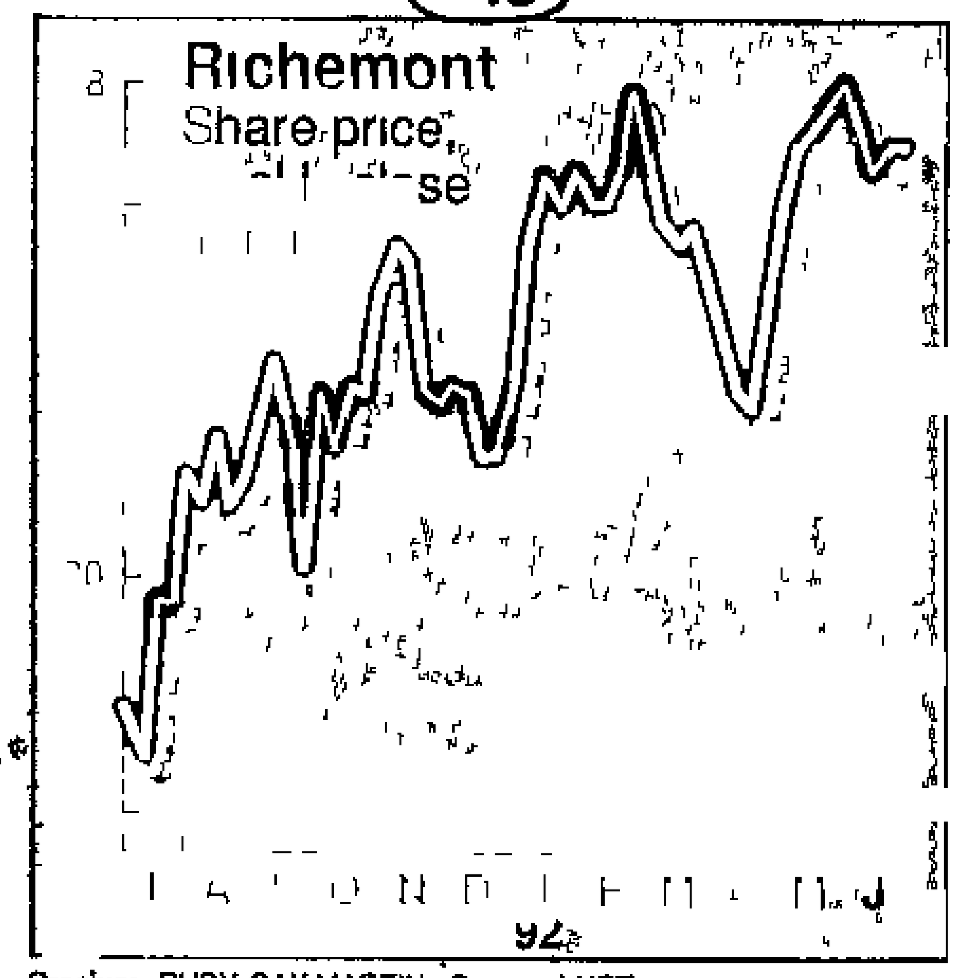
MARCIA KLEIN

IN SPITE of a difficult year for some of its tobacco and luxury products, Compagnie Financière Richemont lifted its attributable profit 11,3% to £197,3m in the year to end-March B/Day 26/6/92

Directors said yesterday that results were satisfactory despite "a significant reduction in tobacco profits from Australia, further charges for rationalisation of the group's tobacco business and a difficult year for the luxury products companies"

The Swiss-based group also announced a 10-for-one subdivision of its shares on the Swiss stock exchange. This was in line with changes to Swiss company law. The Richemont unit price would now be comparable

☐ To Page 2



Graphics RUBY GAY MARTIN Source I NET

Richemont B/Day 26/6/92

(198)

☐ From Page 1

with those of other top Swiss companies.

Earnings rose 11,3% to £343,6 a unitfrom £308,7 The dividend was 11,1% higher at £56,25

Richemont's core tobacco division reported a 6,3% rise in net sales revenue to £2,2bn. Directors said the 4,4% increase in tobacco's operating profit to £367m was due to improved profitability in Canada (as higher selling prices offset reduced volumes), Germany (cost reductions) and Poland, where sales volumes doubled.

These results were achieved in spite of rationalisation costs of £23,7m (£9m) to improve efficiency, mainly in Europe and Australia. Australian operations had reported a lower level of profit on lower sales volumes and tax increases.

The acquisitions of Theodorus Niemeyer BV and the remaining share capital of P J Caroll Holdings also contributed to increased operating profit. The group's luxury products, comprising mainly Cartier Monde SA and Dunhill Holdings, increased sales revenue by 2,7% to £928m, and operating profit by 4,1% to £214,6m

Directors said Cartier's sales of £693,4m were maintained "despite consumer confidence being at its lowest level for many years". Cost savings saw it increase operating profit by 7,6%.

Dunhill's sales revenue rose 10,6% with the acquisition of a substantial interest in Alfred Dunhill's Japanese distributor Operating profit rose marginally. While the Alfred Dunhill division experienced difficulties following the Gulf war, Montblanc had an excellent year.

Richemont's share of operating profit of associates increased to £27,5m from £20,9m An increased contribution from North American Resources was partially offset by a significantly reduced contribution from TransAtlantic Holdings Richemont sold its 24,9% interest in TransAtlantic in May 1991 for £150,6m A £33,7m extraordinary item reflected the gain realised on the disposal

On the balance sheet, investments in associated undertakings decreased to £83m from £174,9m This reflected the disposal partly offset by the acquisition of an interest in pay station FilmNet.

Tobacco remains Rembrandt's mainstay

B/Day 3/7/92

MARCIA KLEIN (198)

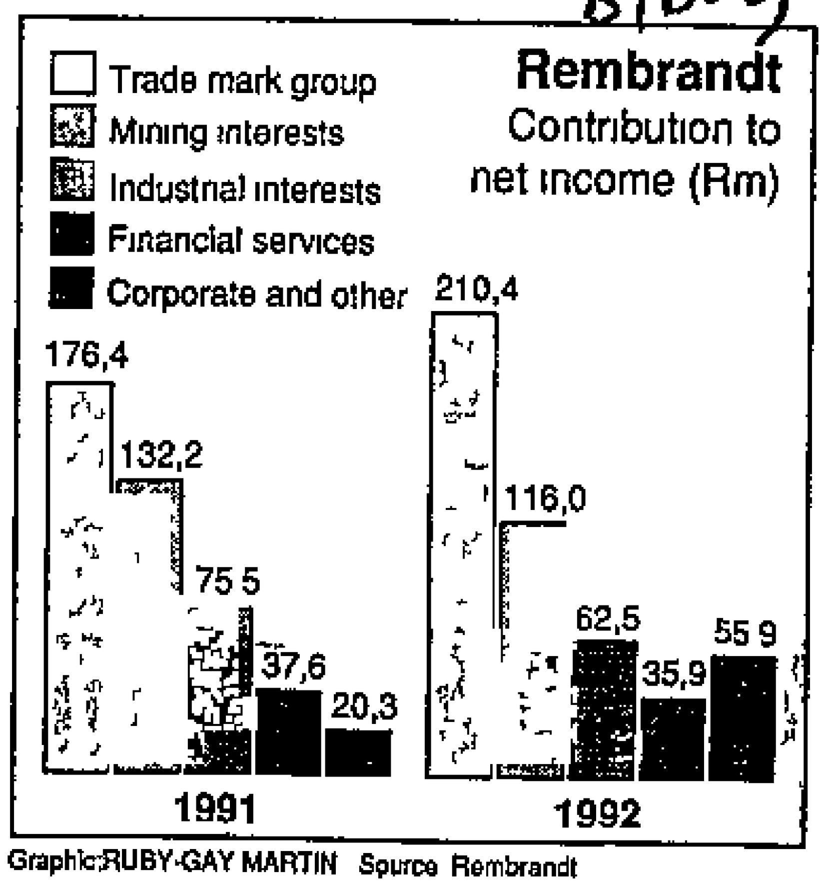
THE Rembrandt Group's tobacco interests remain the mainstay of its operations and profits, its annual report shows

Chairman Anton Rupert said the trademark group, which includes its core tobacco interests as well as some smaller liquor and other interests, achieved real earnings growth and contributed R210,4m or 43,8% of net income compared with a 39,9% contribution in the previous year

However, mining interests — including Gencor, Gold Fields of SA, Trans Hex and Fralex — dropped their contribution from 29,9% of net income to R116m or 24,1%

Numerous industrial interests, which include Hunt Leuchars & Hepburn, Metkor, Dorbyl and Henkel, dropped their contribution from 17,1% to 13% of net income, equivalent to R62,5m

The 14% drop in the contribution of the combined mining and industrial interests was "mainly as a result of lower international commodity prices, local cost pressures and the effect of unfavourable market conditions experienced by most industrial companies", Rupert said



Graphic:RUBY-GAY MARTIN Source Rembrandt

The corporate and other divisions' contribution to net income increased significantly to R55,9m from R20,3m mainly as a result of interest income earned on proceeds of the sale of its shareholding in Standard Bank Investment Corporation Financial services' contribution declined from R37,6m to R35,9m on a lower dividend income following the disposal

Rupert made no predictions for the coming year

Reviewing the report, ~~an~~ analyst said that management changes, which could include Anton Rupert's retirement and Johann Rupert's return to take over the Remgro helm, could bring changes

He said tobacco had done well, but the group's other investments had performed below expectations

He said the big question was whether the new and younger management team would be happy with maintaining the huge investment portfolio purely as investments There could be a change towards becoming more involved in management of companies it had interests in

Rupert's empire pays R1,2-bn tax and excise duties

STAR 3/7/92

(198)

By Tom Hood

CAPE TOWN — More than R1,2 billion was paid into government coffers by Rembrandt group companies in the 12 months to March

This was disclosed yesterday by chairman Koos Rupert in his annual report

The group paid R426 million in tax, and R882 million in excise duties, including its share of excise duties paid by associated companies

However, the Stellenbosch-based empire is anything but hard up, it has cash resources of R367 million after paying R327 million in dividends to shareholders, and stock worth R844 million

Investments

It spent R510 million on new investments, including R288 million on additional Gencor shares offered in the rights issue, and R216 million on buying Rainbow Chicken shares

A breakdown of profits earned by the five operating divisions shows the trademark group, which includes liquor and tobacco, was again the biggest moneyspinner, more than offsetting lower profits from mining, industrial companies and financial services

Profits from the trademark group jumped by 19 percent to R412 million — providing 44 percent of group profits of R941 million

Mining profits dropped by 12 percent to R227 million and industrial profits by 17 percent to R122 million Financial services earned R70 million, a decline of five percent

Corporate and other business operations generated profits of R109 million, up 177 percent on the R39 million earned last year

This upsurge was mainly due to interest income earned on the proceeds from the sale of the group's 10,7 million shares in Standard Bank Investment Corporation (Stanbic)

The reduced profits from financial services were due to a lower dividend income as a result of selling the Stanbic shares

Mr Rupert said "In spite of the severe economic and trading conditions of the past year, the trademark group achieved real growth in earnings

"The other divisions, with the exception of the mining and industrial interests, performed satisfactorily"

The value of shareholders' funds jumped by R887 million during the year to R5,507 billion, or R10,55 a share

Mr Rupert said that after accounting for the surplus of market and directors' valuations over the book value of investments, but without taking into accouont the "substantial value" of group trademarks, the interests of shareholders increased to R12,79 a share

RICHEMONT FM 3|7|92

Taking the long view

(198)

For a share yielding 0,8% on dividend, the rate of advance in Richemont's 1992 earnings may not seem greatly exciting to SA investors But the record of unbroken growth has been maintained in the face of the international recession and that again emphasises the quality of the assets

The 1992 year's earnings increase of 11,3% is well below the pace of recent years Earnings per unit (in sterling) increased by 37,3% in 1989, by 37,4% in 1990 and by 21,2% in 1991 Measured against inflation rates in the UK, Europe, Australia and the Far East — where Richemont's businesses are primarily based — the group still produced real growth last year and in hard currency

This is the second set of annual accounts to be released since MD Johann Rupert moved to London in September 1990 Rupert is due to return to SA at the end of this year, when his two-year stint abroad ends

It is generally expected he will then become chairman of Rembrandt Group, whose present chairman, Koos Rupert, will be reaching retirement age of 63. Rupert declines to comment on this, but he says he will remain CE of Richemont after he is back in SA

There is no intention of appointing a chief operating officer to help run Richemont from abroad "At a big international company like Richemont the MD is more concerned about long-term strategies," he says "We have central product and brand strategies, but operational management is decentralised It is not necessary to have an MD in London "

Aside from the solid profits, in the past few years, there have been various structural changes in the group Most important of these was that Rothmans International became a subsidiary, with the Richemont holding increased to 62,8%, and Rupert became deputy chairman of the UK tobacco and luxury products group, while a new CE was appointed to run the tobacco operations Operational management was also bolstered in Cartier and Dunhill

These developments should leave the multinational Richemont — its products are sold in 160 countries — in a better position to attend to day-to-day operations while its MD is also directing Rembrandt's interests in SA But the long-term, strategic approach at Richemont has changed little

Conservative financial management, as much as the resilience of the major markets, was responsible for the 1992 year's growth Operating profit from both tobacco and luxury products was up by a shade over 4%. A marginally lower tax charge helped lift the increase at attributable level to 11,3%.

Richemont's Rupert *operational management is in place*

Net interest receivable was lower, at £35,9m compared with the year-ago £39,7m, but Rupert says this was because of declining international interest rates. He says Richemont remains highly liquid and, at year-end, the net cash balance was substantially higher than the previous year's figure The 1991 balance sheet showed cash and marketable securities of £1,46bn against borrowings of £1,06bn

The tobacco operations — held through Rothmans International — had to cope with a sharp drop in the contribution from the Australian arm, Rothmans Holdings. A couple of years ago, the Australian government banned print media advertising of tobacco. Rupert says that was not the problem Rather, profitability was bruised by a price war between the three main contestants in that market, BAT, Philip Morris and Rothmans, which were vying for market share The market has apparently stabilised, so there may be a recovery this year.

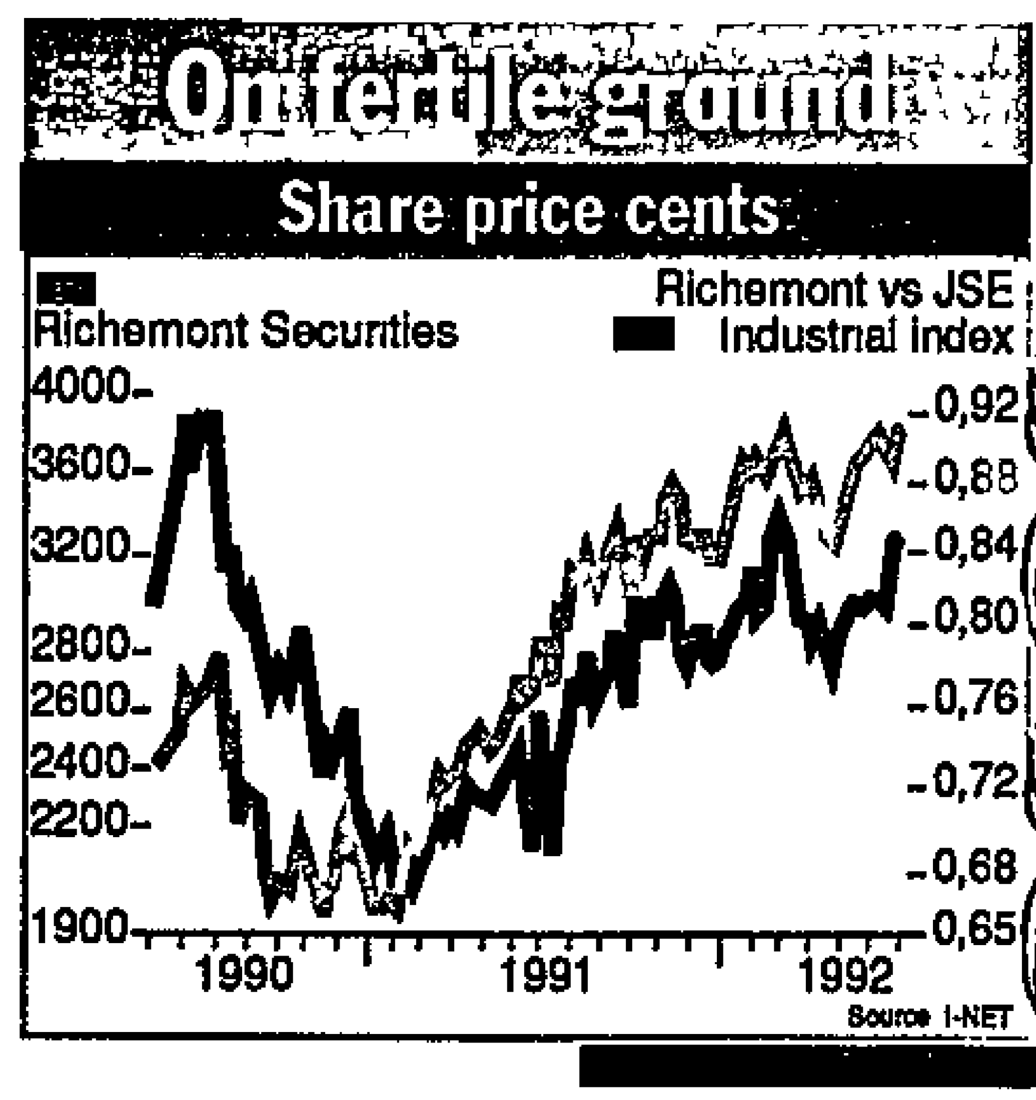
On the whole, though, the tobacco results were a mixed bag, growth being achieved in other markets such as Malaysia, France and Poland. Rupert notes that a cautious approach is being taken to eastern Europe, but there have been market share gains there

The year was described as a difficult one for the luxury goods (held through Dunhill and Cartier), but the market for Richemont's premium brands appears to have been slightly more resilient than for other luxury goods "It is a bit early to tell," says Rupert, who adds that sales of these products depend more on the mood of customers than on their ability to spend

Investments during the past year included the participation in the consortium that acquired the European cable television company, Filmnet, for $75m, of which Richemont was responsible for half Rupert points out that the effect on the group is immaterial It accounts for less than 2% of Richemont's assets excluding goodwill Filmnet, he says, is a long-term investment that will take several years to come to fruition and contribute to profits

North American Resources was substantially restructured during the year The financial performance was not disclosed, but the 1991 annual report noted that the company had "suffered the consequences of the recession, together with unforeseen difficulties in its oil and natural gas operations " It was also noted that the company was highly liquid and a reassessment of its strategic objectives was nearing conclusion

That reassessment apparently bore fruit during the past year During the year North American Resources sold its natural resources interests, including its refinery, and acquired a large mail order company which is now regarded as the core business The company it bought had previously been the subject of a leveraged buy-out and is now being restructured and degeared Rupert says this, too, is regarded as a long-term move, with material profit contributions only expected over the next three to five years



At 3 830c, the share trades on an earnings multiple of about 24 That seems pricey, but the share has rarely failed to outperform the industrial market for long There is no obvious reason why Richemont should not retain its premium rating relative to other blue chips on the JSE

Andrew McNulty

AT A PREMIUM

Year to March 31	**1991**	**1992**
Operating profit (£m)	556,4	584,2
After tax profit (£m)	373,2	399,5
Earnings (£m)	177,3	197,3
Earnings/unit (£)	308,70	343,60
Dividends/unit (£)	50,625	56,25

STAR 4/8/92

(198)

Lorry load of goodwill for Remgro

By Marc Hasenfuss

CAPE TOWN — THE market still has a busload of faith in the giant Rembrandt Group (Remgro) — judging by the incredible amount of goodwill placed on the share.

At Remgro's annual meeting last week, South African Shareholders' Association chairman Issy Goldberg calculated that the group's issued share capital of 522 million shares at the current market price of R26 translated into a market capitalisation of R12 billion

He said the market attributed goodwill of about R5 billion to the group This meant there was goodwill of about R10 on each share if one estimated Remgro's possible net asset value a share at R15

REMBRANDT GROUP FM 7/8/92 (198)

Finding disadvantages in diversity

Activities: *Diversified industrial group.*
Control: *Rupert and Herzog families*
Chairman: *J A Rupert; Vice chairman· J P Rupert.*
Capital structure: *522m ords. Market capitalisation R13,44bn*
Share market: *Price· 2 575c. Yields. 1,3% on dividend; 7,0% on earnings, p:e ratio, 14,3, cover, 5,5. 12-month high, 2 925c; low, 2 200c. Trading volume last quarter, 3,2m shares.*

Year to March 31	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	30	311	113	33
LT debt (Rm)	93	136	89	196
Debt equity ratio	0,2	0,9	0,5	0,3
Return on equity (%)	18,5	19,0	18,7	17,1
Net income (Rm)	598	801	841	1 171
Earnings (c) ..	115	144	166	180
Dividends (c)	20	25	30	32,6*
Net worth (c)	622	757	885	1 055

* Excludes special dividend of 30c

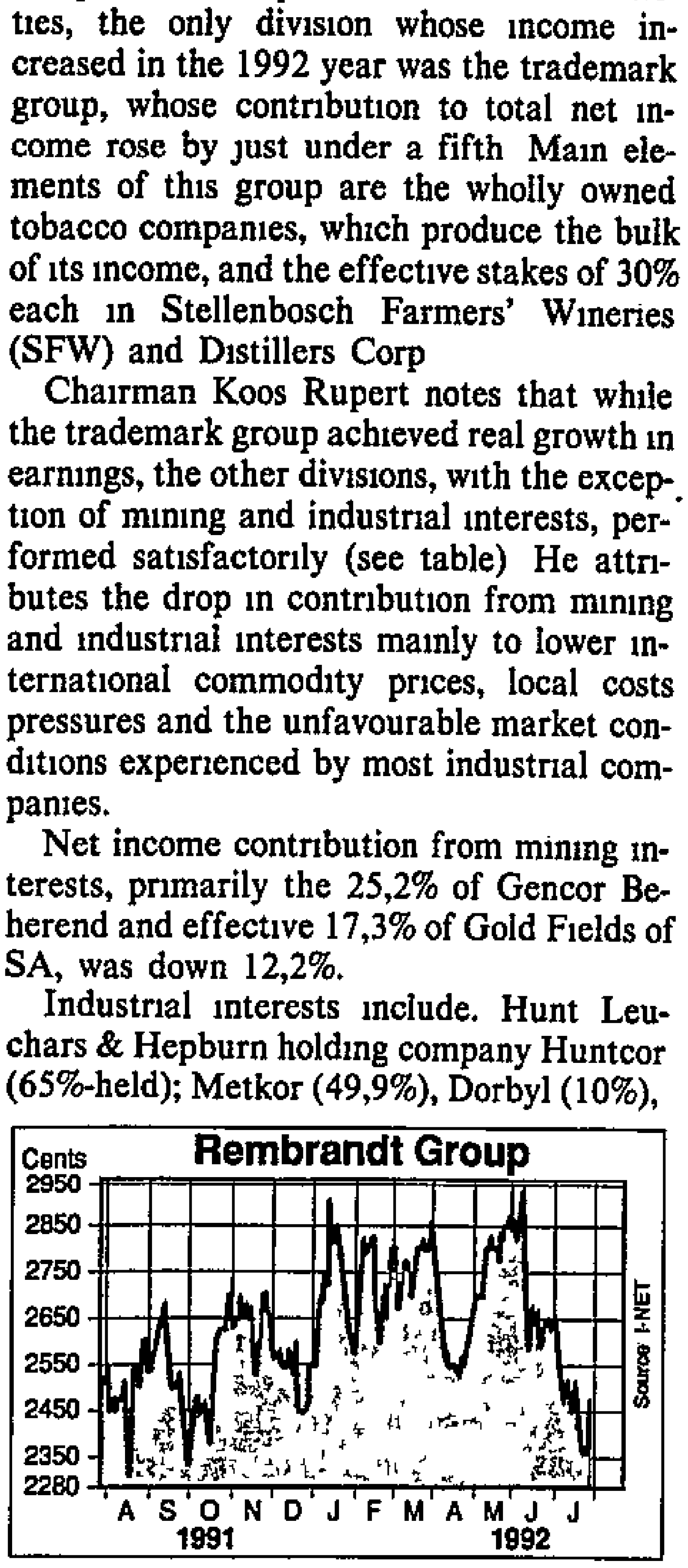
No large and diversified group can hope to escape the effects of this recession and even the highly rated Rembrandt Group (Remgro) is no exception

Apart from corporate and financial activities, the only division whose income increased in the 1992 year was the trademark group, whose contribution to total net income rose by just under a fifth Main elements of this group are the wholly owned tobacco companies, which produce the bulk of its income, and the effective stakes of 30% each in Stellenbosch Farmers' Wineries (SFW) and Distillers Corp

Chairman Koos Rupert notes that while the trademark group achieved real growth in earnings, the other divisions, with the exception of mining and industrial interests, performed satisfactorily (see table) He attributes the drop in contribution from mining and industrial interests mainly to lower international commodity prices, local costs pressures and the unfavourable market conditions experienced by most industrial companies.

Net income contribution from mining interests, primarily the 25,2% of Gencor Beherend and effective 17,3% of Gold Fields of SA, was down 12,2%.

Industrial interests include. Hunt Leuchars & Hepburn holding company Huntcor (65%-held); Metkor (49,9%), Dorbyl (10%),



Remgro's Rupert ... *building liquidity*

Total SA (Pty) (34,4%), Henkel SA (Pty) (50%), Lenco (13,9%); HL&H Timber (25,2%); and Rainbow Chicken (20,2%). Total net income contribution from the industrial interests dropped 17,4%

Income from financial services, whose main components were Sage Holdings (11,8%); Momentum Life (28,7%); Boland Bank (9,9%); and Absa (12%), fell 4,6% This was mainly because of the sale in May last year of almost all the 10,5% stake in Standard Bank Investment Corp, with the result that dividend income from this source was sharply lower.

However, sale of the 10,7m SBIC shares to Liberty Life and other institutions realised an extraordinary capital surplus of R242,6m. It was mainly because of interest earned on the proceeds that the corporate division's contribution to earnings jumped by 177% — having a significant effect on the bottom line The sale proceeds are treated as an extraordinary item

This cash inflow came in a year when Remgro laid out more than R500m in new investments R288m in February to follow the Genbeheer rights issue, R215,6m to follow the Rainbow Chicken rights issue and smaller amounts of R7,7m More cash flowed in since year-end, with the remaining 0,6% interest in SBIC sold for R16,9m, and the stake in Momentum sold for R29,8m.

The subsidiaries, particularly tobacco, are not capital-hungry and capex has not been high; commitments stood at R68,1m at year-end But other investments absorbed R112m in 1991 and R1,3bn in 1990, so the disposals brought a useful infusion of liquidity Cash resources at March 31 stood at R366,8m compared with R32,2m at the 1991 year-end.

But, by selling SBIC and, to a lesser extent, Momentum, the group has forgone a significant and growing source of dividend income. Interest receipts boosted Remgro in 1992 but the cash will not in itself produce earnings growth over a longer period, particularly with rates falling

Remgro's tobacco companies operate in SA, where they dominate the market. The local market fits into the international pattern, in that tobacco consumption and cigarette profits continue to grow in Third-World countries while the opposite is happening in developed economies

For the rest, most of the diversified interests are ex-growth until the economy and/or the rand prices of commodity and precious metals recover For exporters, prices will have to rise in rands, not just dollars

Remgro's tobacco operations — and perhaps some others such as liquor and food — should continue their profit growth, along with the strong cash generation for which Remgro is known. But that will not be enough to ensure earnings growth over the next year or so any better than the 8% improvement in equity earnings posted in 1992, an even slower pace is possible

Dividend cover on equity earnings was held at 5,5 times, but the cover on cash earnings was lifted from 3,6 to 4,0, adding to liquidity and the ability to maintain growth in the payout this year

After Rupert reaches retirement age this year it's expected that he will be succeeded by the present executive vice-chairman, Johann Rupert, who will remain MD of Richemont That may herald some changes but it presumably will not signify a phase of fur-

REMGRO'S

	Capit 19
Trade mark group	70
Mining interests	2 174
Industrial interests	84
Financial services	63
Corporate & other	28
Total	4 63

COMPANIES FM 7/8/92 (198)

ther asset sales or financial engineering With cash building up, acquisitions are more probable.

The share is trading about 10% below the peak set in early June Though some of the diversified holdings are now dragging down the pace of growth, the earnings performance will still be sound, and the share should be held by long-term investors. *Andrew McNulty*

Talks on jobs after strike

CT 12/8/92 198

JOHANNESBURG — The reinstatement of 7 000 dismissed hospital workers will be discussed at a meeting between the Transvaal Provincial Administration and the National Education, Health and Allied Workers' Union tomorrow.

Nehawu assistant general secretary Mr Neal Thobejane said yesterday the union was still pressing for their members' jobs.

TPA spokesman Ms Sonia de Wet said the administration viewed tomorrow's meeting as an attempt to normalise the situation at Baragwanath specifically, adding that the TPA did expect reinstatement to be discussed.

Police used teargas at Baragwanath Hospital yesterday to disperse a crowd of dismissed workers outside the hospital after they had apparently thrown stones and disrupted traffic.

Nehawu's fight against the dismissals could reach the Supreme Court if an application is lodged later this week, said an attorney representing the union

The Nehawu strike in the Cape Province ended on Monday when workers at East London's Frere Hospital returned to work.

The action in Natal was suspended some weeks ago.

In the Peninsula, however, 716 hospital workers — members of the Health Workers' Union — were still striking at 10 hospitals. — Sapa

Utico slowed by consumer slump

MARCIA KLEIN 198

TOBACCO and snacks company Utico improved attributable earnings by 11,5% to R11,9m (R10,6m) in the six months to end-June.

Warnings at the December year end were repeated yesterday, when directors said that prospects for the second half were not encouraging, and that Utico was not expected to achieve real growth in the full year. BDAY

The group, whose products include Benson & Hedges and Winston cigarettes and various snack products, increased its turnover by 11,5% to R270,2m. 13/8/92.

Directors said turnover was affected by the decline in consumer spending on the back of the recession, unrest and drought.

Various expenditures were delayed or curtailed, resulting in a healthier 19,1% rise in operating income to R24m from R20,1m in the previous year.

The interest bill increased substantially to R2,2m from R836 000.

Directors said borrowings had been affected by the investment in the Willards western Cape plant and the United Tobacco factory's modernisation programme.

The directors said that interest cover and gearing remained at acceptable levels.

Earnings rose to 195c a share from 175c, and the interim dividend was 117c (105c) a share.

Subsequent to year-end, Utico disposed of its Fresh-Up fruit division to Royal Foods for an undisclosed sum.

Directors said the disposal of the division — which constituted only a small portion of the group's business — would not affect Utico's performance.

UTICO FM 21/8/92 (198)

Taking smaller bites

After riding the wave of good fortune for the past five years — much of that in full-blown recession — Utico has finally succumbed to the decline in consumer spending and the effects of the drought

Comparatively speaking, Utico has fared better than most in consumer markets In the six months to June, the tobacco and snacks group lifted turnover 11,5% on year-ago levels to R270m and operating income 19% to R24m Against a track record, over a five-year period, of an average increase in turnover of 17% and a 20% rise in operating income, the interim figures look satisfactory However, increases in EPS have averaged 21% and dividends 32% Interim increases here were 11,4%

Financial director Seville Chonin says the delay, and in some cases the curtailment, of expenditure was the main factor behind the 19% hike in operating income

Prospects for the second half are not encouraging, says group MD Bruce Edmunds He says sales are expected to come under severe pressure, and because they are off a much higher base after the period of prosperity, the group is unlikely to achieve any real growth in financial 1992

The balance sheet reveals an almost two-fold increase in group borrowings to R51,2m, after the investment in Willards' western Cape plant and the modernisation programme at the United Tobacco factory Nevertheless, gearing remains an acceptable 42%, against 24% in June 1991

UNDER PRESSURE

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rm)	242	517	270
Operating income (Rm)	20	56	24
Attributable (Rm)	11	28	12
Earnings (c)	175	466	195
Dividends (c)	105	280	117

FM 21/8/92 (198)

The resulting increase in the interest bill, up 2,6 times on year-ago levels, saw pre-tax income up 13%, to R21,8m Chonin says the interest bill in the second half is expected to at least equal the figure for the first six months This resulted in the halving of interest cover, which, at 11 times, remains well above average

The decision to dispose of the Fresh-Up Juice division to Royal Foods, with effect from October 1, was taken because of declining margins as a result of the highly competitive industry in which it operates The division has in the past contributed little to group earnings

The group does not disclose details, but it's no secret that the tobacco market is flat and that consumer spending is at an all-time low Edmunds in effect backs this up by forecasting growth below the rate of inflation

Utico is well managed, with most shares firmly held by BAT Industries Plc The share, at R65, has performed well against the Financial & Industrial index since 1990 The recent decline in the price is a function of a weak market rather than a re-rating of the share

Marylou Greig

COMPANIES

Rembrandt dividends 'a good sign'

LINDA ENSOR 198

CAPE TOWN — The interim dividends declared today by Rembrandt group companies for the six months to end-September boded well for the interim earnings, analysts said yesterday. BDAY

Rembrandt traditionally announces its dividend ahead of its results, giving the market some hint of what can be expected

The interim dividends on ordinary shares increased by an average 12,7% following the 8,7% increase in the earnings and dividends for the year to end-March This was a fairly good performance in the bearish circumstances, one analyst said

Rembrandt Group declared an interim dividend of 14,2c (12,6c), Rembrandt Controlling Investments a dividend of 10,51c (9,33c), Technical Investments Corporation 9,22c (8,18c) and Technical & Industrial Investments 9,77c (8,67c) 27/8/92

The group companies have a high dividend cover of more than 5%

It is possible dividend cover might be reduced to allow for a higher dividend payment, though analysts disagreed on whether this was likely

One analyst pointed out that about 40% of Rembrandt's earnings were derived from cigarettes and there was no reason why profits from this source should not be higher than last year when profits from the tobacco interests increased 20% — in spite of the deep recession

The interest income derived from the sale of Rembrandt's interest in Stanbic last year was another reason for improved earnings growth, the analyst said.

On the other hand, it was clear that earnings from the industrial group Hunt Leuchars & Hepburn would decline, as would Gencor's contribution One stockbroking firm forecast a 21% decline in earnings for Gencor in the year to end-August 1992

Tobacco ads should be banned, survey shows

STAR 29/8/92 [redacted] [redacted] 198

CAPE TOWN — Most South Africans believe tobacco advertising should be banned from television, radio, billboards and cinemas, a nationwide Medical Research Council study shows.

MRC essential health research group investigator Dr Gayle Martin said the study meant South African legislators faced evidence of wide public support for even more stringent controls on tobacco than were contained in the draft Tobacco Products Control Act.

An MRC statement noted that the survey showed 75 percent of people polled supported banning tobacco sales to minors.

More than half of them supported increases in taxes on tobacco sales — a move which has been shown abroad to decrease the number of teenagers and adolescents who smoke.

"The majority of participants thought that smoking was harmful to the health of smokers as well as non-smokers, although the levels of awareness of the health hazards of smoking were notably lower among the youth."

Forty-four percent of respondents rejected controls that would prohibit tobacco companies from sponsoring sports events, while nearly 14 percent were undecided on this issue.

Martin said that despite broad political and public support, powerful lobbying from the tobacco industry prevented the passing of the Tobacco Products Control Act earlier this year.

"However, this report indicates considerable public support for introducing anti-tobacco laws and even more extensive legislation to control tobacco consumption. The indisputable evidence of the role of tobacco in disease, death and disabilty makes it the ethical duty of governments to protect the health of their people by curtailing the marketing and consumption of tobacco products."

The draft Act proposes a prohibition on sales to people under 16, health warnings on tobacco advertisements and products, and empowering the Minister of Health to regulate smoking in public places.

Martin said the survey was carried out at the beginning of the year among 2 009 people. It was based on the proportions of race, gender, age and education levels recorded in the 1989 census. — Sapa

Getting anti-smokers fired up

STAR 30/9/92

(198)

A tobacco company developed a non-cancerous cigarette but refused to market it for fear of lawsuits, a former research director claims.

A US tobacco company developed a cigarette that posed a substantially lower risk of causing cancer in test animals but refused to market it for fear of acknowledging that smoking poses a health hazard, a newspaper has reported.

The Greensboro News and Record in North Carolina quoted James Mold, formerly the director of research for the Liggett Group Inc, as saying the company isolated the major cancer-causing element in tobacco smoke and neutralised it.

The company, formerly Liggett and Myers Tobacco Co, launched the XA project in 1954 and created a non-cancerous cigarette by the late 1970s, Mr Mold said.

"I think they were concerned that they'd have everybody suing them because they'd be admitting they had been making a hazardous cigarette," he was quoted as saying.

After eight years of research, Mr Mold and his team found what they believed was the most cancer-causing component in cigarette smoke and developed a shield of palladium and magnesium nitrate that worked to block the carcinogenic activity.

Those findings were used as evidence in a civil lawsuit against several tobacco companies, including Liggett, filed by the family of a 58-year-old woman who died of lung cancer after 42 years of smoking

A jury awarded the family $400 000 (about R1,1 million) in 1988, the first cash damages award against the US tobacco industry. — Sapa-AFP. □

RICHEMONT FM 9/10/92 (198)

Managing for recession

Activities: *Principally in tobacco and luxury goods*
Control: *Rupert and Herzog families*
Chairman: *N Senn; MD: J Rupert*
Capital structure: *522 000 "A" bearer shares and 522 000 "B" registered shares; 522m depositary receipts are listed. Market capitalisation R19,63bn*
Share market: *Price 3 760c Yields 0,8% on dividend, 4,5% on earnings, p e ratio, 22,1, cover, 6,1 12-month high, 3 900c, low, 2 970c Trading volume last quarter, 7,3 DR*

Year to March 31	'89	'90	'91	'92
ST debt (£m)	129	141	297	468
LT debt (£m)	822	822	763	778
Debt equity ratio	n/a	n/a	n/a	n/a
Turnover (£m)	2 367	2 862	2 988	3 108
Pre-int profit (£m)	417	531	556	584
Pre-int margin (%)	16,6	17,9	18,3	18,4
Earnings (£/unit)	185,4	254,7	308,7	343,6
Dividends (£/unit)	33,75	41,25	50,63	56,3

The currency hedge element is one of the more alluring attractions of Richemont's share for investors in SA, which is where most of the shares are held. In an international recession that is not, in itself, sufficient to support the share price, as has been amply demonstrated recently by companies such as De Beers and FIT.

Investors in Richemont have, however, seen earnings growth continue through the year to end-March. Measured against inflation rates in leading economies, including the UK, in whose currency the group draws up its accounts, the 11,3% increase in earnings meant real growth was comfortably achieved.

Inevitably, the pace was well down on previous years· EPS grew 38% in both 1989 and 1990 and 21% in 1991 And the going evidently became more difficult through the year, at the 1992 interim stage EPS were up 14,9%.

Last year's profit improvement was again derived from higher trading profit as well as prudent financial management, with help from the sale in 1991 of the investment in TransAtlantic Holdings for £150,6m; the £33,7m capital profit realised was treated as an extraordinary item.

With cash from the TransAtlantic sale available for about eight months, the additional interest income proved useful in a period of softening international interest rates As it was, net interest receipts were down 15,6%, at £36,9m

Richemont's Rupert *in a financially strong position*

High liquidity remains a prominent aspect of Richemont's accounts At March 30 it held marketable securities and cash of £1,43bn This is symptomatic of the conservative approach of management. MD Johann Rupert, who expressed caution about the world economy in recent annual reports, still sees no reason for optimism.

"Despite the collapse of communism and admirable attempts at reducing potential for conflict between the old superpowers, regional conflict will make the Nineties a more dangerous decade than the recent past," he says "Ethnic conflict will cause further destabilisation Furthermore, we have not yet paid for all the excesses of the Eighties Room for monetary and fiscal policy adjustments has narrowed. The Western world's economic recovery is, at best, fragile "

Rupert adds "We cannot manage Richemont as if an economic disaster *will* occur We do, however, manage it as if one *might* occur The group is in a financially strong position and we therefore face the future with confidence "

That position is a considerable strength in a long international recession Management can concentrate on the operations and consider strategic investments without being distracted by financial strains

Operating profit last year was up 4,2%, with both the tobacco and the luxury products activities (see table) showing almost the same rate of growth For the latter, the pace is markedly slower than in the late Eighties and Rupert notes that the Gulf War and a deepening world recession dampened worldwide demand for luxury goods

That much is known (viz De Beers), but it's interesting that even the premium Dunhill and Cartier products Richemont markets have not been unscathed Rupert adds that management was able to take timeous action, especially by tight control of operating costs His point is underlined by the increase of only 2,7% in sales of luxury goods

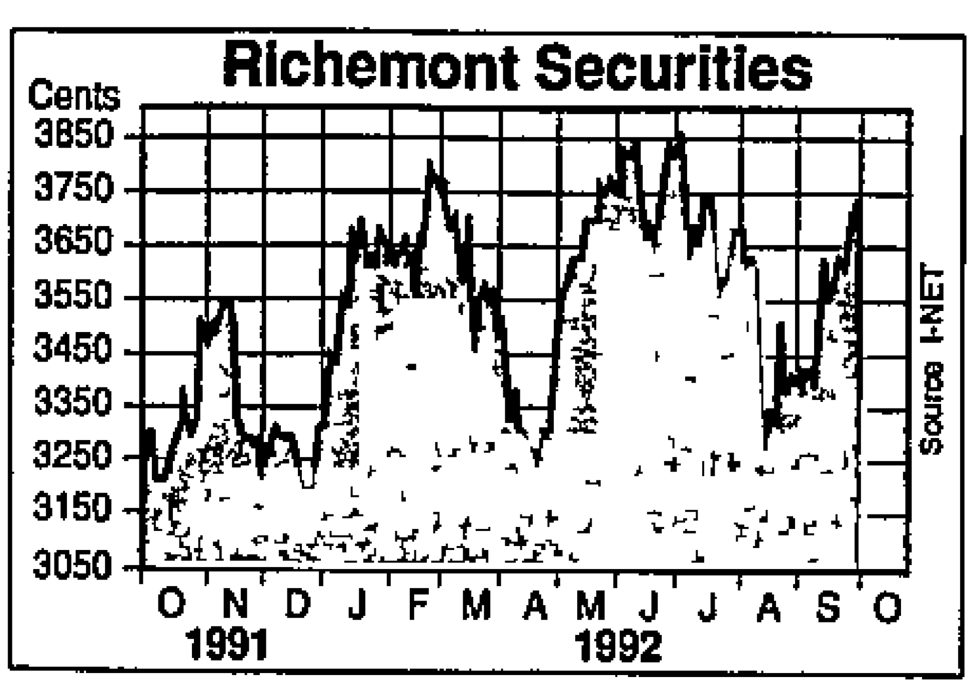
In contrast, margins slipped in the tobacco operations, where sales rose 6,3%, with profitability curbed by the steep slide in Australia because of a price war there Worldwide volume of cigarette sales by group companies was marginally down on the record level of the previous year.

Restructuring of management of the tobacco operations was embarked upon soon after Rothmans Plc became a Richemont subsidiary Initially, the senior management team was strengthened around a new CE of the tobacco division The next stage has been to appoint four regional CEs to co-ordinate more closely the marketing and business strategies for the individual markets in which the group operates In each market, the structure and mode of operation has been critically examined

continue ->
P.T.O.

RICHEMONT'S PROFIT SOURCES

	Net sales 1991	Net sales 1992	Operating profit 1991	Operating profit 1992
	£m			
Tobacco	2 050	2 180	351,6	367,0
Luxury products	904	928	206,1	214,6
Other activities	34	—	(10,9)	(11,6)
Share of associated undertakings			20,9	27,5
Goodwill amortisation			(11,3)	(13,3)
Group			556,4	584,2



Expansion of the luxury goods activities continued Cartier, for example, opened 14 new boutiques last year, bringing its network of owned and franchised boutiques and stores to 151 by year-end Dunhill Holdings opened a number of new stores, it also acquired control of the London-based Hackett menswear business and, since year-end, it announced its acquisition of the Karl Lagerfeld fashion business

Richemont has yet to develop a third major operating division, though it has made investments in new directions North American Resources, 50%-held, disposed of its oil refining company and bought control of one of the largest mail order companies in the US, with annual sales exceeding $600m Of FilmNet, also 50%-held, Rupert says "Since its acquisition, FilmNet's strategy has been reformulated To establish a successful new pay-TV business requires substantial investments over many years Richemont's investment in FilmNet will be no different"

Though Richemont's accounts are drawn up in sterling, most of the sales occur outside the UK A geographic analysis shows net sales revenue was derived in the 1992 year from Europe (50,8%), Asia Pacific (27,9%), Middle East, Africa and India (7,3%), and the Americas (14%) Much of the sales are priced in US dollars or dollar-related currencies, some are in EMS currencies Sustained depreciation of sterling against dollar-related or leading European currencies would thus favour Richemont's reported profits

Attractions of the counter remain unchanged. it is a sound defensive stock in a recession, with good long-term growth prospects and is a prime rand hedge *Andrew McNulty*

Rupert slates Europe's bid to ban tobacco ads

B/DAY 19/10/92 (198)

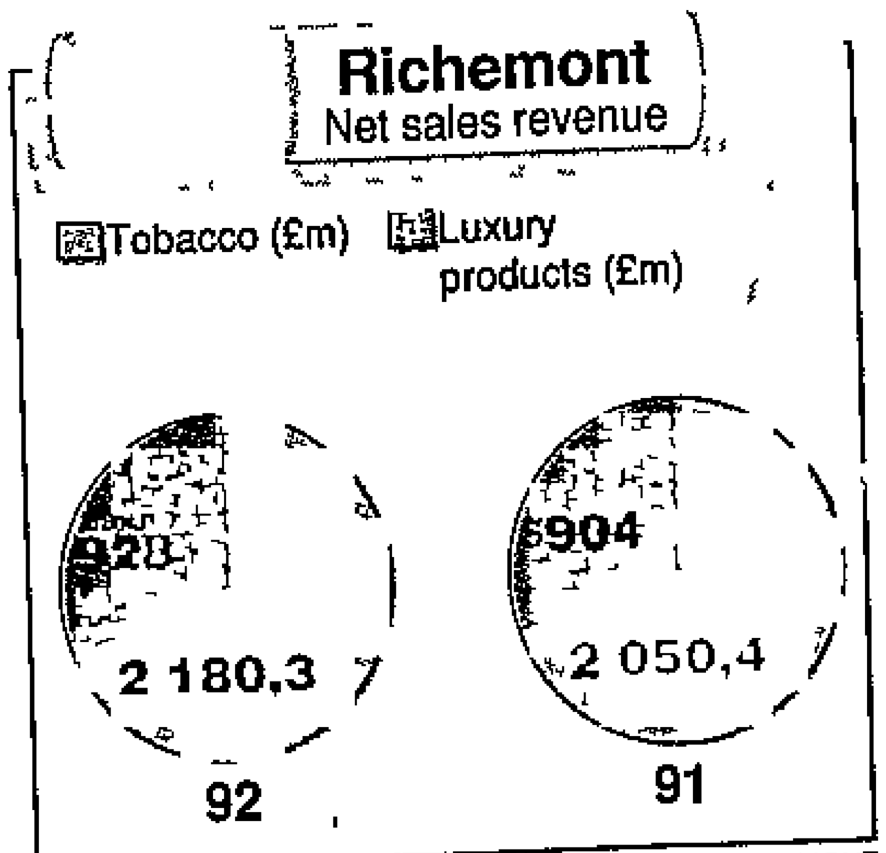
MARCIA KLEIN

THE European Commission's proposal to ban the advertising and promotion of tobacco products seemed to undermine the whole competitive ethos of the EC, Compagnie Financiere Richemont MD Johann Rupert said in the group's annual review.

He said the proposal would also result in adverse consequences elsewhere in the world "About three quarters of world tobacco production comes from developing countries in Africa, Asia and Latin America In many of these countries tobacco is a significant contributor to the economy, foreign exchange earnings and rural employment."

He said the evolution towards a single European market remained uncertain, and "agreement on the necessary steps to harmonise tobacco taxation, packaging requirements and other vital matters is no closer than before". The suggestion of an ad valorem taxation, which favoured state tobacco monopolies, would disadvantage the main international companies, he said

The Rupert family's tobacco and luxury goods group increased its attributable profit by 11,3% to £197,3m



Graphic LEE EMERTON Source RICHEMONT

on an 8,7% rise in gross sales to £7bn in the year to end-March, as both its tobacco and luxury goods interests increased their profits.

Sales of tobacco products rose by 6,3%, and luxury goods by 2,7% to bring consolidated net sales revenue up by 4% to £3bn.

Richemont currently had manufacturing operations in more than 30 countries, sold its products in more than 160 countries and employed in excess of 29 000 people, Rupert said.

He said sales in Europe increased by 9,1%, but sales in the Asia Pacific region were affected by reduced revenue in Australia Tobacco sales in the Americas rose by 8%, but luxury goods in this area were below levels of the previous year.

Tobacco operating profit from subsidiaries grew by 4,4% "due to improved profitability in Canada and Germany and . . despite a significant charge for rationalisation costs, a reduced level of profits from Australia and an increased level of expenditure in support of development markets".

Richemont's tobacco industry interests are held through Rothmans International Rupert said the worldwide volume of cigarette sales was marginally down on the record sales achieved in the previous year. Rothmans' senior management team had been strengthened during the year.

Recent acquisitions, including Sulka, Hackett and Karl Lagerfeld, offered "very attractive opportunities for future development".

Cartier opened 14 new boutiques in 1991 to expand its worldwide network to 151, and exclusive menswear business Sulka was expanding according to plan.

Dunhill Holdings had a difficult year, but reported a small increase in operating profit. It acquired control of Hackett menswear business, and since year-end, bought the Karl Lagerfeld fashion business.

Barlan P1

Dunhill now 'negotiating to buy Gucci'

BIOD 2/11/92

CHRIS BATEMAN

LONDON. — Dunhill, the luxury goods group controlled by the Rupert family via Richemont and Rothmans International, is negotiating to buy Gucci, the troubled Italian fashion house, according to reports here.

London's Sunday Times reported yesterday that a merger of the two companies would produce one of the largest and potentially most profitable groups in the European luxury goods market 2/11/92

Dunhill, relatively untouched by the recession, made a profit of R380m last year and still had a cash pile of R775m after buying Karl Lagerfeld's fashion empire for R80m in June this year (198)

A 50% stake in Gucci had been up for sale since around August after the company failed to make a profit in 1991, the Times said.

Economy 'owes little to tobacco'

B/DAY 3/11/92 (198)

CAPE TOWN — The tobacco industry's economic consultants acknowledge that SA's economy would lose virtually nothing if tobacco were to disappear from the marketplace, according to the National Council Against Smoking.

In a statement issued last week after the International Tobacco Growers' Association annual conference, the council said that if tobacco were to disappear from the marketplace, money formerly spent on smoking would go on other goods and services, creating more jobs in other sections of the economy

Every job in the tobacco manufacturing industry was associated with the premature death of two smokers every year, the council said "This is the balance sheet that society must keep in mind when considering the impact of the tobacco industry on our economy."

The association was reported to be opposed to tobacco control measures, and the industry claimed that if people smoked less, this would hurt tobacco farmers and that jobs would be lost.

"Even if these claims were true, the logic of the ITGA would lead to all traffic regulations being scrapped because motor car accidents provide employment for panelbeaters and undertakers."

Meanwhile, the National Health Department, in collaboration with the Tobacco Action Group, is to release a guide to smoking policy in the workplace

Employers are duty-bound to protect workers from the health risks of passive smoking, it says. The guide will be distributed at a seminar in Johannesburg later this month.

It offers employers practical advice and information on how to set up and implement smoking controls guaranteeing nonsmokers the right to breathe clean air, while taking into account smokers' needs

It notes that the absentee rate for smoking employees is up to 45% higher than that of nonsmokers, and that a preferential hiring policy — hiring nonsmokers in preference to smokers, or not hiring smokers at all, does not constitute an unfair labour practice.

"People who must work to earn their living should not be subjected to added risk because of an unnecessary and dangerous habit," it says

Good smoking control policy needs "strong support from top management, participation by employees, adequate information .. and firm action once the policy has been implemented". — Sapa.

Public interest in curtailing smokers' rights undeniable

B DAY 23/11/92 (198)

YUSSUF SALOOJEE and DEREK YACH

IN 1492, native Americans introduced a trade delegation from Europe to tobacco. So began a 500-year-old debate which, recently, has become particularly vitriolic.

The ferocity of the challenges are hardly surprising, when one considers the stakes involved. The retail value of all cigarettes sold globally in 1983 was $138bn In 1990/91, SA consumers spent R3,5bn on tobacco products. Powerful incentives for selling cigarettes

Against this are the health costs Tobacco is a uniquely dangerous product, which kills when used exactly as the manufacturer intended. It kills more people in most developed countries than any other hazard And the epidemic is getting worse, not better Globally, deaths from tobacco are set to increase from the current 3-million to 10-million annually by 2025

Ill health is being exported to the world's poorest nations Declining domestic markets have forced western manufacturers to target developing countries

It is against this background that Duncan Reekie's contribution to the debate must be viewed (Business Day, November 12). Reekie, a consultant to the tobacco industry, portrays tobacco control advocates as "people burdened with superior wisdom" who make "paternalistic claims and elitist assertions", and who want to deprive the larger "less articulate, lower-income groups" of smoking "pleasure" by using "government clout" to regulate smoking. The real purpose, however, of these "anti-cancer" lobbies is to "bend government's ears" so as to gain access to "official funds"

In Reekie's world, tobacco is neither harmful nor addictive. And he contends that even if it were harmful, the epidemic disaster caused is acceptable because smokers themselves bear this cost as the price they pay for their pleasure. "Government diktat is not required."

Reekie's condescension is sufferable, but the flaws in his arguments are not. He and another Wits economics professor have examined the medical literature on smoking and they are not convinced by it! They oppose the unanimous view of every independent medical and scientific organisation in the world. In fairness, Reekie concedes that they were not competent to judge.

The two professors do feel competent to declare that tobacco is not addictive. Again, they are at odds with the larger scientific community

Reekie argues that since large numbers of people have stopped smoking, this makes tobacco use a habit and not an addiction. This is too simple. Heroin use was rife among US troops in Vietnam. Upon demobilisation the majority stopped using drugs. They were "cured" by a demob order.

The assumption that tobacco is not addictive is central to Reekie's evaluation of the benefits of smoking. He presupposes that every decision to smoke is a choice "freely" made, with knowledge of the risks and in the expectation of benefit. He does not take cognisance of the need to smoke to allay withdrawal symptoms, of the desire of most smokers to stop, and of their failed attempts to quit.

Moreover, the World Bank does not seem to believe that smokers pay their way. After studying the economic costs and benefits of tobacco cultivation, processing and marketing, the Bank has ceased funding such activities

The inescapable truth is that it makes economic and humanitarian sense to prevent ill health. Acting on this truth, more than 90 countries have enacted some form of tobacco control legislation.

However, Carl Taylor, a professor of International Health, recently commented that there was no equivalent issue that he had faced in his long career so beset with complexity, vested interests and political opposition

Economist Keith Hartley also points out that the policies of democratic governments tend to favour producers more than consumers.

That SA has no tobacco control statutes is testimony to the strength of the tobacco industry It has lobbied Ministers, and has embarked upon major disinformation campaigns The latest is the distribution to policy-makers of quasi-scientific reviews that deny the health risks of passive smoking.

Judge H Lee Sarokin, who presided over several US tobacco liability cases, wrote in a court decision that "despite some rising pretenders, the tobacco industry may be the king of concealment and disinformation".

The industry has been less blatant in SA until now.

Why the change? The current government, the ANC in a statement issued by Nelson Mandela, trade unionists, church leaders, and a broad coalition of nongovernmental groups have all recognised the need for tobacco control measures, and are taking action. More importantly, the public is convinced.

A recent national survey showed a majority would support an increase in tobacco taxation, a ban on advertising and restrictions on sales to children. Public opinion is ahead of government on this issue — so much for "government clout".

What then constitutes a sensible, comprehensive policy on tobacco? The essential elements are known:

☐ Taxation. When price increases consumption decreases. Tax is therefore a most potent weapon The tax on cigarettes should be increased to 50% of the packet price from the present 30%. This will decrease consumption, particularly among the young. It is also good fiscal policy, since revenue is generated, and is good politics because the public will support it — especially true when a portion of the tax is earmarked for health promotion and to subsidise sports and culture;

☐ Smoke-free areas: Smoking is not only unpleasant to nonsmokers, but may harm them. The Australian Tobacco Institute spent A$5m in legal expenses defending their claim that passive smoking does not cause disease. They lost. The court ruled that there was compelling scientific evidence that cigarette smoke causes cancer in nonsmokers and respiratory disease in young children Smoking bans in cinemas, theatres and aeroplanes have been widely welcomed. Is it not time that hospitals, clinics, schools and the workplace also become smoke-free? The World Health Organisation (WHO) recommends that the rights of nonsmokers must be guaranteed by law; we cannot rely on common courtesy. If good manners and consideration were sufficient we would need no laws at all — because no one would litter, speed or kill,

☐ Ban tobacco promotion advertising sells cigarettes, and is particularly effective with the young Some might regard a ban on tobacco promotion as an attack on freedom of speech. The issue of commercial speech is different from the more general issue of political, religious and other similar free speech. Many legally produced substances, such as medicines, guns and alcohol, have socially acceptable restrictions placed upon their advertisement, sale and distribution, and

☐ Education. society's views of smoking have changed substantially in the last quarter century as a result of ever-increasing, more effective educational programmes Worldwide, millions have quit and untold millions have not taken up tobacco.

Continued education of the public, legislators and the health professions remains an important objective Education should be mandatory in schools, or else children in Soweto will smoke the cigarettes rejected by children in Sandton

The curtailment of individual and corporate rights cannot be undertaken lightly. There must be a compelling public interest before we take such steps The WHO and many societies believe the interest here is undeniable.

☐ **Saloojee is executive director of the National Council Against Smoking and Yach the group executive, Essential Health Research, at the Medical Research Council.**

Recession shackles Richemont

By Stephen Cranston (198) STAR 26/11/92

Swiss-based Richemont reported a nominal gain of 0,6 percent in attributable profit before extraordinary items to £87,6 million for the six months to September (£87,1 million last year)

The JSE-listed firm's interim results show earnings per unit rose slightly to £15,26 (£15,17)

Chairman Johann Rupert says results were in line with expectations in view of the economic shambles in the UK and other trading areas

Tobacco's operating profit increased by 6,3 percent to £191,5 million, but this was offset by a 4,5 percent fall in the operating profit for luxury products

Outside Richemont's two core businesses operating profit was affected by the cost of developing new businesses with associated undertakings, such as the Scandinavian and Benelux satellite television channel FilmNet

Rupert says it is group policy to take a three-to-five-year view on investments Although Cartier and Dunhill did not look so promising 15 years ago, they have since proved to be worthwhile investments

The higher average pound exchange rate against the US, Canadian and Australian currencies during the period preceding sterling's devaluation also affected profit

Since September 30 sterling has fallen against major currencies, which should boost second-half earnings.

The average exchange rates for the period under review resulted in pre-tax profit reducing by £4,9 million and attributable profit by £1,4 million pounds

Richemont posted a one percent increase in net sales revenue to £1,5 billion, while the group operating profit gained 2,1 percent to £266,8 million from £261,2 million previously

Pre-tax profit fell 2,1 percent from £285,5 million to £279,4 million, due largely to a drop of £11,7 million in net interest receivable to £12,6 million

The balance sheet was strengthened as Richemont increased cash holdings by £175 million to £1,6 billion

Single-figure growth predicted for Remgro

BDAY 26/11/92 (198)

MARCIA KLEIN

ANYTHING less than a 5% increase in Rembrandt Group (Remgro) interim earnings to end-September would be disappointing, analysts said yesterday.

In relation to other major groups of its size, this performance would be considered satisfactory given the difficult conditions experienced across its entire spread of interests, they said.

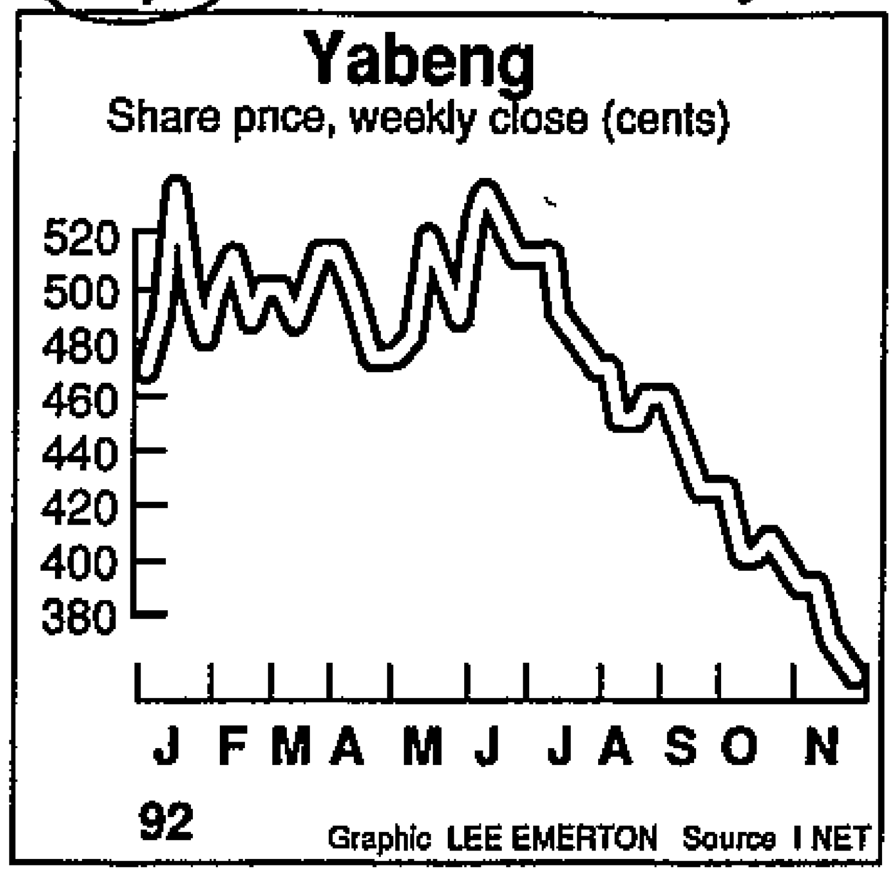
In August, Remgro announced a 12,7% higher interim dividend of 14,2c a share

The increase would not be met at an earnings level in the six-months period, but could indicate what Rembrandt hoped to achieve in the full year, analysts said

The dividend cover would be reduced, but this was not significant given the group's historically high cover Although nearly all of its listed interests had reported, much depended on tobacco consumption.

Like beer, this would have been depressed over the past six months

Tobacco, believed to contribute about 40% of the group's earnings, was a steady earner for Remgro, although its long-term growth rate was less than that of beer.



Although volume growth in the tobacco interests could be down, the decline would not be substantial and the division should still show growth for the period.

Earnings growth for the six months would be in "single figures" largely due to disappointing results from some of its industrial interests.

Huntcor, which holds Hunt Leuchars & Hepburn and, in turn, Rainbow Chicken, reported a significant drop in earnings

Dorbyl's earnings declined by 21% and Gencor, which makes up a fair proportion of Remgro's mining interests, reported a 10% decrease in attributable income

Remgro payout up R8,3 million

(198) ARGT 25/11/92

TOM HOOD, Business Editor

SHAREHOLDERS of Rembrandt Group are to get an R8,3 million rise in interim dividends — the payout rising to R74,1 million for the half-year to September 30

The dividend is 14,2c a share, up 12,7 percent up on last year's interim of 12,6c.

Earnings were only 4,8 percent higher at 87,2c a share from 83,18c a year ago

Net profit was R455 million (R434 million). This does not include R40 million earned from "extraordinary items"

Remgro reported net profit before tax rose 6,6 percent to R580 million, the figure dropping to R370 million after the tax man gobbled R210 million

An extraordinary capital surplus of R29,6 million was realised from the sale of its interest in Momentum Life Assurers in July.

Capital committments were down sharply to R20 million compared to 1991's R56 million.

The investment companies which depend on Remgro for their results all posted 4,9 percent improvements in net profit

Rembrandt Controlling Investments (RBB) increased this from R221 million to R232 million for the six months ended September 30, 1992

Technical Investment Corporation (Tegkor)'s net profit rose from R89,9 million to R94,3 million.

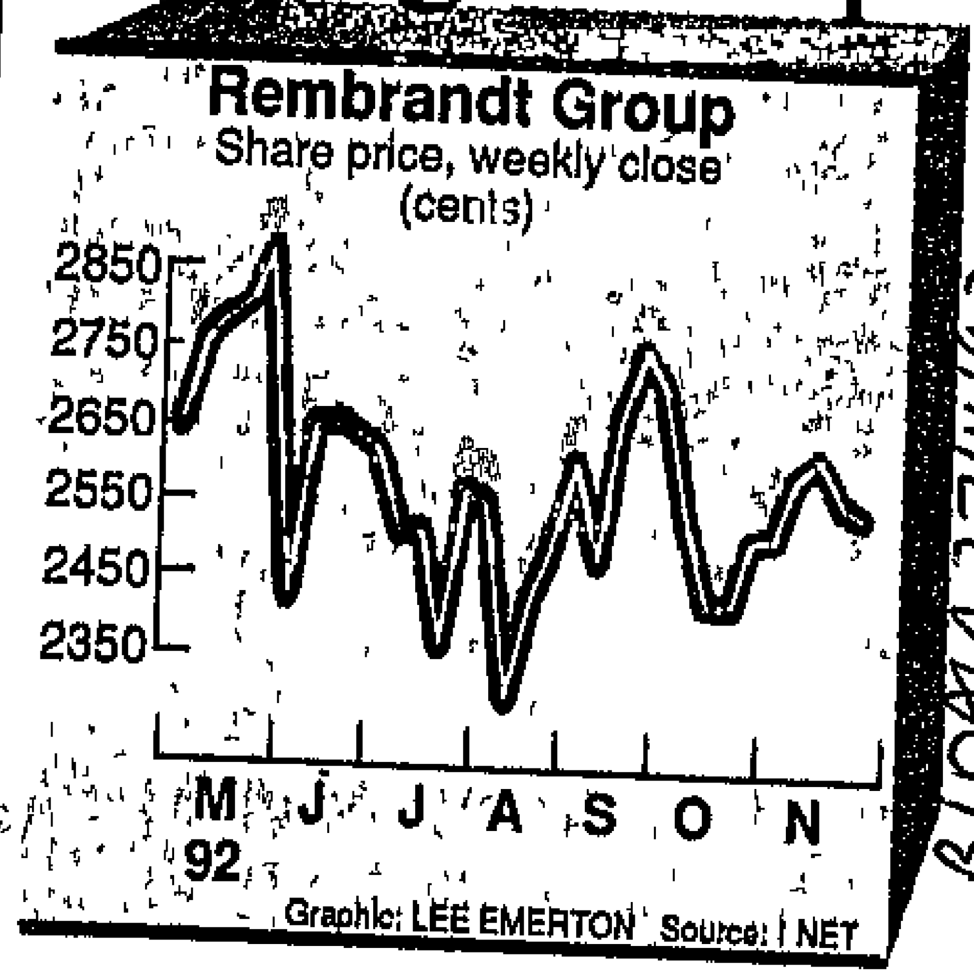
Technical and Industrial Investments (TIB) increased its net profit from R75,5 million to R79,2 million.

RBB, which owns 51,1 percent interest in Remgro, raised its interim payout to 10,51c from 9,33c

Tegkor, which has 20,7 percent of Remgro, is paying 9,22c (8,18c) TIB, which has 17,4 percent of Remgro, is paying 9,77c (8,67c).

Remgro reports 4,8% rise

(198)



BDAY 27/11/92

MARCIA KLEIN

THE Rembrandt Group (Remgro) has reported a 4,8% rise in net income to R455,2m (R434,2m) in the six months to end-September as results achieved by its subsidiary companies were offset by lower income from associates.

The results were slightly lower than market expectations.

Just more than 40% of the group's net income at the March year-end was contributed by the trademark group, which houses mainly tobacco and liquor interests Some of Remgro's other interests include Gencor, Transhex, Rembrandt-KWV Beleg-

□ To Page 2

Remgro BDAY 27/11/92

(198)

□ From Page 1

gings, Dorbyl, Huntcor, Sage and Perskor

Turnover figures were not given, but net income before interest increased by 5,6% to R599,1m from R567,5m the previous year. The interest bill was reduced by 18,8% to R19m (R23,4m), resulting in a 6,6% rise in net income before tax to R580,1m (R544,1m)

Net income after tax increased by 6,2% to R370,1m (R348,5m), but Remgro's share of income retained by associates declined by 11,4% to R107,1m from R120,9m

Earnings rose by 4,8% to 87,2c (83,18c) a share, and earnings excluding associates — which are largely cash earnings — rose by 8,7% to 66,61c (61,26c) a share

As announced in August, the dividend was increased by 12,7% to 14,2c (12,6c)

Directors said income did not necessarily accrue evenly throughout the year, and income in the second half "should not be expected to be the same as that of the first half"

The group realised an extraordinary capital surplus of R29,6m on the sale in July of its interest in Momentum Life

Rembrandt Controlling Investments (RembBeh), which held an effective 51,1% interest in Remgro, reported earnings of 64,58c (61,58c) a share, and declared an interim dividend of 10,51c (9,33c) a share

Technical Investment Corporation, which had an effective 20,7% holding in Remgro through its holding in RembBeh, reported net income of R94,3m from R89,9m in the previous year.

Its earnings were 56,66c (54,01c) a share, and it declared an interim dividend of 9,22c (8,18c) a share Earnings of Technical and Industrial Investments, which held an effective 17,4% stake in Remgro, were 60c (57,2c) a share, and its interim dividend was 9,77c (8,67c) a share.

Argus pushes up earnings

STAR 27/11/92

By Stephen Cranston

Argus Holdings increased attributable earnings by 5,5 percent to R35,8 million and earnings per share by 3,7 percent to 84c in the six months to September. The dividend has been maintained at 15c.

CE Doug Band says the main contributor to group profits, Argus Newspapers, saw its advertising revenue fall off after mass stayaway action in August, during which time unprofitable editions were printed and run as a matter of public responsibility.

Staff vacancy advertising was sharply down during the period.

Advertising fell off in all publications except the Sowetan.

Although the new tabloid Sunday Star increased circulation, there was no commensurate increase in advertising support.

On balance, the Cape and Natal newspapers performed better than those in the Transvaal

Band says it is difficult to assess trends in the present quarter as revenue always picks up before Christmas

Lower newsprint costs, however, enabled Argus Newspapers to report a 9,5 percent earnings increase.

Overall, trading income increased by 13,5 percent to R71,8 million on a 12,9 percent increase in turnover to R1,01 billion

Interest paid more than doubled to R8,84 million and borrowings increased from R43,9 million to R74,8 million.

Argus spent R45 million taking up its rights in M-Net, while subsidiary CNA Gallo paid for the remaining 50 percent of Nu Metro.

There were lower contributions from CNA Gallo, which reported a 4,2 percent fall in attributable profits, and M-Net, which recorded a 36 percent fall in earnings per share because of an associated loss of R9,26 million by its FilmNet investment in Europe, which is not expected to be profitable for another two years.

CTP Holdings faced a tight advertising market in its publications, but commercial printing held up well because it has the technology to meet customer demands for quality, price and delivery requirements.

It increased earnings by 8,3 percent.

Times Media's earnings improved by 16 percent, mainly because of a lower provision for the group's staff incentive bonus scheme

Maister Directories reported earnings growth below the rate of inflation.

Band says there is a lull in capital expenditure

At the end of September, planned capital expenditure amounted to R18,5 million (R51,1 million in September 1991)

He says that over the past two years a trend to increased growth in the second half of the financial year has been evident.

But in prevailing conditions the pattern is unlikely to be repeated this time.

Korsten quits

Finance Staff

Laurie Korsten has resigned as executive chairman of Rusfurn and been replaced by Keith Jenkins. Phil Jacobson and Ivan Levy have also resigned.

Absa deputy MD Danie Cronje becomes chairman and is joined on the board by Piet Badenhorst and Danie Britz.

In the same announcement Absa Merchant Bank says negotiations for the sale of Rusfurn to FSI and its furniture trading operation, the JD Group, have been terminated.

Rembrandt lifts dividend

By Sven Lünsche (198)

Rembrandt Group's attributable earnings improved by 4,8 percent to R455,2 million (R434,2 million) for the six months to end-September.

This was equal to a rise in earnings per share from 83,18c to 87,2c

The interim dividend has been lifted12,7 percent to 14,2c (12,6c)

Remgro says net income before tax and interest rose from R567,5 million to R599,1 million as a result of improved contributions from its subsidiaries

However, growth at the bottom line was reduced by a decline in earnings from its associated companies to R107,1 million (R120,9 million).

Remgro realised an extraordinary surplus of R29,6 million from the sale of its interest in Momentum Life in July.

The group has reduced capital commitments to R20,1 million at the end of September, compared with 1991's R56,1 million.

Looking ahead, Remgro says income earned over the rest of the year should not be expected to be the same as in the first half

The three pyramid companies in the group posted 4,9 percent increases in net income for the six months

The companies paid the following interim dividends:

Rembrandt Beheerend 10,51c (9,33c).

Technical Investment 9,22c (8,18c).

Technical and Industrial Investment 9,77c (8,67c)

STAR 27/11/92

Rembrandt income edges up by 4,8%

(198)

From MARCIA KLEIN CT 27/11/92

JOHANNESBURG. — The Rembrandt Group (Remgro) has reported a 4,8% rise in net income to R455,2m (R434,2m) in the six months to end-September as results achieved by its subsidiary companies were offset by lower income from associates.

The results were slightly lower than market expectations.

Just more than 40% of the group's net income at the March year-end was contributed by the trademark group, which houses mainly tobacco and liquor interests. Some of Remgro's other interests include Gencor, Transhex, Rembrandt-KWV Beleggings, Dorbyl, Huntcor, Sage and Perskor.

Turnover figures were not given, but net income before interest increased by 5,6% to R599,1m from R567,5m the previous year. The interest bill was reduced by 18,8% to R19m (R23,4m), resulting in a 6,6% rise in net income before tax to R580,1m (R544,1m).

Net income after tax increased by 6,2% to R370,1m (R348,5m), but Remgro's share of income retained by associates declined by 11,4% to R107,1m from R120,9m.

Earnings rose by 4,8% to 87,2c (83,18c) a share, and earnings excluding associates — which are largely cash earnings — rose by 8,7% to 66,61c (61,26c) a share.

As announced in August, the dividend was increased by 12,7% to 14,2c (12,6c).

The group realised an extraordinary capital surplus of R29,6m on the sale in July of its interest in Momentum Life.

Rembrandt Controlling Investments (RembBeh), which held an effective 51,1% interest in Remgro, reported earnings of 64,58c (61,58c) a share, and declared an interim dividend of 10,51c (9,33c) a share.

Technical Investment Corporation, which had an effective 20,7% holding in Remgro through its holding in RembBeh, reported net income of R94,3m from R89,9m in the previous year.

Its earnings were 56,66c (54,01c) a share, and it declared an interim dividend of 9,22c (8,18c) a share. Earnings of Technical and Industrial Investments, which held an effective 17,4% stake in Remgro, were 60c (57,2c) a share, and its interim dividend was 9,77c (8,67c) a share.

De Beers Diary 1991

Tobacco growers slam WHO

B/Day 2/12/92 (198)

CAPE TOWN — The promotion of crop substitution in tobacco-producing countries in central and southern Africa was akin to these countries being asked to cripple or damage their economies in order to enhance health interests as perceived by the developed countries

According to a publication released yesterday by the central and southern African region of the International Tobacco Growers' Association, the health agenda of the World Health Organisation (WHO) was mainly set by the developed countries which largely financed the WHO

"The fact that such action will seriously inhibit the ability of the developing countries to maintain or expand their own health facilities is ignored

"The likelihood that the economic downturn caused by such action can only bring about further demands on already burdened health services due to starvation or malnutrition appears of no consequence

"In these circumstances, the question might well be put 'Whose side is the WHO really on?'"

It was the official policy of the WHO to promote crop substitution in tobacco producing countries in the interests of a "smoke-free world" by the year 2000.

Among the health priorities of most of the developing countries of central and southern Africa could be listed the provision of clean drinking water, proper sanitation, health education and the elimination and control of diseases such as malaria, bilharzia and measles

Anti-tobacco activists proposed "a simplistic solution" of crop substitution with the ideal to switch to food or fibre crops in a hungry and often ill-clad world

"Even where people desperately need food and fibre, these products have to be paid for if the growers are to be enabled to continue producing them While any country or community should, if possible, produce food for itself, it is cash crops that enable people to pay for the goods they do not produce themselves"

Tobacco had shown itself to be an excellent cash crop in developing African countries for a number of reasons, including

- It could be grown on light soils in relatively low rainfall areas,
- It was easy to transport,
- It was a financially viable crop with a hectare of tobacco being about 57 times as profitable as maize and about 59 times as profitable as soya beans, and
- It was a significant earner of foreign exchange and was a major generator of employment Almost six million people in the area depended on the tobacco industry for their wellbeing — Sapa

Rapport 'did

mining Anglo already has a firm presence in the former Soviet Union through De Beers B1017 2/12/92

clusively for Zimbabwe

Films were finding their way into SA from the East, India and the UK

Askew said Taiwan was a popular

traced fairly soon,

Talks between h various African cou ing place

Tobacco growers slam WHO

B1017 2/12/92 (178)

CAPE TOWN — The promotion of crop substitution in tobacco-producing countries in central and southern Africa was akin to these countries being asked to cripple or damage their economies in order to enhance health interests as perceived by the developed countries

According to a publication released yesterday by the central and southern African region of the International Tobacco Growers' Association, the health agenda of the World Health Organisation (WHO) was mainly set by the developed countries which largely financed the WHO

"The fact that such action will seriously inhibit the ability of the developing countries to maintain or expand their own health facilities is ignored

"The likelihood that the economic downturn caused by such action can only bring about further demands on already burdened health services due to starvation or malnutrition appears of no consequence

"In these circumstances, the question might well be put 'Whose side is the WHO really on?'"

It was the official policy of the WHO to promote crop substitution in tobacco producing countries in the interests of a "smoke-free world" by the year 2000.

Among the health priorities of most of the developing countries of central and southern Africa could be listed the provision of clean drinking water, proper sanitation, health education and the elimination and control of diseases such as malaria, bilharzia and measles

Anti-tobacco activists proposed "a simplistic solution" of crop substitution with the ideal to switch to food or fibre crops in a hungry and often ill-clad world

"Even where people desperately need food and fibre, these products have to be paid for if the growers are to be enabled to continue producing them While any country or community should, if possible, produce food for itself, it is cash crops that enable people to pay for the goods they do not produce themselves"

Tobacco had shown itself to be an excellent cash crop in developing African countries for a number of reasons, including

- It could be grown on light soils in relatively low rainfall areas,
- It was easy to transport,
- It was a financially viable crop with a hectare of tobacco being about 57 times as profitable as maize and about 59 times as profitable as soya beans, and
- It was a significant earner of foreign exchange and was a major generator of employment Almost six million people in the area depended on the tobacco industry for their wellbeing — Sapa

Rapport 'did

Tobacco workers end their strike

Sowetan 2/12/92

198

■ R and R manufacturers to tide workers over until they start earning:

By Ike Motsapi

THE four-month-old strike at R and R Tobacco Manufacturers by 860 members of the Food and Allied Workers Union is over

Management and union officials reached agreement on Monday night to settle the dispute over wages since the strike started at the company premises in Heidelberg on July 22

According to the settlement agreement the company undertook to re-employ all the dismissed workers subject to the completion of administration procedures

All 860 workers, who were allegedly dismissed on August 31 when they began their legal strike, were expected to reapply for their jobs by yesterday.

Registration for this purpose closes on Friday

Agreement was also reached that an across-the-board increase of R1,20 an hour be given to members of the union effective from the date of resumption of work

The parties agreed that all allegations of misconduct by the employees since the lockout on July 22 this year will be investigated against them in terms of the disciplinary code of procedure

Each employee will be entitled to the following funds to tide them over until they receive a normal income

Accumulated leave pay and,

The balance of accrued pension up to a maximum amount of R1 800 - tax free - being the amount available should the employee elect to make use of the tax free payment upon the transfer of his actuarial reserve from the Pension Fund to the newly established Rembrandt Group Provident Group and,

That a joint committee be appointed to investigate an acceptable bursary scheme for the children of employees

Mr Ernest Buthelezi, Transvaal regional secretary of Fawu, said the union believed that the agreement was "a victory for the workers who have been out of their jobs for such a long time"

Health campaigner slams tobacco growers' report

BDM 3/12/92 (198)

CAPE TOWN — National Council Against Smoking executive director Dr Yussuf Saloojee said yesterday the International Tobacco Growers' Association's "feigned concern" for the health of developing countries was merely an ill-disguised concern for its own profitability

Saloojee was reacting to an ITGA publication released this week which said tobacco-producing countries in Africa were being asked by the World Health Organisation to cripple their economies to enhance what developed countries perceived as health interests

Saloojee said that in Africa tobacco impoverished both individuals and national economies.

People living in dire poverty spent money on tobacco instead of food, while countries with massive foreign debts frittered away valuable hard currency on tobacco imports, he said

"Tobacco represents not wealth but poverty and ill health for the continent In 1984/85, of 44 African countries, 35 or 80% spent more importing tobacco than they earned exporting it Aggregated, the African countries spent \$465m importing tobacco and earned \$440m in export income, leaving a deficit of \$25m in balance of trade across all 44 countries"

Senegal, which in 1988 received 117 000 tons of cereal in food aid, paid \$28m in 1986 for imported tobacco and cigarettes During the famine of the mid-'80s, tobacco constituted about 1% of all the imports into Sudan and Ethiopia

Saloojee also said that the wood-burning fires used to cure tobacco had caused environmental damage in a number of countries, including Zimbabwe

In the ITGA publication, SA and its four neighbouring tobacco-growing countries expressed dismay over the WHO's recommendation that they switch to other crops

"To ask growers in crop-specific areas to switch to less suitable crops, while consumer demand exists for their product and, indeed, is increasing reveals a lack of knowledge of the economic basis of the regions concerned," the five countries argued.

Their report said almost 6-million people in the southern and central African region depended on tobacco for their livelihoods

"Tobacco-producing countries are being asked by the WHO to cripple or damage their economies to enhance health interests perceived by the developed countries," the publication said

It is the policy of the WHO to promote crop substitution in tobacco producing countries in the interests of a "smoke-free world" by 2000

□ In Johannesburg, a cigarette could cost up to R2 000 — if one lights up on a bus The city council has banned smoking on all its buses and offenders will face a fine of up to R2 000

In a statement yesterday the council said a survey conducted in July found 76% of all passengers were opposed to smoking, compared with a survey in May last year in which 62% supported the prohibition on smoking

"The change in opinion is seen to be in line with a general increased awareness of the dangers of smoking and its unacceptability in confined spaces" — Sapa

REMBRANDT GROUP (198)

FM 4/12/92

Finding risks in diversity

Luxury (and addictive) consumables, mainly tobacco, appear to have saved Rembrandt Group (Remgro) from posting dismal first-half results Earnings growth of 4,8%, while far from sparkling, is nonetheless reasonably good considering Remgro's wide diversification and the economic climate of the past six months

As usual, Remgro reveals little in its interim report But results from its mining and industrial interests show its bottom line has received little help from these quarters, with groups like Gencor, Dorbyl and Huntcor reporting lower earnings

Fergusson Bros analyst Steve Rubenstein estimates contributions from the industrial side to be down about 40% That means the trademark subsidiaries must have done pretty well Rubenstein calculates that, after removing the liquor interests represented by Stellenbosch Farmers' Wineries and Distillers Corp, the wholly owned tobacco companies and other unlisted trademark interests probably increased contributions by 8% Tobacco made up about two-fifths of group profit at the March year-end and now prob-

FM 4/12/92. (198)

ably accounts for about 42%

It's likely the increased earnings come on lower volumes, with tobacco sales, like beer, finally succumbing to the prolonged recession But price increases have obviously more than made up the difference

Shareholders have been rewarded with a 12,7% increase in the interim dividend, lower than the 20% increase last year, but generous on a 4,8% increase in EPS Remgro retains its conservative dividend cover, now 6,1 times compared with 6,6 a year ago

Likewise, the financial structure remains conservative Borrowings are up by more than R50m to R404,9m, but this is offset by cash resources of R541,2m

Since September, however, R460,7m has been paid out to preference shareholders of Tegniese Mynbeleggings, a Remgro subsidiary, which could dampen earnings in the second half One of the few comments accompanying the interim results warns that income does not necessarily accrue evenly throughout the year and that second-half earnings should therefore not be expected to match the first half

The share, at R27, is about 7% off its mid-year peak Despite its low dividend yield of 1,3%, Remgro will no doubt remain attractive as a relatively low-risk, long-term investment, but is at present expensive *Shaun Harris*

RICHEMONT FM 4/12/92 198

Running or standing?

Richemont's September 1992 interims show it too is vulnerable to recession There was a marginal improvement on the previous interims, with operating profit up 2,1%, on a 1% increase in sales The static results mask the divergence of the two core businesses Effects of declining demand for luxury goods were offset by tighter cost controls in the tobacco operations, operating profit fell 4,5% while tobacco profit grew 6,3%

In line with European luxury goods groups like France's Louis Vuitton, Richemont's luxury goods sector saw operating margins squeezed from 19% to 17,5% Rationalisation in the tobacco businesses helped to inflate margins from 16,5% to 17,6%

TREADING WATER

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Turnover (£bn)	1 51	1 60	1,52
Operating profit (£m)	261 2	323,0	266,8
Earnings (£m)	87 1	110,2	87,6
Earnings (£/unit)	15 17	19,19	15 26
Dividends (£/unit)*	—	56,25	—

* Only a year-end dividend is paid.

Tobacco, in 62,5%-held Rothmans International Plc, represents 70% of net sales and operating profit, and is a cash cow

Despite declining demand in German and UK markets, opportunities exist elsewhere in Europe Rothmans' interests in State-owned tobacco interests (a 3,9% stake in Spain's Tabacalera and a connection with the French Seita) is a useful foot in the door as European markets open up to private enterprise Italy and Greece are producing good results and eastern European demand is rising as people trade up to Western cigarette brands But the really significant market growth potential lies in Asia/Pacific, despite localised problems in Australia and the Philippines

Richemont has begun to diversify, but not to a significant extent Associated undertak-

FM 4/12/92 198

ings (interests outside luxury goods and tobacco) accounted for only 3,5% of operating profit At end-March net cash and marketable securities totalled £1,4bn

The 1992 interims showed a currency translation loss of £4,9m owing to an appreciation in the pound, in which the accounts are drawn up The 1993 results should benefit from the UK's suspension of its ERM membership and the subsequent depreciation of sterling

Substantial growth throughout the Eighties and into the recessionary Nineties has justified a low yield and high rating for the share High cash reserves have given Richemont security in an age of over-indebtedness But international interest rates are falling, interest income halved to £12,6m at the 1992 halfway stage

Given the prolongation of recession, weak markets and the increased opportunity cost of holding cash, a shift in focus may be needed during this decade High cash reserves (though dispersed throughout the group) and negligible gearing are valuable ammunition for takeover opportunities

The share, now R36, has traded between R32 and R39 over the past 12 months As a rand hedge and a respected blue chip, the counter has support but recent volatility and flatter growth suggests the old formulae may be becoming outdated *Louise Randell*

JOHANN RUPERT: No slouch and a career of his own led to the top as he takes over from father Anton

Rembrandt's penchant for smoke(screen)

S/Times (BUSS) 6/12/92 (198)

By CIARAN RYAN

THE Rembrandt Group, including the interests of Richemont before being split into a separate foreign entity, ranks seventh in this year's Top 100

Famed for its Scrooge-

Sunday Times

radically new management style, but analysts say he is renowned for his

cal downswings, with hopes for a recovery in the world economy resting on

The Rembrandt Group including the interests of Richemont before being split into a separate foreign entity, ranks seventh in this year's Top 100

Famed for its Scroogelike financial disclosure, Rembrandt's public relations could do with a facelift Continuing the Rembrandt tradition for brushing off media inquiries, it declined to be interviewed for this survey, preferring no doubt to let its dividend record speak for itself

A fine record it is Pity it is not sweetened by a more approachable management style

In spite of recession, Remgro's dividends increased from 20c in 1989 to 32,6c in 1992 and, the cherry on the top, a special payment of 30c was made this year to celebrate its 50th anniversary Dividend cover is high at 5,5,

EMPIRE

Fears that the De Beers cut in dividends would set a precedent among blue chips were partly dispelled when Remgro declared an interim payment of 14,2c for the six months to September, up 12,7% on the same time last year The trademarks group, particularly tobacco, forms the backbone of the empire, accounting for 44% of net income in the 1992 financial year

The Rembrandt empire was founded in the 1940s by Anton Rupert and the late Dirk Hertzog as Technical & Industrial Investments, starting with a dry-cleaning business and later a tobacco company, Voorbrand Tobacco

The diversification into tobacco was the launching pad for phenomenal expansion Smoking was in fashion and tobacco sales, spurred by strong brand

Sunday Times

TOP 100

NUMBER 7

1987: R10 000

1992: R61 466

identification, generated strong cash flows In relatively short order, Rembrandt came to dominate the South African market As the health risks of smoking became apparent in developed countries, emerging Third World economies became the new growth markets for tobacco companies

Anton Rupert's sharp eye for acqusitions enabled the group to identify undervalued assets in strong market sectors

TIGHT

The group diversified into mining, finance and industrial activities, establishing a core of foreign interests, now vested in Richemont, including Cartier and brands such as Rothmans and Dunhill

Richemont is headed by Johann Rupert, 42, who will succeed his father Anton as Rembrandt chairman next year He is unlikely to introduce a

By CIARAN RYAN

radically new management style, but analysts say he is renowned for his hands-on approach He insists on tight control

Johann structured the Richemont deal in the late 1980s and embarked on a management shake-up at Rothmans' head office, introducing proper reporting procedures and tighter management control in the Rembrandt style

WIDER

The trademarks group comprises wholly owned tobacco companies and an effective 30% in Distillers Corporation and Stellenbosch Farmers' Wineries It was the only division to show an increase in income last year Although volume growth in tobacco sales is estimated at less than 2% last year, tobacco sales improved by more than 20% as a result of wider margins

The group's mining interests comprise 17,3% of Gold Fields of SA — GFSA has the lowest-cost gold mines in SA — 25,2% of Gencor holding company Gencor Beherend, Trans Hex and Fralex

Earlier this year Anton Rupert hinted that the group would start to take a more active role in the companies in which it had stakes, suggesting possible dissatisfaction with the performance of some of its investments

One JSE analyst says the group will have to rationalise its underperforming mining interests GFSA in particular is likely to come under close scrutiny GFSA mines, although low cost, are in a weak market

The diversification into commodities left Rembrandt vulnerable to cyclical downswings, with hopes for a recovery in the world economy resting on technical more than fundamental considerations

The industrial interests include 65% of Huntcor, holding company for Hunt Leuchars & Hepburn, 10% of Dorbyl, 49,9% of Metkor, 20% of Rainbow Chickens, 34,4% of unlisted petroleum group Total SA, 50% of Henkel SA and 14% of Lenco

Recession took its toll on the industrial division, which contributed 13% of net net income in 1992, down from 17% the previous year

Rembrandt's financial portfolio includes 12% of mega-bank Absa, 11,8% of Sage and 10% of Boland Bank

At the March 1992 year-end Rembrandt held cash of R366-million after the sale of interests in Standard Bank Investment Corporation and Momentum Life, leaving it well poised for acquisitions

PHASE

One JSE analyst says that contrary to the prevailing angst among Johannesburg businessmen about SA's future, a suprising mood of optimism pervades management thinking in Stellenbosch and several ventures are being evaluated

Because of its high level of investment in SA, Rembrandt is obliged to continue investing in order to maintain and expand its asset base Last year capital spending amounted to R500-million Some analysts believe the arrival of Johann Rupert in Stellenbosch may herald the start of a new growth phase for the group