MINING — GENERAL

1992

OCT. — DEC.

JCI FM 2/10/92 (210)

Looking abroad for new business

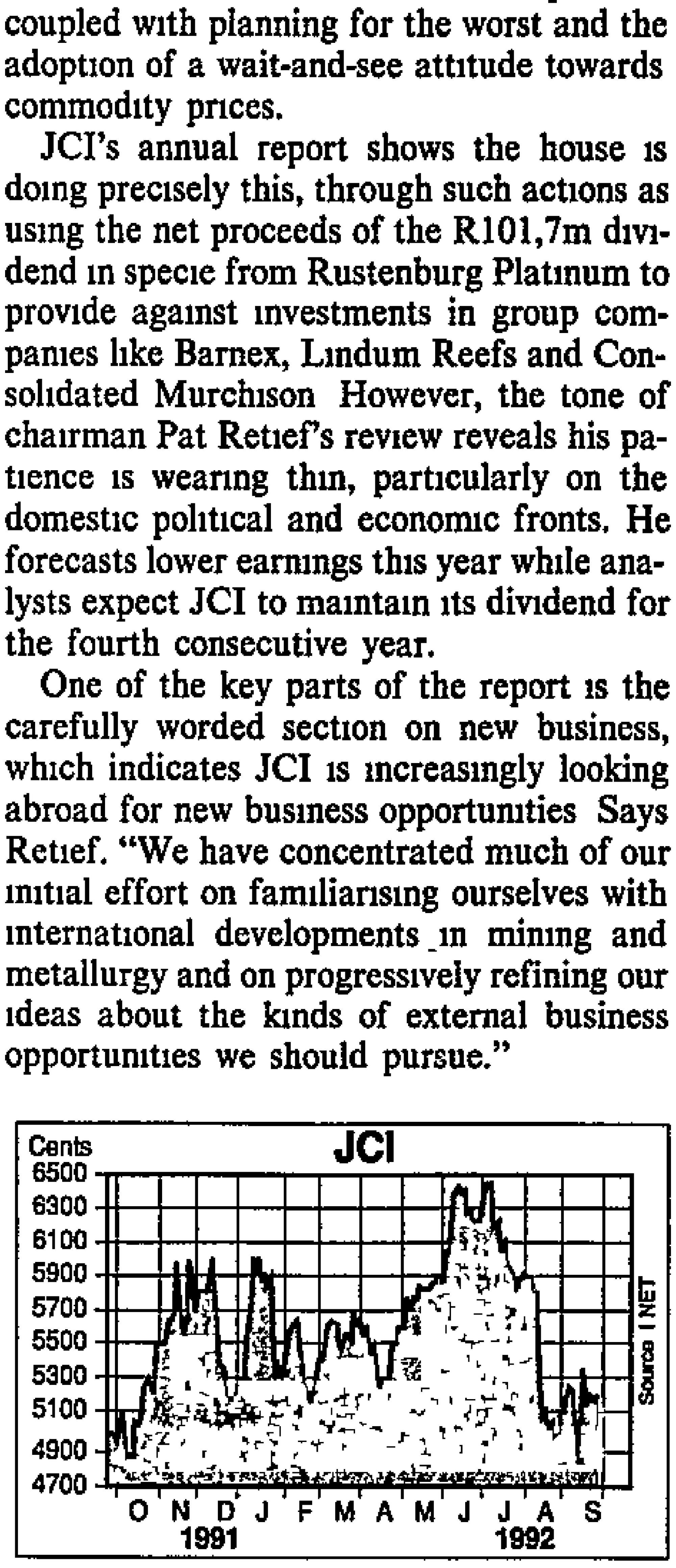
Activities: *Mining House with interests in gold, platinum, coal, base metals as well as industrial and property investments.*
Control: *Anglo American Corp 40%.*
Chairman: *P F Retief*
Capital structure: *147,7m ords Market capitalisation. R7,7bn.*
Share market: *Price. 5 225c Yields: 2,52% on dividend; 7,42% on earnings, p e ratio, 13,5, cover, 2,9 12-month high, 6 450c, low, 4 800c Trading volume last quarter, 1,5m shares*

Year to June 30	'89	'90	'91	'92
Investments·				
Book value (Rm)	1 063	1 273	1 756	2 248
Market value (Rm)	6 586	8 112	8 252	9 761
Performance				
Investment inc (Rm)	294,3	363,0	350,7	369,6
Other income (Rm)	122,0	89,0	94,5	94,2
Attributable prof (Rm)	363,4	429,6	418,0	439,6
Attrib earnings (c)	246	291	283	298
Equity earnings (c)	386	408	391	388
Dividends (c)	110	132	132	132
Net worth (c)	4 820	6 010	6 100	6 886

Running a mining house under present conditions seems to involve cautious optimism coupled with planning for the worst and the adoption of a wait-and-see attitude towards commodity prices.

JCI's annual report shows the house is doing precisely this, through such actions as using the net proceeds of the R101,7m dividend in specie from Rustenburg Platinum to provide against investments in group companies like Barnex, Lindum Reefs and Consolidated Murchison However, the tone of chairman Pat Retief's review reveals his patience is wearing thin, particularly on the domestic political and economic fronts. He forecasts lower earnings this year while analysts expect JCI to maintain its dividend for the fourth consecutive year.

One of the key parts of the report is the carefully worded section on new business, which indicates JCI is increasingly looking abroad for new business opportunities Says Retief. "We have concentrated much of our initial effort on familiarising ourselves with international developments in mining and metallurgy and on progressively refining our ideas about the kinds of external business opportunities we should pursue."



JCI's Retief *lower earnings this year*

He adds: "We are now exploring a number of possibilities that could lead to new business developments for Johnnies These include discussions with international mining and related companies, with which we share complementary strengths, and the promotion of particular mining and metallurgical projects "

JCI is not alone. Gencor is seeking to increase its international exposure It apparently wants to get into bauxite mining outside the country, while coal arm Trans-Natal is negotiating to take a stake in Oakbridge, the second largest coal exporter in Australia

Anglo American's long-standing overseas interests are held through Minorco, but the *Financial Times* International Coal Report speculates that Amcoal and Gencor are both showing interest in the expected privatisation of British Coal

The JCI report gives no specifics, though the section on Barnato Exploration (Barnex) indicates much of the exploration effort is concentrated in Ghana and Zambia.

Commodity prices have fallen to the point where, for the first time in the group's history, mining income contributed less to earnings than JCI's industrial and property interests. Mining contributed R242,8m — 42,2% — to 1992 equity earnings, while industry and property provided R267,8m, equivalent to 46,7%

This was because of improved contributions from SA Breweries (held 15% by JCI), Premier (29,2%) and Argus Holdings (22,7%) Trouble is, this year all these groups could be caught by recession, while commodity and precious metal prices show few signs of recovery. Recovery in the major world economies keeps being delayed, with adverse effects on prices of gold, coal, base metals and platinum.

Hence Retief's displeasure about SA domestic developments, where the economy is being hammered by the political battle

"Overall, however, I must confess to a strong and growing sense of frustration with the political process in recent months," he says "On the one hand, government, disregarding the clear message of the referendum, seems to be motivated more towards preserving its power than towards successfully negotiating new and democratic political structures

"On the other hand, the no-less partisan leadership of the ANC alliance recklessly claims legitimacy for actions of mass protest, regardless of the damage thus inflicted on the mood of the country and its already weak economy SA simply cannot afford such intransigence and political manoeuvring," Retief adds.

JCI's spread of mining and industrial activities has coped admirably so far with the local and international recession The only effect on the balance sheet has been a rise in short-term loans to R560m (247,1m) Net current liabilities have inched up, to R446,4m (R428,3m).

Finance director Vaughan Bray considers this insignificant, pointing out JCI's debt: equity ratio was 27,7% (25%) at June 30, and this drops to 7,7% (6,3%), when the balance sheet is expressed in market value terms

JCI offers a 2,5% dividend yield against the sector average of 3,2% and looks fairly priced. But some analysts believe Anglo American, which holds 39,8% of JCI, offers better recovery value, on the grounds that Anglo has been oversold in the wake of the De Beers debacle *Brendan Ryan*

GOLD FIELDS FM 2/10/92

A longer plateau

While JCI is facing the prospect of maintaining its dividend for the fourth consecutive year (see separate report), Gold Fields has been on an even longer plateau — it is likely to peg its payout for the fifth year in financial 1993

On the face of it, the fortunes of the two houses should not be so similar. JCI holds a diversified portfolio of mining and industrial investments, Gold Fields continues to depend heavily on gold, which contributed 57% to group income in the 1992 year Largest contributor to JCI's earnings was its industrial portfolio, which provided 42,2%, while its

continued

COMPANIES

UAL Gilt gives 32,5% return

THE UAL Gilt unit trust had recorded an "exceptional" total return of 32,5% for the year to end-September, said UAL management company MD Clive Turner

Turner added that figures from a University of Pretoria survey indicated that UAL Gilt was the top performing unit trust over the past five years, with a total annual return of 18,47% B/DAY 7/10/92

The unit trust's performance highlighted the defensive potential the specialist fund could offer in the face of political and economic uncertainty and market volatility, he said.

The fund had grown by R224m in the past two quarters alone.

ANDREW KRUMM

Gilt fund unitholders would receive a distribution of 76,76c for the quarter.

However, other UAL unit trusts had not done as well

The group's flagship, the UAL Unit Trust, recorded a total return of 8,3% for the year. 210

The Mining and Resources Fund showed negative 5% growth

Meanwhile growth in the Selected Opportunities unit trust was marginal, giving a return of 3,6% for the year

Commenting on the results, Turner said equities were likely to do well during the upswing expected in 1993

City Lodge group may be listed on JSE next month

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BDAY 7/10/92

JONO WATERS

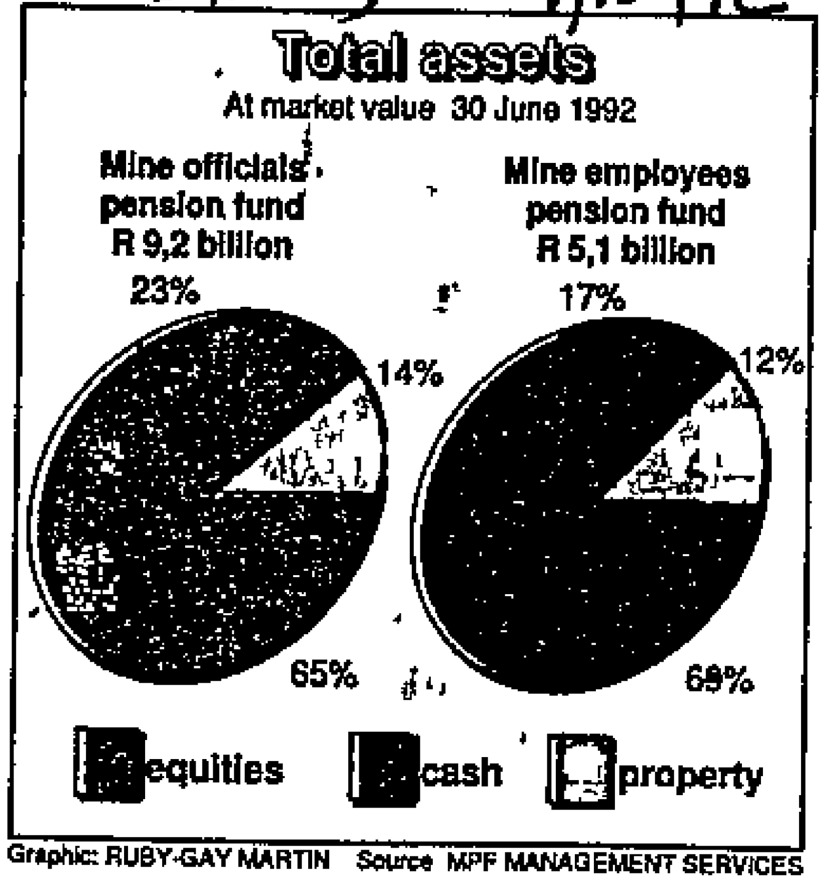
THE Mine Pension Fund Management Services would push ahead with plans for listing the City Lodge hotel group in early November, CE Barry Botes said yesterday.

Botes said at a presentation of the financial results of the Mine Officials' Pension Fund and the Mine Employees' Pension Fund that City Lodge planned to offer 5-million shares and convertible debentures at about R5 each City Lodge was co-founded by the two mine pension funds and Hans Enderle in 1985

The officials' fund's total assets in the 18 months ended June 30 stood at R9,2bn and the employees' fund's total assets amounted to R5,1bn. Botes said the fall in the De Beers share price had wiped R180m off the two funds' assets.

The return on total assets for the officials' fund in the year to end June 1992 was 19,7% compared with 23,8% in the same period the previous year, while the employees' fund showed a return of 19,4% (24,2%)

In the 18 months to end June 1992, the officials' fund received R479m from interest payments, R251m in dividend payments and R99,7m in rent income.



Graphic: RUBY-GAY MARTIN Source MPF MANAGEMENT SERVICES

Expenditure amounted to R47,5m, producing a net income of R796m

The employees' fund earned R201m in interest, R152m from dividends and R66,4m in rent which brought its total income for the 18 month period to R427m. Net income for the period amounted to R398m after expenditure of R28,7m.

Both pension funds had a mix of fixed interest cash, equities and property portfolios, but with a bias towards the stock exchange. The major equity holdings included Liberty Life, Richemont, Absa, Gencor, De Beers, Anglo American and SAB

The officials' fund investment in shares at market value at June 30 this year amounted to R5,72bn and the second largest investment was R1,23bn in fixed-interest securities

Shares held by the employees' fund at market value totalled R3,38bn and the fund's second largest investment was R655m in fixed interest securities

Botes said the lack of revival in the economies of the G-7 countries had further affected SA as commodity prices had remained weak

There was no major driving force to get the world economy going However, the US could act as a positive force in stimulating world growth as it was election year, Botes said.

"Slow mild growth should come about in SA in the coming year, assuming a political solution is reached soon" As a result, Botes said the investment policy of the pension funds would remain cautious.

In June this year, the Mine Pension Funds' Management Corporation was replaced by the Mine Pension Fund Management Services, which Botes said would make the management of the two funds more efficient.

Analysts pessimistic about Rusfurn recovery outlook

BDAY 7/10/92

MARCIA KLEIN

THE Rusfurn group was expected to record increasing losses which did not bode well for a medium-term recovery, analysts said yesterday.

They were reacting to yesterday's publication of the furniture group's results to end-June, in which attributable losses plunged to R135,9m from R79,2m in the previous year.

There was no reaction to the results in terms of the group's shares, but analysts said the losses had been expected and were already discounted in the share price of 12c, off a high of 550c last year.

They added that at 12c, there was not great scope for downward movement.

Rusfurn had forecast that there was little chance of a group profit in the new financial year, but analysts said they feared the losses could remain substantial

If this was the case, Rusfurn could find it difficult to live up to its three-year recovery programme.

An analyst said the post year-end resignation of Wanda-Frasers and southern furniture division chairman Ian Sturrock was a blow to the group.

Sturrock had been responsible for building up Russells, one of the group's only profitable divisions, he said.

An analyst said he doubted that the group would be able to keep its head above the water after financial 1993

However, he said Rusfurn's bankers were committed to continue funding the group for at least four years

Executive chairman Laurie Korsten had said Rusfurn was unlikely to call for the additional R100m bankers' facilities available to it.

The analyst said this could indicate that the worst was over, but the market would adopt a wait-and-see attitude.

Subcontracting a 'profitable' venture

BDay 8/10/92

21D

THEO RAWANA

ANGLO American viewed subcontracting to small business as a good business deal, not as a charitable or social responsibility, Anglo gold division executive director Clem Sunter told executives yesterday.

Addressing a Contracting Indaba gathering at the SBDC's Pennyville Hive in Johannesburg — part of the Small Business Week — Sunter said "We go to these entrepreneurs because they do jobs cheaper than we would have done them ourselves"

These ventures had saved Anglo R5m a year. The regionalised nature of the SBDC's operations allowed communities to uplift themselves

"There is a silent revolution taking place in SA People in Khayelitsha (Cape Town) are turning over R74m a year on 300m of fertile land, and 70% of the houses have backyard businesses," he said

● See Page 4

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Mining industry in trouble - NUM

Sowetan & Radio Metro

*Talk*back

with Tim Modise

By Lulama Luti

Chamber and NUM go on historic tour

ALAN FINE (210)

A TOP-level Chamber of Mines-NUM delegation is to leave for Germany tonight for a joint study tour of that country's coal mining industry B1DAY

The tour, described by both sides as historic, has been arranged by German mineowners and the country's mining union A chamber spokesman said the visit followed the mining summit which committed management and labour to a co-operative approach in solving the industry's problems 12/10/92.

The group includes chamber president Bobby Godsell, industrial relations adviser Adrian du Plessis, colliery committee chairman John Hopwood, NUM president James Motlatsi, assistant general secretary Marcel Golding and union spokesman Jerry Majatladi

The group is to study Germany's coal-mining industry and the way it has adjusted to changing circumstances.

Golding said the group would be looking at ways of protecting jobs as far as possible, such as by retraining workers It would also examine an industrial relations system which allowed workers meaningful participation in decision-making without undermining the industry

Genbel scales down forecast

BIDAY 14/10/92

GENBEL investments said yesterday it was tempering earlier growth forecasts because of poor world economic conditions. 210

Chairman Tom de Beer said after the annual meeting that Genbel would be hard pressed to show much improvement in earnings in the year to end-June 1993.

He said share market conditions had been disappointing, reflecting low confidence levels and poor world economic growth

In the year to June 30 1992 Genbel reported a 7% increase in share earnings to 34,2c (32c) — Reuter.

World recession offers Minorco opportunities

BIDAY 19/10/92 (210)

JONO WATERS

THE difficult economic conditions in the European construction material sector provided opportunites for Minorco to make acquisitions at attractive prices in the short to medium term, chairman Julian Ogilvie Thompson said in the group's annual report.

Minorco spent $308m on acquisitions in the past financial year, of which $253m was in the industrial minerals sector, and Ogilvie Thompson said the group's balance sheet remained strong with total cash at June 30 amounting to $1,8bn, while debt was $528m.

He said the short-term economic outlook was uncertain. However, in the medium to long term, the achievement of the restructuring of the world economy without widespread economic and political disruption should create conditions for sustainable economic expansion "by a greater family of developed nations".

"Given this scenario, it is not possible to forecast with certainty the prospects for Minorco's earning in the short term, although it should be recognised that continuing weakness in US dollar interest rates and the gold price would have negative impact."

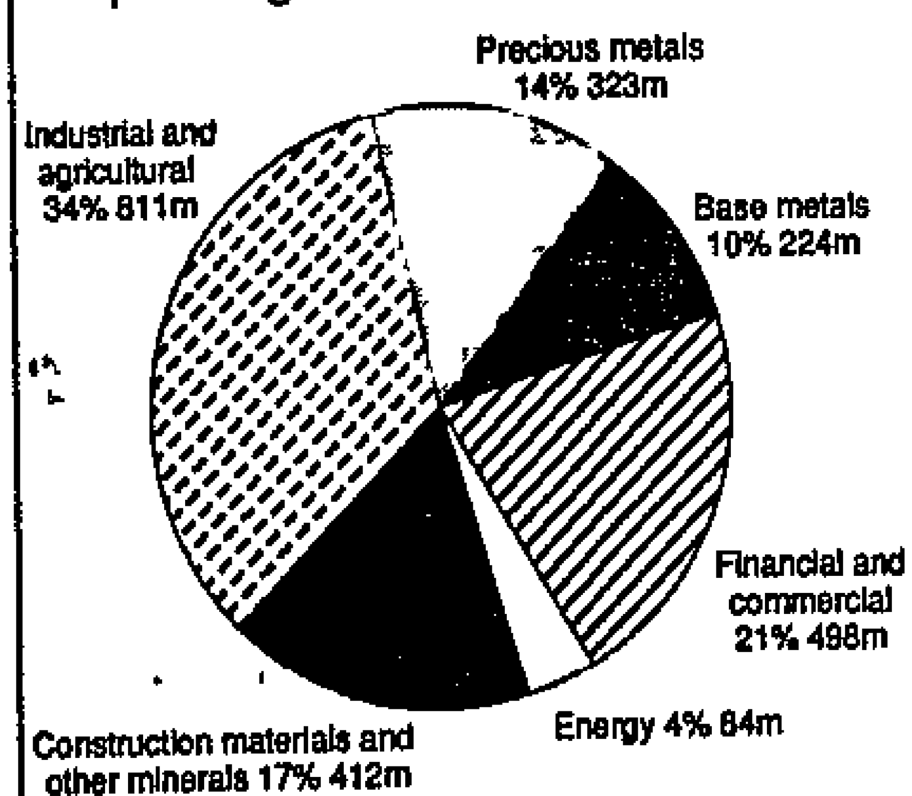
Joint MDs Tony Lea and Roger Phillimore said Minorco's central purpose was to acquire and develop, within its chosen fields, high quality natural resource assets with large reserves, low costs and proven management at fair prices.

"Our strict adherence to carefully defined criteria has meant that the pace of acquisition has been steady rather than dramatic," they said.

While market conditions had been poor, Minorco had used the time to invest "substantial money and effort" in developing strong management structures, systems and databases with the capacity both to enhance management of existing operations and to accomplish strategic acquisitions, they said.

Minorco

Operating assets and investments



Graphic: RUBY-GAY MARTIN Source MINORCO

Acquisitions over the past year by Minorco's industrial minerals division included Lausitzer Grauwacke GmbH — the largest hardstone quarry in the former East Germany — in November last year and ICI's lime products business which Minorco paid £115m for in December last year and renamed Buxton Lime Industries.

Buxton was the largest supplier of lime products in the UK with a capacity of about 6-million tons, and plans were afoot to increase this to 10-million tons.

Minorco's principal investments are a 36% stake in Charter Consolidated, a 24% interest in Eastern Investments, a 20% stake in Normandy Poseidon and a 21% holding in Anglo American South America.

Rand Gold mines suffer further R6,5m loss

210

CT 19/10/92

JOHANNESBURG — Rand Mines Ltd said its four operating gold mines posted a combined after-tax loss of R6,5m in the quarter to September 30, 1992, compared with a R40,9m loss in the preceding quarter

This was before capital spending of R2,4m compared with R9,6m in the preceding quarter. Combined gold production dropped to 10 409kg from a preceding 11 243kg, it said

But there was a return to profitability after capex at two of the four gold mines in the new-look Rand Mines gold division — Rand Gold and Exploration

The two mines to turn in small profits were Durban Deep and Blyvooruitzicht.

None of the mines made a profit after capex in the June quarter.

Chairman John Turner said the changes in work practices at Harmony of two blasts a day and Sunday operations came too late during the latest quarter to have any real effect on production

Although Harmony was expected to return to profitability in the quarter under review after R35m was paid out in retrenchment packages, difficulties in achieving the projected grade prevented this from happening. The underground grade fell slightly to 3,19g/t (3,25g/t in June)

However, Turner said tonnage at the mine was ahead of schedule, and that the planned recovery grade should be achieved in the current quarter. Capex for the December period was projected at R939 930

Blyvoor managed a return to profitability largely because of a marginal increase in grade.

Treatment of rock from the waste dumps had been suspended as grades were declining. Material from tailings dams was being treated instead

Sundry revenue of R1,65m was net of R500 000 (R1,1m) due to Driefontein for its share of profits in terms of a tribute agreement

Turner said in the company's annual report that Blyvoor was looking at a new tribute agreement to extend the life of the mine, which was scheduled to close in 1994

Durban Deep turned in a profit after capex in the period and increased gold production from both surface and underground operations

State pumping assistance for the quarter amounted to R2,1m, compared to R2,5m in the previous quarter. Capex for the next quarter was budgeted at R159 000

East Rand Proprietary Mines increased its working profit, helped by an increase in its underground grade to 6,04g/t. The grade was expected to increase as tonnages of comparatively richer ores becomes available from the development in the Far East Vertical shaft

However, the working profit was wiped out by an interest bill of R11,8m (R12,7m) on borrowings, which had risen to R492m (R478m)

Pumping assistance amounted to R1,7m compared to R1,8m in the previous quarter

Demand for minerals expected to stay low

(210) MATTHEW CURTIN

RECOVERY in the global economy is likely to improve prospects for SA's mining industry only from 1993, but factors such as environmental pressures and oversupply will still depress the outlook for some minerals, says the Minerals Bureau

"In view of the slow economic recovery in the major industrial countries, international demand for minerals is expected to remain depressed for at least the remainder of 1992", the bureau said in its 1991-1992 review of SA mining and minerals.

SA's declining but still high inflation rate continued to threaten the competitiveness of SA's mineral industry in world markets. BIDAY 20/10/92

The bureau said the medium-term outlook for gold was not overly-optmistic.

Oversupply would hit coal prices in the medium term, but "the European market for imported coal is anticipated to increase substantially due to privatisation, the abolition of coal subsidies, and politico-economic developments in Eastern Europe".

SA coal producers would increase their share of the export market, with a small improvement in exports to the US and Africa expected too.

Platinum group metal exports would improve from 1993 to 1995 because of growing demand for platinum-based car catalysts in Europe, driven by tightening clean-air legislation.

The bureau expected some increase in demand for SA ferro-alloy exports as customers built up stocks in anticipation of a recovery in industrialised economies, but iron and steel prices were unlikely to rise because of oversupply worldwide. The same situation applied to non-ferrous base metals such as copper, lead, zinc and zirconium.

Prospects were better in the industrial minerals sector, although environmental pressures would hit demand and prices of asbestos and fluorspar.

92

Minerals' prospects expected to improve

BDay 20/10/92 210

THE prospects for SA's mineral industry are expected to improve over the next five years after the depressed levels of demand, export volumes and prices of most commodities in 1991 and 1992.

The latest edition of the Minerals Bureau's review of SA's minerals industry says the optimistic forecast for total mineral export revenue is that it could reach R54,7bn next year based on a declining exchange rate of R3,34 to the dollar.

The Mineral and Energy Affairs Department bureau's pessimistic forecast of minerals export revenue for 1993 is R46,2bn with the realistic level at R50,2bn.

Gold export revenue could be realistically expected to reach R24bn next year while platinum group metals (PGMs) should contribute R9,3bn, coal R5,5bn and processed minerals R4,6bn.

In 1997, the bureau forecasts total export revenue could top R91,2bn based on R4,89 to the dollar, and optimistically could total R108,1bn.

In the same year, gold could be expected to contribute R39bn to export revenue, PGMs R15bn, coal R11,3bn and processed minerals R12,5bn.

Expanding on the prospects for various minerals, the bureau says excess gold supply is expected to continue for a number of years, and its price to rise at about the same rate as world inflation.

SA's inflation rate is expected to be higher than the world average, causing the domestic gold mining industry to contract. The bureau also believes the monetary role of gold will decline further and financial institutions become less inclined to hold the metal as a store of wealth.

SA could be expected to increase the size of its share in Europe's coal market as the demand for coal should improve substantially due to privatisation, the abolition of coal subsidies and politico-economic development in eastern Europe.

The bureau says although coal prices are not foreseen to increase significantly in the short ~~to medium~~-term because of current world oversupply, a marginal improvement in exports to Africa and the US is expected.

PGM exports are likely to improve in the next few years due to the increasing demand for autocatalysts in Europe and other industrial countries.

Due to a general overcapacity situation in the world, iron and steel prices are not expected to rise significantly but export volumes of ferrous metals and related processed products are expected to improve over the next five years.

World markets for non-ferrous base metals are generally in oversupply, a situation expected to continue into the near future SA's export of titanium and zirconium minerals and of zinc are expected to increase because of increases in productive capacity

The prospects for the country's industrial minerals sector are positive due to the expected higher growth rate in the world economy from next year onwards Export volumes and prices are foreseen to maintain positive growth rates

However, environmental factors could adversely affect the growth of specific minerals such as asbestos and fluorspar

Processed minerals' outlook is expected to improve along with increased exports, generally following the fortunes for base metals. Prices would not increase substantially due to expected oversupply

The commissioning of ventures such as the Columbus, Alusaf and other base metal projects is likely to lead to an expansion in exports of beneficiated mineral commodities, the bureau says

It says the domestic inflation rate could be a threat to SA's mineral industry's competitiveness on international markets.

"Although lower than the 15,3% of the previous year, it (the domestic inflation rate) is still substantially above the inflation rates of SA's major trading partners, and competitors in the world mineral markets." — Sapa.

FM 23/10/92 (210)

ANGLOVAAL FM 23/10/92

Industrial cushion (210)

Activities: *Mining, industrial and financial group*
Control: *Anglovaal Holdings 50,2%, ultimately controlled by the Menell and Hersov families*
Chairman & MD: *B E Hersov*
Capital structure: *18m ords, 43,1m N ords Market capitalisation R4,2bn*
Share market: *Price R71 Yields 1,4% on dividend, 6,5% on earnings, p e ratio, 15,3, cover, 4,6 12-month high, R95, low, R65,50 Trading volume last quarter, 713 000 shares*

Year to Jun 30	'89	'90	'91	'92
Investments.				
Book value (Rm)	652	758	1 082	1 504
Market value (Rm)	1 603	1 685	2 420	2 387
Trading income (Rm)	475	588	811	748
Invest income (Rm)	66	48	39	49
Earnings (c)	427	530	478	464
Dividends (c)	76	92	92	100
Net worth (R)	42	47	51	50

With its large and diverse industrial interests, Anglovaal has long been more of a microcosm of the economy than some of its fellow (and bigger) mining houses So one of the most telling statistics in the latest report is that gold, which as recently as 1988 still provided 20% of net earnings, is now so small as to be unmeasurable

With the transfer of the Anglo-Alpha stake, all industrial interests are now held through Anglovaal Industries, whose report was discussed last week The other big contributor, Associated Manganese, has a December year-end and was discussed on May 15 Commendably, both did better, though not quite enough to offset lower earnings from gold and interest — the latter reflecting partly a run-down in cash balances as funds were committed to subsidiaries and partly lower interest rates

The group still has over R1bn net cash Long-term debt is a mere R372m, against total shareholders' interest of R4,5bn

Anglovaal has not abandoned hope of expansion in mining, though While the Sun gold prospect has been put on hold for now, work continues to the north of Sun in the Oribi area (*Fox* September 11) It's planned to spend another R15m on Oribi this year, mainly on further mineral rights Total exploration expenditure this year is budgeted at R56m (1992 R61m, and 1991 R96m)

Platinum exploration in eastern Transvaal found disappointing values and has been dropped, but base mineral exploration continues in both SA and Namibia

By far the biggest recent event was the coming into production of the Venetia diamond mine, officially opened on August 14 The group owns 87,5% of Saturn Mining, which is receiving a 12,5% royalty of pre-capex mining profits pending recoupment of capital, whereafter De Beers and Saturn will split taxed profits 50 50

FM 23/10/92 (210)

Anglovaal's Hersov *thanks to Venetia*

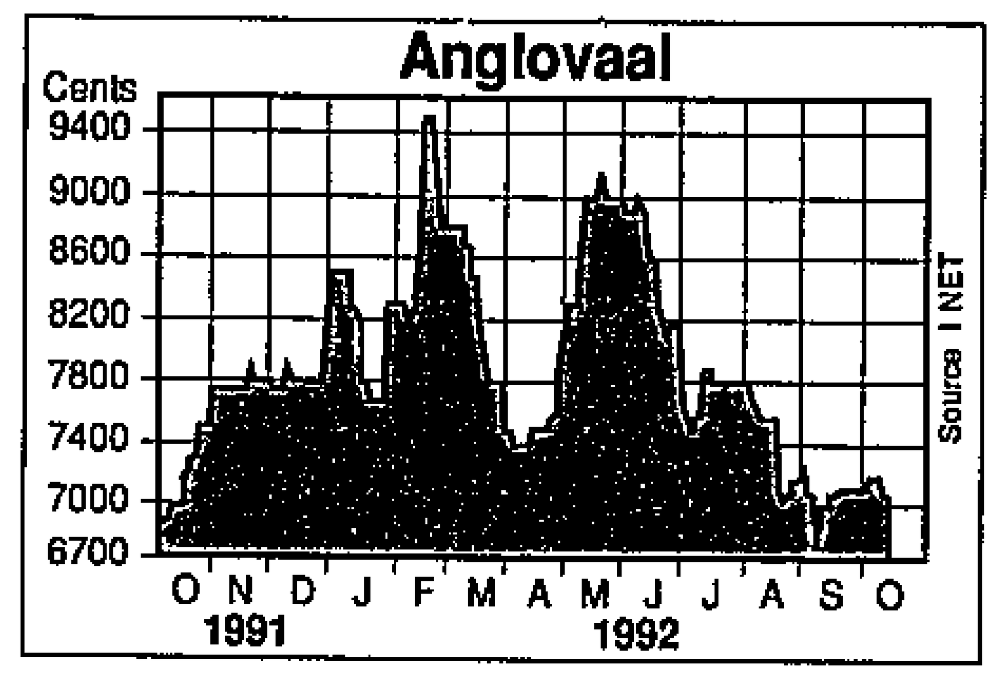
Earnings sources

	1991 Rm	%
Gold mining	10,4	4
Base metals/minerals	48,9	17
Construction/electronics	13,2	5
Packaging/rubber	45,7	16
Engineering/textiles	32,9	12
Branded consumer goods	30,0	10
Fishing/frozen foods	28,6	10
Finance, interest etc	75,4	26
	285,1	100

FM 23/10/92 (210)

Saturn received R7m from Venetia last year Moreover, based on the June 30 market cap of Industrial & Commercial Holdings, whose only interest is the other 12,5% of Saturn, Anglovaal says its net worth would have been R79 a share — of which Venetia would have made up 37% This makes Venetia by far the group's most valuable single asset — an object lesson in the rewards, as well as risks, of mining exploration

On the other hand, ICH has fallen from R27 to R17 since June 30 and AVI from R142 to R127 Assmang has been the steadiest of the three, at R325 (R335) As AVI



(and, through it, most industrial interests) is consolidated, its decline will not have hit NAV But on balance it must still be less than R70 and, hence, less than the current share price — if not by much

Still, it's normal for mining houses to stand at a discount to underlying net worth — which is one reason for the recurrence of the unbundling debate

Planned group capex over the next three years exceeds R1,4bn on expansion and asset replacement, mainly in AVI Chairman Basil Hersov says this indicates Anglovaal's commitment to SA's future growth, but he won't be drawn on the outlook for this year, further than to say that growth in earnings will be "a major challenge"

Thanks to Venetia, Anglovaal is the only mining house whose share price is not much lower than 12 months ago With the yield then already the lowest in the sector, the gap has thus widened Anglovaal may well continue to enjoy a premium rating, but it's hard to consider it anything other than fully priced in the short run *Michael Coulson*

MINORCO (210)

Spending money

FM 23/10/92.

Activities: *European-based Natural resources group which is Anglo American s International arm*

Control: *Anglo American 39%, De Beers Centenary 21%*

Chairman: *J Ogilvie Thompson, joint MDs A W B Lea, J R B Phillimore*

Capital structure: *170,3m ords Market capitalisation R8,2bn.*

Share market: *Price· R48,25 Yields· 3,2% on dividend, 6,9% on earnings, p e ratio, 14,5, cover, 2,2 12-month high, R53,35, low, R42,50 Trading volume last quarter, 4m shares*

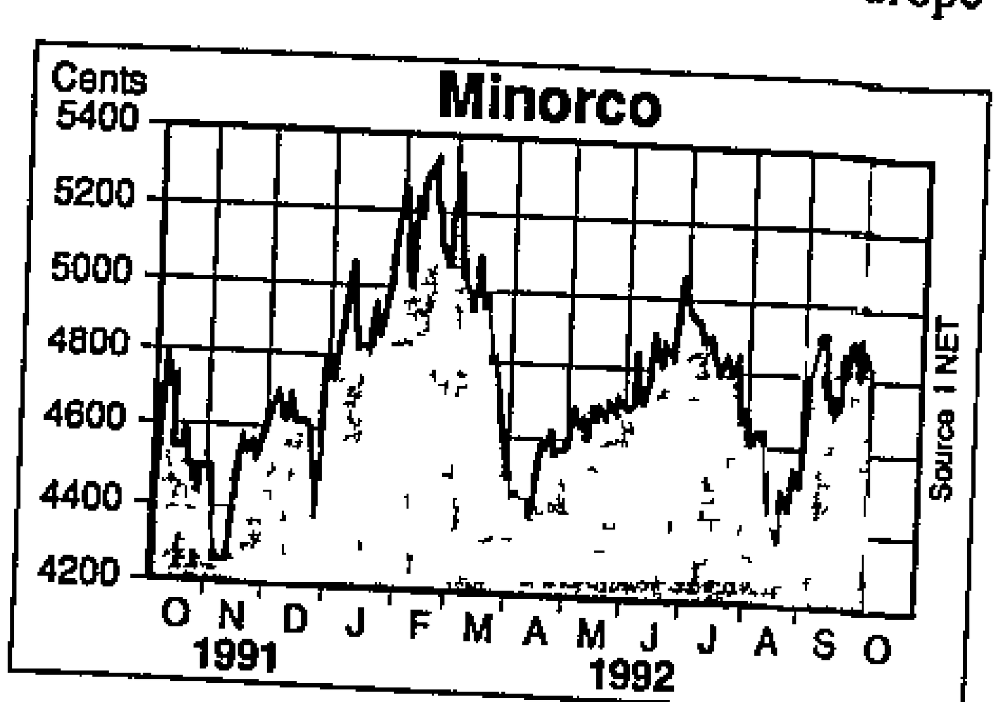
Year to June 30	**'89**	**'90**	**'91**	**'92**
LT debt (US$m)	—	—	287	279
Turnover (US$m)	—	28,9	771,0	1 666,6
Pre-tax profit (US$m)	369	260	244	253
Net profit (US$m)	280	229	194	206
Earnings (USc)	164	135	114	122
Dividends (USc)	42	48	51	54
Net worth (USc)	2 063	1 806	1 687	1 635

At a time when the share prices of parent groups Anglo American and De Beers are playing "all fall down", Minorco is holding up well, at least in rand terms Minorco is extending its transition from a passive holding company into an operating natural resources group and several factors are running in its favour

Not least is the cash pile of US$1,78bn And Minorco is looking to buy at a good time Comments chairman Julian Ogilvie Thompson "The continuation of depressed worldwide economic conditions has accelerated the flow of quality acquisition opportunities at more realistic prices " Also, 1992 results were better than analysts expected

Some US$308m was spent on new businesses last year, $253m of it on industrial minerals operations in Germany and the UK Minorco is still on the acquisition trail, with speculation that it is after BP's 49% of the Olympic Dam copper, gold and uranium mine in Australia, as well as Chevron's 35% of Chilean copper mine Collahause

The group embarked on this campaign in the wake of the failed bid for Consolidated Gold Fields. Ogilvie Thompson picked three main areas of interest gold and base metals in North America and aggregates in Europe



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 FM 23/10/92

Minorco's Ogilvie Thompson *moving into aggregates*

(210)

So far, new industrial minerals/aggregates interests have performed far better than gold. Earnings from precious metals, mainly from US mining company Independence, fell from a profit of $10,7m in financial 1991 to a loss of $1m.

Base metals — essentially from Hudson Bay — kicked in a pleasing $12m (1991. $4,2m), while there was a $20,8m maiden contribution from the new industrial minerals operations Earnings from agribusiness dipped to $32m ($42,1m).

Ogilvie Thompson says it is not possible to forecast earnings this year with any certainty, though he points out continuing weakness in US dollar interest rates and the gold price would be negative.

Some analysts feel earnings should rise and dividends could go up by another two or three USc, but there are a couple of worries. One is that Minorco will make a large acquisition using up much of its cash, which would hit short-term earnings, though long-term growth should be enhanced.

Another is that cash resources might somehow be tapped by De Beers/Centenary to support the flagging diamond market

The share price stands at a hefty 44% discount to nominal NAV, though this is not reflected in *FM* statistics, because cash is being converted into mining assets which the *FM* classifies as intangible. NAV calculated otherwise is around $20 — R86 a share at current finrand rates.

The reasonable earnings outlook, large discount to NAV and rand hedge status all add up to rate Minorco a buy, provided worries about getting embroiled in De Beers' problems are unfounded.

Brendan Ryan

Gencor hit by slump, low prices

CT 27/10/92 (210)

From MATTHEW CURTIN

JOHANNESBURG — Falling commodity prices, slow economic growth abroad and the local recession took their toll on Gencor's results in the year ended August 1992.

Gencor reported a 17% fall in earnings to 98.8c from 119.5c a share on a larger number of shares in issue. However, the group raised its total dividend by 5% to 45c from 43c a share.

The worst effects of the poor economic climate were mitigated by the strength of the resource group's balance sheet and Gencor turned in a stronger second-half performance. Earnings were down 27% at the end-February interim stage this year.

Desperate times

In the year Gencor and subsidiaries continued to lay the groundwork for planned robust long-term growth. Gencor, industrial group Malbak and paper producer Sappi held R2bn, R440m and R1bn rights issues.

Chairman Brian Gilbertson said yesterday that a decline of only 1% in the level of Gencor's underlying operating income to R1.2bn or 91.5c a share was "a very good performance in what all my chief executives tell me were desperately difficult circumstances".

Gilbertson said a highlight of the year, his first as chairman after succeeding Derek Keys in the New Year, was Gencor's successful rights issue. He said Gencor was well placed for the future with R2.4bn in cash near what he hoped was the bottom of the commodity cycle.

He said a 4% increase in the group's cash earnings from 57.8c to 59.9c a share and its expectation of sound long-term growth prompted Gencor to declare a higher dividend. However, inimical local and overseas trading conditions were likely to reduce group earnings in the current year.

Operating profit fell 1% to R1.043bn from R1.056bn.

In 1992 Gencor received no investment surplus compared with net revenue of R69m the year before. In 1991 Gencor's results were boosted by a R123m share of the surplus generated by the reorganisation of investment arm Genbel's portfolio.

Financing costs fell to R64m from R85m while exploration and project costs were cut to R66m from R110m.

The group's tax charge fell sharply to R109m (R240m) because the 1991 figure was conservatively stated. A spokesman said: "It included provision for various unresolved items, the finalisation of which remains outstanding."

Genmin

Attributable earnings fell 10% to R1.3bn from R1.4bn, including a 22% drop in equity accounted earnings to R496m (R639m).

Genmin, the group's mineral and minerals division with interests ranging from gold and coal to ferro-alloys, bore the brunt of the trough in the commodity cycle, contributing a 22% lower share of attributable earnings at R391m (R498m).

Gilbertson said commodity prices came under severe pressure as competition intensified and, with few exceptions, average export prices received were well down on the levels achieved in 1991. The rand's slight weakening against the dollar brought little relief as operations battled with local inflation.

Unbundling 'on hold'

210

Own Correspondent CT 27/10/92

JOHANNESBURG. — Alusaf's R6,4bn smelter expansion project and the R3,1bn Columbus Stainless Steel expansion joint venture, in which Gencor has key interests, are edging their way towards final approval.

However, the group's plans to unbundle its interests are on hold in the short-term at least.

Gencor chairman Brian Gilbertson said yesterday a highlight of the year was the progress the group had made towards finalising plans for the two capital projects.

These ventures, in addition to Sappi's expansion in Europe, fuels group Engen's increased refining capacity and the developing Oryx gold mine, would provide Gencor with "major investment opportunities over the next few years".

Gilberston said Gencor had scrutinised the issue of unbundling in the year, but some obstacles still had to be overcome before the group would go ahead with the strategy.

Current stock market conditions were not conducive to any plans to optimise the share value, and there were fiscal drawbacks. The distribution of shares as part of the exercise could be deemed to be dividends, liable for tax, or fall victim to marketable securities tax (MST).

Shareholders would benefit from unbundling because it would remove the "pyramidal discount locked up in Gencor shares", the group would benefit from greater operational focus given the diversity of its interests, and the move would counter the unpopularity of large conglomerates.

Gilbertson said two key factors working against unbundling were the advantages a large group had in raising money for a number of large projects, such as Alusaf and Columbus, and the advantages of diversity. He noted that in 1992, earnings from Gencor's mining and mineral interests had all deteriorated, but had been partially offset by improvements at its industrial, paper and pulp, and energy interests.

Export of minerals up

JONO WATERS

SA's mineral exports in the year to September increased by 8% on last year's figure, but gold, platinum group metals and base metals were marginally down.

Safto figures released at the weekend showed mineral exports, including coal and ores, increased to R5,68bn, while base metals exports, including the ferro-alloys, fell 2% to R6,96bn

In the unclassified and balance of payments category, of which gold and platinum group metals make up the most value, exports fell 1% to R18,1bn.

Analysts said the figures made sense since commodity prices in general, and the gold price, had remained low over the past year

They attributed the increase in mineral exports to increased coal exports, in spite of low prices.

Rand Mines dividend ends an era

(210) JONO WATERS

RAND Mines declared its last dividend as a composite mining house — ending the 100-year history of a group that once had a market capitalisation larger than that of Anglo American.

Rand Mines increased its final dividend by 8% to 215c (200c), bringing the total dividend for the year to 315c (300c). Earnings a share declined by 30% to 1 180c

The mining house was split into four business units at the beginning of last month Randcoal, Randgold and Exploration, Rand Mines Properties (RMP) and PGM Investments now operate under Barlow Rand's Mineral Resources division.

Chairman John Hall said the final details of the restructure were nearly completed and its financial effects would be published within the next two weeks. A meeting to approve the new outline would be held at the same time as the annual meeting in January.

Turnover increased by 15% to R1,83bn compared to R1,69bn in the 1991 financial year, but operating profit fell 10% to R370m (R410m).

Investment income declined to R62,5m (R83,6m), but payments towards amortisation, interest and exploration were unchanged at R176m.

Pre-tax profit dropped 21% to R256m

To Page 2

Rand Mines

BIDAY 10/11/92 (210)

From Page 1

from R322m. The tax bill was lower at R15,6m (R21,5m) and after-tax profit declined to R241m (R301m).

Attributable profit to outside shareholders in subsidiaries increased by 27% to R64,8m (R50,9m), but attributable earnings to shareholders in Rand Mines decreased by 30% to R176m (R250m).

Hall said the profits of Rand Mines came mainly from the coal operations which contributed 68% of attributable earnings However, the 5% fall in the contribution from coal operations was as a result of lower margins on export and domestic coal, and a significant increase in amortisation charges following continued high levels of capex "The fall in attributable profits reflect the increasingly difficult trading conditions," he said

The gold division share of attributable profits fell to R500 000 (R2,7m) because of the weak gold price, Hall said.

The property division's share of attributable profit held up well, he said, as it decreased slightly to R10,9m (R11,8m).

Rand Mines declares last house div

CT 10/11/92

(210)

Own Correspondent

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The property division's share of attributable profit held up well, he said, as it decreased slightly to R10,9m (R11,8m). Earnings were affected by lower interest income following the payment by RMP of a special dividend in January and a major investment in buildings at the end of 1991.

Assurance on research

JONO WATERS

GOVERNMENT will finance, on a collaborative basis, research projects that will make SA's mineral industry more competitive internationally, says Mineral and Energy Affairs Minister George Bartlett.

In the keynote address at the Survival Strategies for the Metallurgical Industry colloquium at Mintek yesterday, he said the private sector should indentify new research projects, and the direction that technology development should follow, as itwas closer to the marketplace.

Bartlett said the spare capacity on Eskom's grid, in the transport network, and in SA's metallurgical industries meant the country was "on the threshold of a new era of industrialisation".

BDay 13/11/92

Mining groups 'to remain SA's engine'

BDay 16/11/92 (210)

Business Day Reporter

MINING groups would remain the engine of future growth for SA provided they had strong local and international investor support and the backing of the "political establishment of the day", Gencor executive director Tom de Beer said at a conference in London at the weekend.

"The diversified SA resource conglomerates will continue to be called upon to provide the vision that conceptualises new projects, to investigate their feasibility and to be the main providers of risk capital to such projects," De Beer said

On the issue of black economic empowerment, he said while the spectre of nationalisation appeared to have receded there was still talk of future anti-trust legislation, and of breaking up the economic power bloc — possibly by forced unbundling

Gencor rejected a forced unbundling which would act "merely as a device to redress previous perceived imbalances and to enhance the economic clout of a particular section of the SA population", he said

SA's two economic priorities were the international competitiveness of its first world sector, and the third world demands to create employment for unskilled and semi-skilled workers

The process of job creation was impossible to carry out in isolation

It needed the wealth generating capability of the first world sector, De Beer said

"The other issue which needs consideration is the constraint placed on the mining groups by the political environment such as sanctions, exchange control, unfair taxation and bureaucratic red tape"

However, De Beer said he was optimistic that politically based restrictions which had hampered SA's progress in the past would become less important, enabling local mining finance groups to develop in terms of geographical and product diversity

Big furnace is heart of mine project

ARGT 21/11/92

(210)

TOM HOOD
Business Editor

A GIANT smelter furnace at Saldanha Bay will form the heart of the R1 billion West Coast Namakwa Sands mining project which will start production in 1994.

The furnace has been jointly developed by Anglo American Corporation and mineral research organistion Mintek and employs new technology which is expected to give it a competitive edge

Announcing the project, Anglo chairman Mr Julian Ogilvie Thompson said this week it would bring new opportunities to the depressed West Coast and earn important foreign revenue

Production will begin in 1994 near Brand-se-Baai, northwest of Vredendal and involve mining about 4 square kilometres of land

Heavy minerals will be concentrated and then railed on the Sishen-Saldanha railway line to the smelter

The estimated total cost of the project is R946 million, of which R576 million will be in equity capital, with 80 percent coming from Anglo and 20 percent from De Beers

The Industrial Development Corporation is providing a loan of R370 million

Great care is being taken to ensure that the ecology of the area is not permanently damaged. About R73 million will be spent during the life of the project on rehabilitation To rehabilitate 5 960 hectares of land during and after the mining is estimated to cost R15 000 a hectare

The project will recover a number of minerals from local sands and should generate R360million a year in revenue, almost all from exports

The Namakwa Sands project will provide 900 jobs and indirectly create a further 3000 jobs in the area

Mr Ogilvie Thompson said economic opportunity could not be wished into being and that growth of the kind South Africans aspired to had to be worked for

"This means we have to demonstrate an ability to work harder and be smarter to show that although South Africa is a small player in global terms, it is as competent, innovative and competitive as the rest

"This is what the Namakwa Sands project will do"

The project has an estimated life of 30 years

Namakwa Sands had conducted a full environmental impact Assessment, which was carried out by the Environmental Evaluation Unit at the University of Cape Town This was followed by the canvassing of local residents and interest groups, including an open day held in Saldanha in July

Mr Ogilvie Thompson said this indicated the team's commitment to sound environmental management throughout the life of the project This would be facilitated by the appointment of a full time ecologist, the implementation of environmental management plans for each component of the project and regular environmental audits

"Namakwa Sands will be a lean and efficient operation, but it will not compromise or neglect the wider responsibilities which business in the 1990s must address

"In the current economic climate, it is very nice to be able to share some good news and to announce a major new project," he said this week and described the project as the first major industrial development in the North West Cape region. As such, it would serve as a nucleus for further development of infrastructure and services, and provide a stimulus for additional industrial growth in the area

Gencor director bows out

BDAY 25/11/92

210

DUMA GQUBULE

Gencor executive director Naas Steenkamp intends to retire from the group early next year, after 27 years in the mining industry

Picture ROBERT BOTHA

THE country needed wise heads to find ways of reconciling the demand for economic development with the pressing need to conserve the country's natural heritage, outgoing Gencor executive director Naas Steenkamp said yesterday

The former Chamber of Mines president announced this week his decision to leave the Gencor group early next year, after 27 years in the mining industry, to devote more time to his conservation and environmental interests

Describing himself as a "rational green", Steenkamp said he hoped to help provide balanced and sober leadership to the environmental lobby

It was vitally important that more dedicated people joined in conservation

All development, including mining, disrupted the environment But a way had to be found to minimise its impact while providing jobs and incomes for people.

Environmental issues, he said, were not marginal They were linked with burning issues such as land utilisation and redistribution, and with providing people with shelter, fuel, clean air, water and food

Eco-tourism was the industry of the future and set to become a major provider of employment and foreign exchange earnings Important as mining was, its resource base was declining Tourism, which made sustainable use of national assets, would take over and eventually contribute more by way of employment and foreign exchange earnings

Steenkamp said he was leaving the Gencor group after a highly satisfying career which had enabled him to contribute to the country's evolving labour relations dispensation

He had been seconded to the Wiehahn commission, which in 1979 recommended the legitimisation of black trade unions, and was closely involved with the emergence of trade unions in the mining industry and, more recently, initiating the Economic Forum and the peace process

His many wildlife commitments included serving two terms as president of the Wildlife Society

Steenkamp, a member of the National Parks Board, was appointed this week to the Council for the Environment

At 59, he was hoping to pack into a few years in conservation as much as he had put into the the mining industry in almost three decades, he said

SA mining houses look to Africa for growth

(210)

ARG 26/11/92

DEREK TOMMEY

JOHANNESBURG. — Difficult investment conditions were leading South African mining houses and mining companies to look to the rest of Africa for growth, Mr Gary Maude, managing director of Gengold, said in Ottawa recently

Addressing the Canadian Mineral Outlook Conference, Mr Maude said many companies were hesitant about making new investments in South Africa, not only because of the political uncertainty, but because of the scale of capital required to develop new mines and the prevailing gold price

"Besides, our remaining gold ore reserves will remain intact until the opportune economic climate arrives."

He said South African mining houses and companies were best placed to assist neighbouring African states to exploit their minerals resources.

They had the technical and financial experts, know-how and experience to operate in and under Africa's unique conditions

They also possessed the financial muscle, although much of the capital would be drawn from the World Bank, the International Finance Corporation and other international capital markets and sources

"South Africa, with its sophisticated infrastructure — harbours, transport, communications, in fact almost anything you can name, we have it — is the gateway to Africa

"So much so that African leaders to the north readily admit it, some of course more readily than others," Mr Maude said

Countries under consideration included Zambia, Mozambique, Zimbabwe, Angola, Tanzania, Congo, Zaire, Kenya and, in West Africa, Ghana and the Ivory Coast.

In South Africa the issue was clear If the country wanted to encourage foreign investment it would have to create an economic climate comparing favourably with those found in other mining countries

"Having the mineral resources is only one aspect of an investment decision Potential investors will also consider exchange rate fluctuations, repatriation of profits and whether mining ventures are likely to be nationalised

"Investors want to be assured of the rules of the game in which they will operate and whether the government of the day will abide by those rules"

Mr Maude said the flat gold price, inflation, costly deep-level mining and falling grades had taken their toll

Improved wages for unskilled and semi-skilled workers, without a commensurate improvement in productivity, had further affected the situation

All this had resulted in the closure of one mine and the classification of one-third of South Africa's gold mines as marginal. Although mines had been rigorous in containing working costs, the industry now employed 51 500 fewer people than it did 18 months ago.

On the other hand, an additional 60 000 jobs would have been placed at risk or lost had the industry not dealt so vigorously with rising working costs

He said the gold mining industry needed foreign capital investment and the right climate to attract such investment

There was even more gold left in South Africa than the 44 000 tons that had been mined to date

Subject to market price, the most conservative estimates suggested that at least 18 000 tons of refined gold can still be viably recovered

And 15 new deep-level gold mines, some more than 4 000 metres deep and with an estimated 30-year lifespan, had been identified for development, he said

Gencor seeking to internationalise

B|DM 26|11|92. 210

JONO WATERS

GENCOR was looking for international partners, chairman Brian Gilbertson told French institutional investors in Paris yesterday.

The group's efforts to internationalise were hampered by exchange controls and the behaviour of the rand, he said.

If Gencor wanted to take a major step internationally, the group would need to build relationships with the big international institutions.

Gilbertson said that with nearly $800m in cash and liquid assets, Gencor could be compared with the major diversified resource companies of the world.

It had, he said, perhaps the greatest diversity of assets, one of the strongest balance sheets and no debt

"That is a very happy state to be in at this point in the commodity cycle."

Gencor had an advantage among SA mining groups as the group's "large and powerful shareholders", with strong cash flows, were prepared to back the group in major new ventures. "For this they have been well rewarded in the past"

Although Gencor's performance over five years in terms of capital gains and dividend growth had been superior to other resource groups, the fall in value of the financial rand had adversely affected returns over the past 12 months

Gilbertson said the volatility of the financial rand, unlike the well managed and stable commercial rand, was one of the key factors that inhibited international portfolio managers from making a substantial investment in SA shares

"We look forward to the day when SA will revert to a single currency, without exchange controls"

In partnership with Anglo American, Gencor's associate company Samancor was close to a "go decision" on the Columbus stainless steel project. Columbus would expand the output of SA's stainless steel production to 500 000 tons a year from 110 000 tons a year at a capital cost of about $1bn.

Gencor makes a pitch in Paris

STAR 26/11/92.

(210)

Finance Staff

Gencor is looking for international partners, chairman Brian Gilbertson said yesterday in a presentation to French institutional investors in Paris.

"Our efforts to internationalise are hampered at present by exchange controls and by the behaviour of our currency. If we want to take a major step internationally, perhaps even on the scale of the General Mining — Union Corporation merger in 1980, we will need to build relationships with the big international institutions"

In the presentation, Gilbertson pointed out that, although Gencor's performance over five years in terms of capital gain and dividend growth had been superior to that of other resource groups, the fall in value of the financial rand had adversely affected returns over the past 12 months

"The volatility of this investment currency, as opposed to the well-managed and stable commercial rand, is one of the key factors that inhibits international portfolio managers from making a substantial investment in our shares We look forward to the day when South Africa will revert to a single currency, without exchange controls"

According to Gilbertson, "Gencor has an almost unique advantage among South African mining groups, namely our large and powerful shareholders, with strong cash flows, who are prepared to back us in major new ventures For this they have been well rewarded in the past

"Gencor can legitimately be compared with the major diversified resource companies of the world"

Anglo earnings fail to dent dividend

BDAY 27/11/92.

(2.10)

JONO WATERS

ANGLO American maintained its interim dividend at 90c for the six months ended September in spite of an 11% fall in attributable earnings.

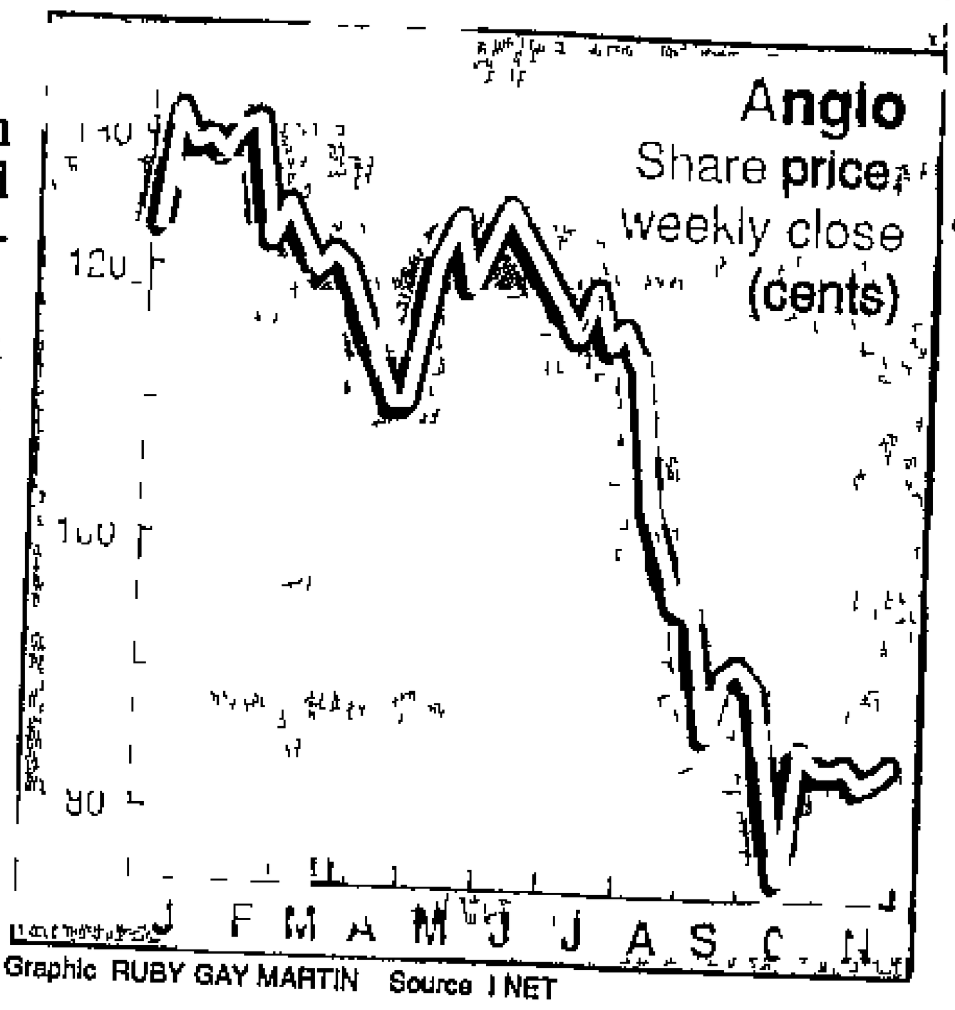
Earnings dropped to R581m (251c a share) compared with R655m (282c a share) for the same period in 1991.

Equity-accounted earnings decreased by 13% to R1,1bn (476c a share) from R1,27bn (546c a share) last year.

Total income before tax was 6,7% lower at R928m (R995m).

Chairman Julian Ogilvie Thompson said the results were achieved against a 91% fall in the surplus realised on investments to R11m from R120m.

Investment income, largely from gold mining interests — most notably Anglo American Gold Investment — increased marginally to R641m (R630m). However, trading-income fell to R229m (R250m) as a result of a decline in the Anglo American Coal Corporation's (Amcoal) operating profit. This was caused by a fall in dollar export prices.



Graphic RUBY GAY MARTIN Source I-NET

He said an increase in net interest income and lower prospecting costs resulted in other income returning a profit of R47m compared with a loss of R5m in the comparable period last year

Anglo footed a higher tax bill of R150m

☐ To Page 2

Anglo

BDAY 27/11/92.

(2.10)

☐ From Page 1

(R143m), largely as a result of an increase in Amcoal's tax bill This reduced after-tax income to R778m (R852m)

Retained earnings of associated companies dropped 14% to R523m (R611m), which Ogilvie Thompson said reflected the adverse trading conditions in the diamond industry as well as the effect of the recession on industrial, platinum and base metal interests Net asset value dropped to R132,09 a share from R145,03 a share

Ogilvie Thompson said the local economy continued to suffer under the impact of the recession and the continued delay of an upturn in the international economy

"The downturn in the world economies together with the unsettled local political and economic conditions will adversely affect the corporation's results for the year ending March 31 1993"

Attributable earnings and equity-accounted earnings for the second six months were expected to show greater declines than those recorded in the first six months.

However, there were signs that the drought had broken and progress in reducing inflation was most encouraging, Ogilvie Thompson said

Poor stock market impacts on Anglo

By Derek Tommey (210)

STAR 27/11/92

Attributable earnings of Anglo American fell by R74 million (11 percent) to R581 million in the six months to September.

Earnings a share fell from 282c to 251c, but the interim dividend has been maintained at 90c a share.

Anglo American worked hard to maintain its earnings at a time when, says chairman Julian Ogilvie Thompson, the economy continued to suffer under the impact of a prolonged local recession and the delay in the expected upturn of the international economy.

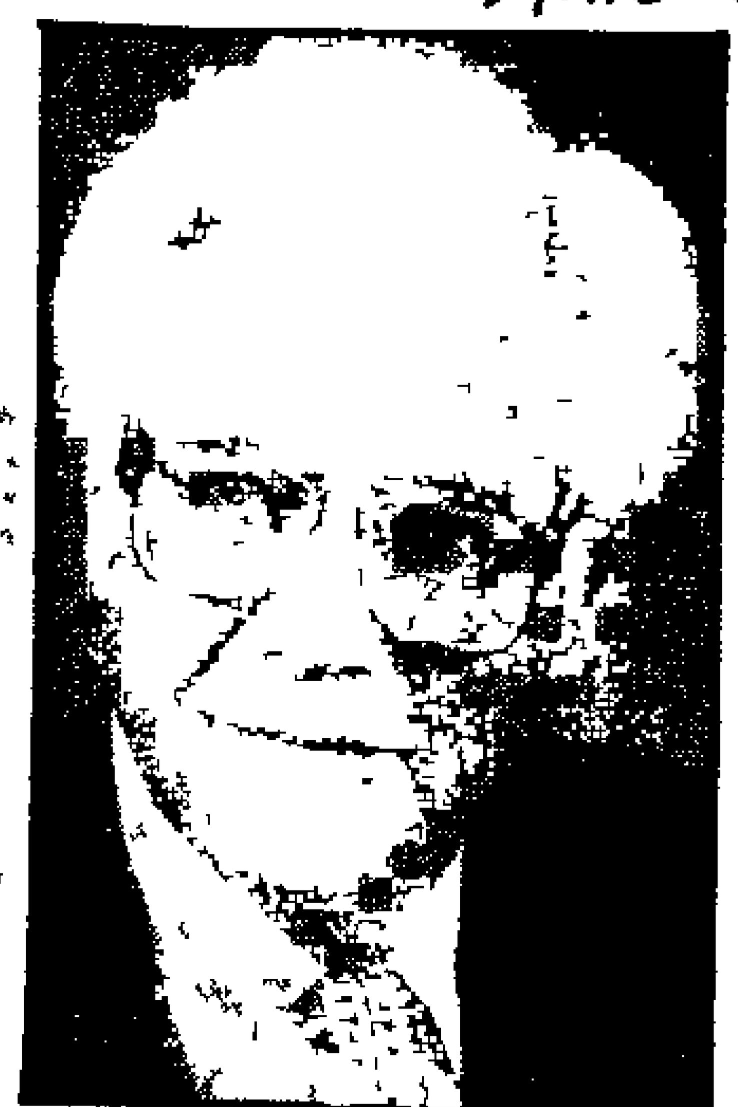
Figures show that Anglo would have increased its attributable earnings but for a slump in profits from the realisation of investments.

Income from this source dropped from R120 million to R11 million — reflecting the sorry state of the JSE and the lack of investment activity.

More encouraging, investment income rose from R630 million to R641 million.

And although trading income slipped from R250 million to R229 million, this was offset by a jump in "other" income to R47 million from a loss of R5 million last year.

Net attributable income before tax was R67 million lower at R928 million and after tax was R74 million lower at R778 million.



Julian Ogilvie Thompson . . . impact of prolonged recession

Hitting Anglo American hard was the drop in earnings of associates.

Their retained earnings attributable to Anglo dropped R88 million to R523 million.

This meant Anglo's total (equity-accounted) earnings fell by R162 million to R1,1 billion.

The maintained dividend was covered 2,79 times by attributable earnings and 5,29 times by equity-accounted earnings, which is a healthy situation.

However, it would seem that unless there is a major improvement in Anglo's earnings in the next six months, the company could find it hard to maintain its final dividend at 255c and a satisfactory dividend cover as well.

The balance sheet shows that Anglo's total assets rose from R22,8 billion to R23,9 billion in the six months, with deposits and cash increasing from R2,02 billion to R2,39 billion — indicating considerable liquid funds are available for any new projects.

Ogilvie Thompson draws attention to the group's continuing commitment to major new projects in South Africa, despite the downturn overseas and turbulence at home.

The projects include the Venetia diamond mine, the start of shaft-sinking in October at Moab, a large investment in Chilean copper mines, the R1 billion Namakwa Sands project and the expansion of the Columbus stainless steel business, which remains profitable despite the record low prices for stainless steel.

However, he regrets the violence in SA, saying that the leaders of all major political groupings have failed to rise sufficiently above party concerns to confront the problems bedevilling both economic and political progress.

Royden Vice

Afrox names new MD

STAR 27/11/92

By Derek Tommey

Afrox has appointed Royden Vice, a former senior executive, as its new managing director.

He succeeds Peter Joubert, who retains his position as chairman.

South African-born Vice was a general manager at Afrox until his appointment in 1986 as vice-president, finance at Airco, a North American subsidiary of BOC, which holds a majority interest in Afrox.

He rose to become president of Airco Industrial Gases, which produces and distributes liquid (bulk) atmospheric gases and helium and hydrogen.

"Royden brings back to Afrox a wealth of international experience," says Joubert. "I believe he is well equipped to manage the company in the present challenging times."

Gencor investing for future — Gilbertson

(180) (210) (282) (320)

8 | DAY 27/11/92

JONO WATERS

AGAINST the trend, Gencor continued to invest significantly in new growth projects and saw itself as laying the groundwork for the upturn in economic activity, chairman Brian Gilbertson said in the group's report for the year ended August 31.

Gencor's businesses were all well managed, robust, financially sound and well placed to take advantage of any upturn in the international and domestic economies.

"Thanks to recent and ongoing investments in new growth projects, the group's longer-term prospects are sound," Gilbertson said However, in the short term, Gencor's businesses were confronted by the third consecutive year of deteriorating trading conditions and foresaw no meaningful improvement in trading conditions in the year ahead.

The world's major economies remained depressed throughout the past financial year, resulting in a further weakening in demand for the group's export products. Locally, trading conditions were difficult as the domestic recession continued

While the past year would not go down as a record year for Gencor, shareholders did not fare too badly

Gilbertson said in this difficult commercial environment, the first priority of Gencor's operating managers was to safeguard their existing businesses These were being prudently managed through the present trough in the commodity cycle and, as a result, Gencor accelerated investment for future growth by supporting large equity issues in two group companies (Sappi and Malbak) and increasing commitment to new ventures

"We continue to regard unbundling as a distinct possibility and are again reviewing its merits and practical implications," Gilbertson said

The business community was looking to political leaders for the break in the current impasse in negotiations needed to restore confidence and ignite economic growth "We share the general concern at the further erosion of investor confidence generated by the apparent lack of progress towards representative government, by the concomitant problem of violence, and by the depth of the international and local recessions "

The past year's intense political activity had failed to produce even the outlines of the settlement that was so avidly awaited by society and by the business community in particular, he said

Gencor expects further decline

STAR 27/11/92

By Derek Tommey

Gencor chairman Brian Gilbertson has warned of a further decline in the group's earnings in the current financial year to end-August 1993

Reviewing Gencor's operations in the 1992 annual report, Gilbertson says the group was confronted with the third consecutive year of deteriorating trading conditions

While new investments ensured sound long-term growth prospects, no meaningful improvement in conditions was expected for the current year

However, the annual report also shows that Gencor shareholders earned a total return of 22,4 percent a year between January 1988 and June 1992, which was well ahead of inflation and the 13,3 percent a year return on the mining house index

Despite making new investments amounting to R1,66 billion, Gencor is still financially strong, with plenty of cash in hand to finance further investment.

Cash and money market assets increased by R698 million during the year to R2 billion

In addition, it has R392 million available in a portfolio of listed share investments

Major investments in 1991-92 were R520 million in Sappi and a further R200 million in Sappi's private placing, R176 million in Malbak and R245 million in Samancor.

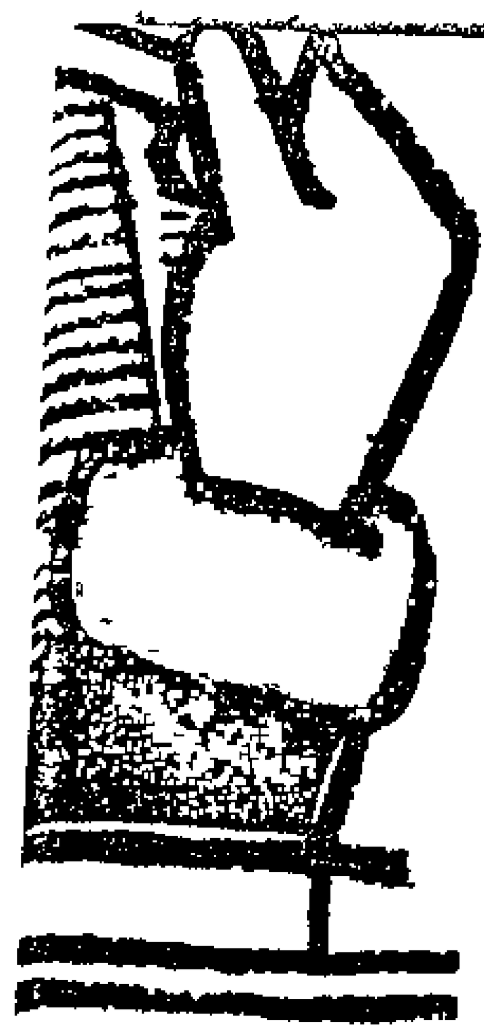
An amount of R220 million was lent to Oryx, while R89 million was spent on exploration

The Alusaf rights issue took R76 million and the TransAtlantic rights issue R66 million

Gilbertson says the business community is looking to political leaders to break the current impasse in negotiations in order to restore confidence and foster growth

He shares the general concern over the erosion of investor confidence generated by the apparent lack of progress towards a representative government

Gencor has joined other leaders of the business community in supporting the advance towards a common vision of SA's future through the National Economic Forum, he says.



Mission from Russia due

A GROUP of Russian and Ukrainian industrialists are due in SA today to explore ties with mining, chemical, steel and textile companies.

The 11-member delegation is being hosted on its 12-day visit by the National Productivity Institute, after a visit by NPI director of productivity promotion Johan Smuts to Russia and Ukraine last year.

Delegation members are expected to visit the Reserve Bank, Mintek, a gold mine, the JSE and oil-from-coal producer Sasol. 210

In the team from the former Soviet Union are top managers in mining, chemicals, textiles and aluminium and steel.

Trade contacts between SA and Commonwealth of Independent States member countries have been increasing this year, and there is scope for increasing co-operation between CIS states and SA's heavy industries, particularly mining. Anglo already has a firm presence in the former Soviet Union through De Beers. BDM 2/12/92

RMP to develop low-cost housing

BDM 3/12/92 (210)

PETER GALLI

RAND Mines Properties planned to use some of its land to develop affordable housing projects and other community facilities, chairman John Hall said in the latest annual report.

The rapid urbanisation taking place on the Witwatersrand was creating a need for this type of project, which would involve local communities, developers and authorities.

"It is important that a suitably representative and legitimate metropolitan authority be established as soon as possible to co-ordinate the extensive development required to cater for the influx of people as well as the general growth of the Witwatersrand," Hall said.

In an interview yesterday, RMP MD Colin Steyn said the proposed affordable housing projects were still in embryo stage and extensive discussions were taking place between all involved parties.

"Initially we are looking at setting aside about 100ha of land southwest of Johannesburg for affordable housing. Our objective is to keep the houses priced at between R40 000 and R50 000," he said.

Discussions were being held with civic associations and prospective communities to determine what their requirements were.

RMP was determined to do its share to address the housing problem. "We believe people must live close to their workplace and are setting aside some of our land to facilitate this," Steyn said.

As discussions regarding possible developers and financiers were at a "delicate" stage, he declined to elaborate further.

Hall said the volatile political and social climate and the prevailing adverse economic conditions would continue to affect the demand for township land.

"Uncertainties in these areas will delay commitments to buy land and activity in the property market is therefore likely to remain depressed in 1993. Profit from property operations is unlikely to exceed that in 1992," he said.

However, contrary to expectations, profits from property operations improved 35% compared with the previous year due to township land sales to major institutions and a rise in rental income, he said.

Cost increases at the Crown Mines and City Deep plants were contained below the rate of inflation, but the lower gold price in rand terms and an increased amortisation charge were the major causes of the R4,9m operating loss at these plants.

Profitability of the gold recovery operations would depend largely on the rand gold price received and the ability of management to further contain costs, he said.

Turnover for the year to end-September rose to R189,49m (R180,6m) but attributable profit dropped to R13,11m (R18,76m), translating into earnings of 106c (151c) a share.

Restructuring lifts earnings

B/Day 4/12/92

JONO WATERS

THE restructuring of the Rand Mines group would see the earnings of the four separate companies increase by 0,8%

Barlow Rand announced in September it was to split Rand Mines into four companies — Randcoal, Rand Mines Properties (RMP) and the two new companies, Rand Gold and Exploration (Randgold) and PGM Investments (PGM) The two new companies would be listed (210)

In an announcement today, Rand Mines said the earnings of 1 180c a share before the restructuring would rise by 0,8% to total earnings of 1 189c for the four companies

The new value of 1 189c was divided into earnings of 1 054c a share for Rand Mines earnings as a pyramid of Randcoal, 66c a share for RMP, 40c a share for Randgold and 29c a share for PGM

GENCOR FM 4/12/92 (210)

Waiting for the markets

Activities: *Diversified group with important interests in mining, forest products, industry, oil and gas, mining finance and investment*
Control: *Gencor Beherend 54,8%, Sanlam has ultimate control*
Chairman: *B P Gilbertson*
Capital structure: *1,4bn ords Market capitalisation R13,3bn*
Share market: *Price 950c Yields 4,73% on dividend, 10,4% on earnings, p e ratio, 9,61, cover, 2,19 12-month high, 1 305c, low, 895c Trading volume last quarter, 16,4m shares*

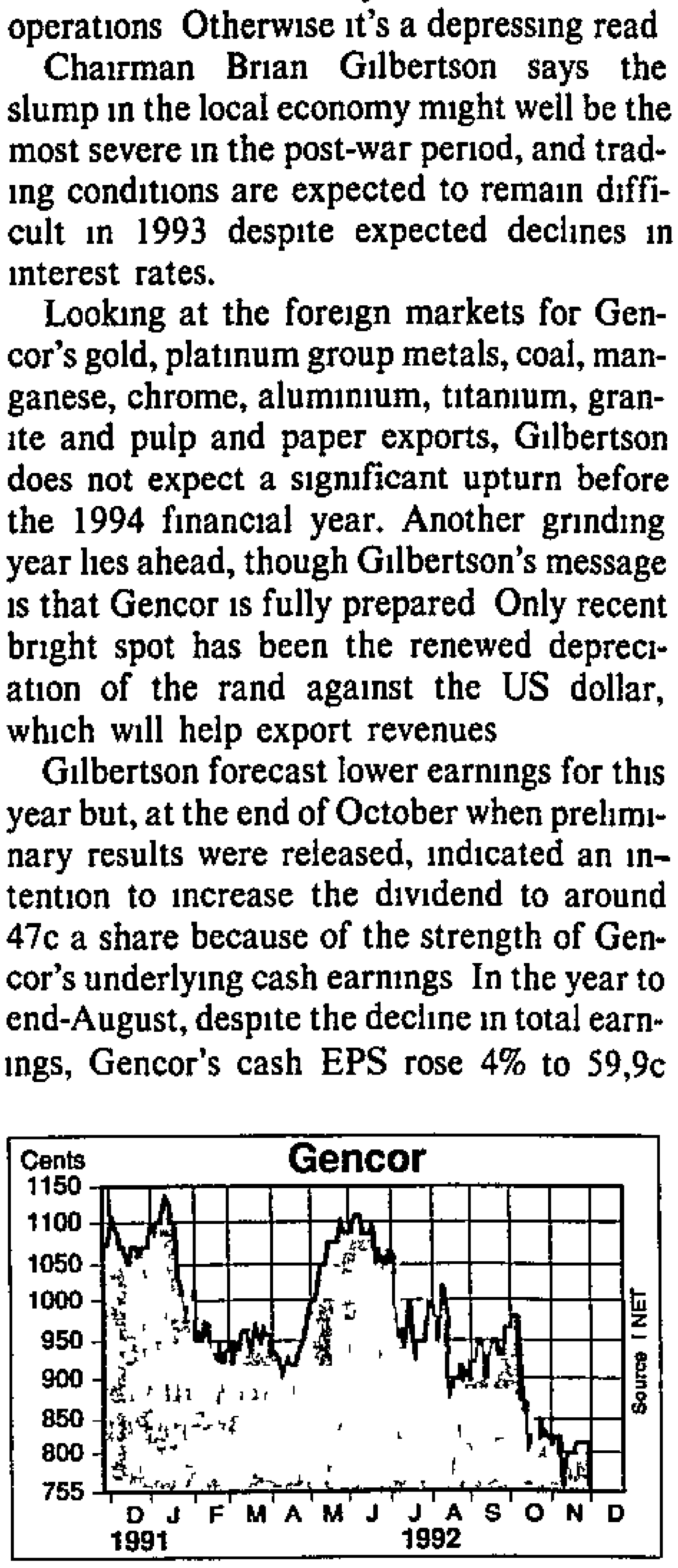
Year to Aug 31	**'89**	**'90**	**'91**	**'92**
Investments				
Carrying value (Rbn)	5,33	5,99	7,18	9,17
Valuation (Rbn)	13,16	14,61	15,99	16,58
Earnings (Rm)	1 051	1 479	1 405	1 261
Earnings (c)	105,5	125,8	119,5	98,8
Dividends (c)	34,0	40,0	43,0	45,0
Net worth (c)	1 121	1 375	1 473	1 341

Gencor's detailed and informative review shows the house is coping well with grim conditions in both the domestic and export markets for almost every sector of its diverse operations Otherwise it's a depressing read

Chairman Brian Gilbertson says the slump in the local economy might well be the most severe in the post-war period, and trading conditions are expected to remain difficult in 1993 despite expected declines in interest rates.

Looking at the foreign markets for Gencor's gold, platinum group metals, coal, manganese, chrome, aluminium, titanium, granite and pulp and paper exports, Gilbertson does not expect a significant upturn before the 1994 financial year. Another grinding year lies ahead, though Gilbertson's message is that Gencor is fully prepared Only recent bright spot has been the renewed depreciation of the rand against the US dollar, which will help export revenues

Gilbertson forecast lower earnings for this year but, at the end of October when preliminary results were released, indicated an intention to increase the dividend to around 47c a share because of the strength of Gencor's underlying cash earnings In the year to end-August, despite the decline in total earnings, Gencor's cash EPS rose 4% to 59,9c



Gencor's Gilbertson .. *no significant upturn before 1994*

from the year-ago 57,8c

UK broker James Capel points out the rand's slide occurred after Gilbertson's review, dated October 22, and estimates the house could actually maintain its earnings this year

Gencor spent R1,66bn on rights issues and other investments in the 1992 year, with R720m going to Sappi, R176m to Malbak, R245m to Samancor, R220m to Oryx, R89m on exploration and mining right costs, R76m to Alusaf, R66m to TransAtlantic and R65m on other investments

Net R1,96bn proceeds from Gencor's rights issue meant it still had R2,4bn in liquid assets at year-end The Alusaf expansion got the go-ahead last month after an unsuccessful pitch to raise about R1,5bn from local institutions. Gencor is committed to invest R1,1bn and there is still the funding of the Columbus expansion to be finalised

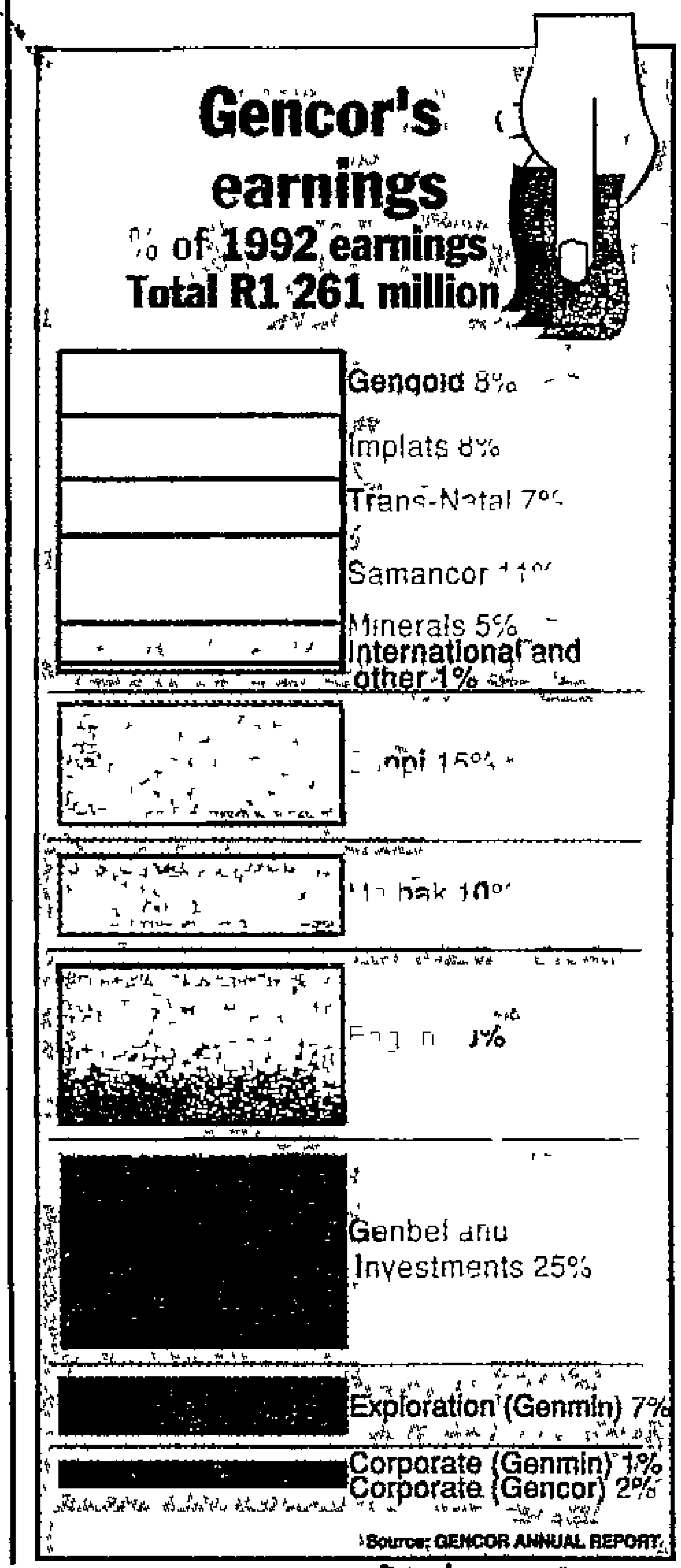
Gilbertson is hoping Samancor will be able to fund its 50% share of this joint venture with Highveld Steel & Vanadium without recourse to the house Even so, worsening conditions for Samancor's products, particularly ferrochrome where prices and sales volumes are sliding fast, might force Gencor to kick in funds

While Gencor is still on a major expansion trail, the house is increasingly looking outside our borders With the vast amounts going into Alusaf and other projects, nobody could accuse Gencor of being unpatriotic but worrying details in the annual report indicate SA is losing much of its attraction for further investment

Gencor is not alone in this assessment, as is shown by this week's action to bolster the finrand by Finance Minister Derek Keys (see *Leaders*) The flood of funds into overseas investments had widened the finrand discount to unacceptable levels

Sappi last year spent R1bn in buying Hannover Papier in Germany, while Trans-Natal Coal (TNC) is negotiating to buy 46% of McIlwraith McEachern, which controls major Australian coal producer Oakbridge The reason is the limitation on further growth of SA coal exports The annual report adds nothing to the terse announcement on September 3 by TNC, and it remains to be seen how the deal will be affected by the latest finrand regulations

On gold, the review comments: "The group needs to shift the average cost of production of the reserves down the international curve However, it seems unlikely that this can be achieved within SA and, as a



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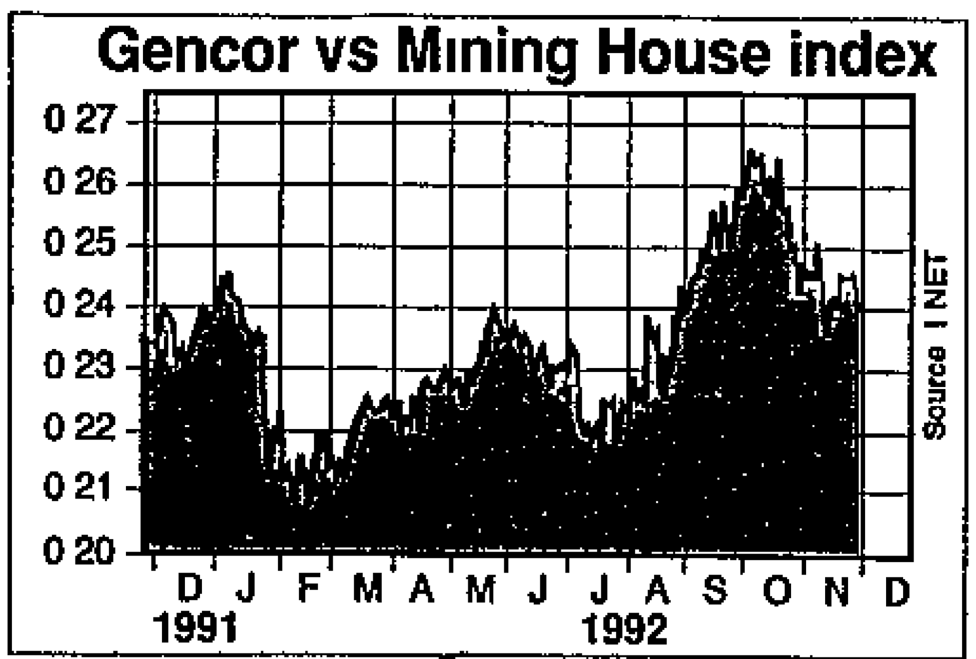
P.T.O.

COMPANIES FM 4/12/92



(210)

result, greater emphasis is being placed on securing, or sharing in, lower-cost reserves outside SA "

At 965c, Gencor offers an historical yield of 4,7% and a prospective 4,9%, one of the most attractive returns on offer in the mining house sector Looking at the share through the rose-coloured spectacles of those able to come in through the finrand, James Capel points out the yield to an overseas investor is 8,3% at a price of $1,90 "Considering these earnings are based on horribly sick commodity prices, by no stretch of the imagination could this be considered expensive," the firm adds

SA investors are less fortunate, but, given the standfast short-term outlook and the prospect of the growth to come, Gencor is probably still attractive at current levels

Brendan Ryan

ANGLO AMERICAN CORP

Sizing up the cash reserves

FW 4/12/92 .

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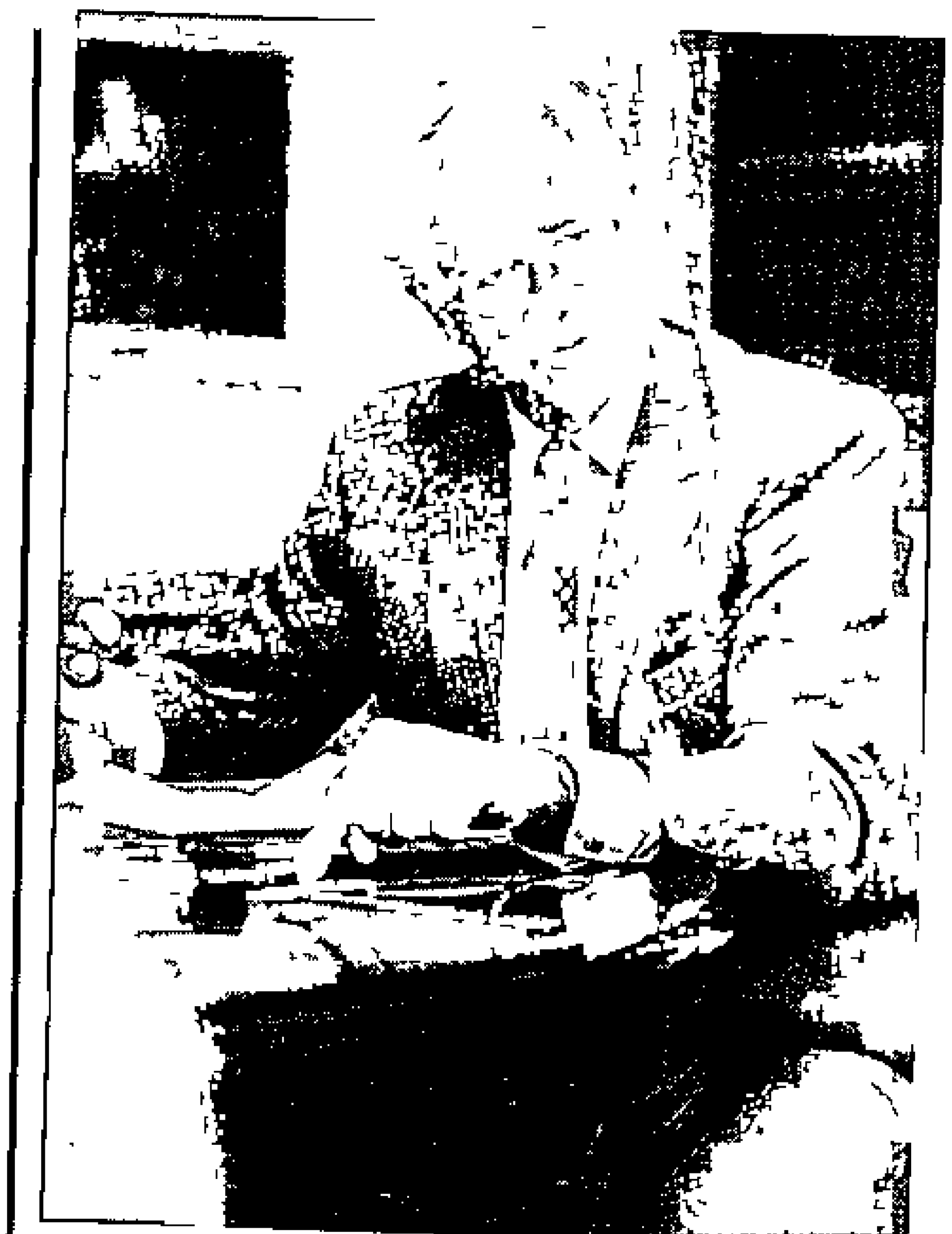
The interim results show the drive to improve margins on Anglo's gold mines has paid off through higher income from investments and, overall, the house has not done badly in holding the decline in attributable earnings to 11,3%

That's particularly so given that earnings in the comparable six months to September last year were boosted by a R120m surplus on realisation of investments compared with just R11m this time Allowing for tax and minorities, that works out to a 41c drop in EPS, stripping it out shows earnings from normal operations actually rose 4%

However comforting that may be, chairman Julian Ogilvie Thompson is still predicting greater declines in both second-half attributable and equity earnings Analysts comment the key factor will be the extent of the cut in the De Beers final dividend Attributable earnings could fall by as much as 16%, but the general feeling is Anglo should easily maintain its final, though at the expense of dividend cover

Ogilvie Thompson emphasises in his interim review that Anglo is involved in a number of major capital projects, the important question is how it intends funding them

Shaft-sinking started in October on the R1,7bn Moab extension to Vaal Reefs which is due to start production in 1997 Anglo and subsidiary Amgold have 61% of Eastvaal Gold Holdings, which will finance Moab Last week saw the go-ahead for the R1bn Namakwa Sands, Anglo's initial funding commitment is R300m over the next two years



Anglo's Ogilvie Thompson *worse to come*

A striking difference between the balance sheets of Anglo and Gencor is that, while Gencor at end-August held R2,4bn cash available at the centre for investment, Anglo's cash resources at end-September looked depleted The balance sheet showed R2,39bn in deposits and cash, from which should be deducted the R1,95bn shown as loans from associated companies and others for which Anglo acts as banker

That leaves R440m but subsidiary Anglo American Coal Corp (Amcoal) also had R449m on deposit with Anglo at end-March The year-ends are different, and the position may have changed but Anglo's own net cash position appears negative

Anglo finance manager Graham Holford says this is incorrect The R1,95bn includes loans made to Anglo and much of the money on deposit is available for investment The cash on hand does not vary materially over time because of cash flows into and out of the system Holford adds that if necessary Anglo can easily borrow more or sell some of its large share portfolio, as happened last year

The share price hit a 12-month low of R74,50 in mid-October in the wake of the furore over De Beers The stock has since recovered to R87,75 but that still leaves it at a hefty discount to this week's NAV of around 36% Over the past four years the share has traded at discounts to NAV ranging from 9% to 38%, so the current price is at the bottom end of the scale and there could be scope for further gains *Brendan Ryan*

EARNINGS DIP

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Investment inc (Rm)	630	1 024	641
Income before tax (Rm)	995	1 457	928
Attributable (Rm)	655	1 018	581
Equity accounted (Rm)	1 266	1 334	1 104
Attributable (c)	282	439	251
Dividends (c)	90	255	90
Net worth (c)	14 503	15 257	13 209

Growth seen as saviour of the destitute

STAR 5/12/92. 210

ANGLO-AMERICAN dusts off a plan to abolish poverty, inspired by Nelson Mandela, in which the State adopts a 'market-friendly' line, reports PATRICK LAURENCE.

ANGLO-AMERICAN, stout advocate of a market-based economy with minimum government interference, has called for State intervention to help address poverty.

But it emphasises that State intervention should be short-term and serve as an auxiliary action, rather than the main thrust of an anti-poverty programme

Anglo's contribution to the debate on how best to tackle the problem — and danger — of widespread poverty in South Africa is contained in an article in the latest issue of Optima

It summarises the chief ideas proposed by Anglo in a much longer document, drawn up, in part at least, in response to the challenge thrown down to business leaders by Nelson Mandela shortly after his release from prison in 1990

Highlighted

In an address to businessmen after his release, Mandela highlighted the inequalities of wealth, affirmed the ANC's commitment to nationalisation as one means of addressing the problem, and challenged business notables to put forward their own ideas

Draft copies of the original document were sent to key political actors, including the ANC But — as Anglo puts it — "political groupings approached did not take up the invitation to debate the ideas and proposals contained in the draft"

Anglo is unequivocal on the primary importance of economic growth as the best way of combating poverty It is in the context of that axiom that its advocacy of short-term State action should be seen

"Economic growth is the only meaningful way to reduce poverty over time," Anglo declares "It empowers the poor by creating formal and informal jobs, at the same time it promotes the maximum sustainable level of public and private programmes for poverty alleviation"

Economic growth, it adds, generates additional money for expenditure on social services and poverty-reducing mechanisms to address the needs of "the very poor" (as distinct from the poor)

Anglo warns that "direct transfers" — subsidies and handouts of food and services — do not succeed in alleviating poverty

"They are, typically, not sustainable They often benefit the middle classes and not the poor Because of pressures to extend their coverage, they lead to fiscal and balance of payments crises, and a subsequent collapse of growth"

Anglo cites Zimbabwe, noting that that country's financial and economic crisis has led to the collapse of many socio-economic programmes — including free education — which it introduced with high hopes in the 1980s

One of the best prescriptions for economic growth and poverty reduction is a "market-friendly approach" by government, facilitating a situation where the two forces work in harness

A positive and powerful spin-off from economic growth is a decline in the population growth rate. Once the process starts, it can be reinforcing as the population growth rate declines, so the economic growth rate can rise and, with it, the average income per capita

Anglo adds "There is a special obligation on all policy-makers, despite political and cultural difficulties, to energetically confront the issue of population control"

Illustrating the importance of stimulating economic growth, Anglo makes a series of calculations a 1 percent growth rate between now and the end of the century would create 400 000 new jobs, a 3 percent growth rate would add 1,4 million new jobs, and a 5 percent growth rate would generate 2,5 million extra jobs

The benefits of growth and job creation in the formal sector of the economy would add to the size of, and raise income levels in, the informal sector of the economy

Anglo notes that the 1990s have thus far been years of negative growth, but says important steps have been taken to stimulate growth, including abandonment of the financially ruinous policy of apartheid, and acceptance of the need to negotiate a fully democratic constitution

Further hopeful signs include steady growth since 1984 in the volume of non-gold exports, and the increase in manufactured exports from 18 percent to more than 30 percent of total exports

Much, however, will depend on the economic policies adopted by a post-settlement government and, in particular, whether or not it has learnt the imperative need for a "market-friendly approach"

But, while Anglo subscribes to a market-driven economy in general, it accepts and argues for a State-directed programme to alleviate the plight of the "very poor".

It defines the very poor as those mainly rural people who lack access to fundamental resources People who have jobs in the formal sector, however badly paid they may consider themselves, are excluded from the definition

Directed

The Anglo document cites two examples of State-controlled anti-poverty strategies those directed at providing rural people with fresh water and employment.

It envisages the formation of "job brigades" in which the poorest of the poor will be drafted to extend the infrastructure through the building of dams, roads and the like

Anglo stresses the importance of working closely with people, of listening to them, and of the State or its functionaries not assuming they know what is best

The contracting economy — the third quarter of this year registered an annualised shrinkage of 3 percent — and the looming budgetary squeeze underline the need for economic growth as the motor force behind poverty alleviation.

Margins squeezed until they squeak

ST Times (BUSS) 6/12/92

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By CHERILYN IRETON

OPERATING margins of industrial and mining companies have been under pressure in the past 12 months, as suggested by the rankings below. Although nothing to sneeze at, Rhovan's margin of 53% on sales compares with last year's top return of 71% achieved by Technology Systems International. TSI does not even feature on this year's honours list.

De Beers, which is ranked second on return on sales by Fortune magazine with a return of 24,6%, is 35th in the Business Times list. The difference is caused by I-Net's calculating De Beers' returns by using pro-forma combined results attributable to De Beers-Centenary AG linked units. Sasol, which Fortune says has the 21st-highest margins among its ~~top-500~~, is 16th in SA.

Casinos feature strongly ~~in this~~ category: Transun, Sun Ciskei, Sun Bop and Kersaf are all in the top 20.

The table suggests that margins on metal sales are much healthier than is widely believed. Rhovan, Palamin, Ass Mang, Rusplat and Implats all boast returns higher than 20%. The average return posted by Fortune's global 500 is only 2,5%.

TOP 100 RANKED BY RETURN ON SALES

Operating profit divided by turnover excluding turnover of associated companies

Yearend cut-off date: November 92

No.	Share Name	Financial yearend	
1	RHOVAN	Sep 91	53,0%
2	PALAMIN	Dec 91	41,2%
3	W B HOLD	Dec 91	38,6%
4	ASS MANG	Dec 91	35,2%
5	SPUR	Feb 92	33,2%
6	SPURHLD	Feb 92	32,2%
7	TRANSUN	Jun 92	31,7%
8	AUTOPAGE	Feb 92	27,8%
9	SUNCISK	Jun 92	27,3%
10	MARSHAL	Dec 91	26,7%
11	SUN BOP	Jun 92	26,6%
12	PREMPHA	Apr 92	24,2%
13	SCHARRIG	Dec 91	23,5%
14	RUSPLAT	Jun 92	22,9%
15	SASOL	Jun 92	22,6%
16	BOWCALF	Dec 91	22,2%
17	AMCOAL	Mar 92	22,0%
18	KERSAF	Jun 92	22,0%
19	PPC	Sep 92P	21,8%
20	TRENCOR	Jun 92	21,2%
21	BUFFCOR	Jun 92P	20,7%
22	IMPLATS	Jun 92P	20,6%
23	SONDOR	Mar 92	20,3%
24	PROFURN	Dec 91	20,3%
25	TELJOY	Mar 92	20,0%
26	RUHOLD	Feb 92	19,9%
27	AFROX	Sep 92P	19,5%
28	RAND MINES	Sep 91	19,2%
29	ENROL	Oct 91	19,1%
30	A ALPHA	Dec 91	18,6%
31	TECHIRE	Dec 91	18,3%
32	FOSCHINI	Mar 92	18,2%
33	HLH	Mar 92	17,6%
34	ROYFOOD	Aug 92P	17,3%
35	*DE BEERS	Dec 91P	17,3%
36	SMART	Feb 92	17,2%
37	NATRAWL	Dec 91	16,8%
38	TIMES MEDIA	Mar 92	16,7%
39	ELLERINE	Aug 92	16,6%
40	DISPTCH	Jun 92	16,6%
41	INTERLES	Jun 92	16,4%
42	SAMANCO	Jun 92	16,2%
43	UNITRAN	Jun 92P	16,2%
44	SAFREN	Jun 92	16,1%
45	SUNCRUSH	Jun 92	15,9%
46	CROOKES	Mar 92	15,7%
47	MASNITE	Dec 91	15,5%
48	ADCOCK	Sep 92P	15,4%
49	SHOCRAF	Feb 92	15,4%
49	ABERDARE	Dec 91	15,4%
50	NAMIBIAN FISH	Dec 91	15,1%
51	BTR DUNLOP	Dec 91	15,1%
52	OZZ	Mar 92	14,9%
53	ACREM	Mar 92	14,6%
54	ROYAL	Aug 92P	14,6%
55	DA GAMA	Mar 92	14,4%
56	PRESMED	Feb 92	14,3%
57	SUPREME IND HOLD	Dec 91	14,2%
58	SAPPI	Feb 92	14,1%
59	CUTRITE	Feb 92	14,1%
60	UNISPIN	Sep 91	14,0%
61	MULTISOURCE	Feb 92	14,0%
62	LANGBRG	Sep 92P	13,9%
63	CONSOL	Jun 92	13,9%
64	HUDACO	Nov 91	13,8%
65	OMNIA	Dec 91	13,8%
66	RANDCOL	Sep 92P	13,7%
67	EDGARS	Mar 92	13,6%
68	KUDU	Jun 92P	13,5%
69	TOCO	Mar 92	13,4%
70	WALTONS	Feb 92	13,3%
71	AFCOM	Jun 92	13,0%
72	Q DATA	Jun 92	13,0%
73	LENCO	Feb 92	12,8%
74	ABS	Sep 92P	12,9%
75	HORTORS	Mar 92	12,7%
76	EDDIES	Feb 92	12,6%
77	CHEMSERVE	Dec 91	12,5%
78	C G SUGAR	Sep 92P	12,5%
79	CARLCOR	Aug 92P	12,3%
80	FENNER	Aug 92P	12,3%
81	GF COAL	Dec 91	12,1%
82	AMSHOE	Feb 92	12,0%
83	LION MATCH	Mar 92	11,9%
84	CTP	Mar 92	11,9%
85	SPL	Feb 92	11,8%
86	ABI	Mar 92	11,7%
87	PLATE GLASS	Mar 92	11,7%
88	BEARMAN	Jun 92	11,7%
89	AF CABLE	Sep 92P	11,5%
90	WOODROW	Feb 92P	11,5%
91	LEBAKA	Mar 92P	11,5%
92	MEDHOLD	June 92	11,4%
93	ALTECH	Feb 92	11,4%
94	NAMPAK	Sep 92P	11,4%
95	COATES	Dec 91	11,2%
96	OTIS	Nov 91	11,2%
97	DATAKOR	Mar 92	11,2%
98	SPECLTY	Feb 92	11,2%
99	OHIO	Feb 92	11,1%
100	M-NET	Mar 92	10,9%

*Based on pro-forma combined results attributable to De Beers/Centenary AG linked units.

The table does not include non-operating pyramid companies, gold mining companies, insurance companies, property companies and banks

Where the company year-end is indicated with a "P", the results are based on the latest preliminary results

Source: I-NET.

Mostly down in the dumps for mining

S/Times (Buss) 6/12/92.

(210)

By JULIE WALKER

Sunday Times TOP 100

THE virtual dumping of Rand Mines by controlling shareholder Barlow Rand was the feature of another year of relative unhappiness for SA's mining industry.

The century-old mining house, once the greatest in the world, failed to renew reserves through exploration. It lost even more direction after 1971 when it became the only SA mining house to be controlled by an industrial group.

Until then it had been tardy in identifying mining opportunities, preferring to milk its mines of the day. Rand Mines had no stomach for the West Wits Line and Klerksdorp which are prolific producers of gold today. As its options ran out it found itself with a quartet of ailing gold mines — Durban Deep, East Rand Proprietary Mines, Harmony and Blyvooruitzicht.

Expansions into platinum and vanadium ended badly, as did new gold mine Barbrook Barlow Rand management decided to sell Rand Mines' chrome interests along with its holding in Middelburg Steel & Alloys to a Gencor-Anglo American consortium last year.

Rand Mines was reduced to a coal and minor gold outfit with a few properties. What is left is being unbundled to members and only for technical reasons does Rand Mines continue to exist. The Corner House premises in central Johannesburg are being vacated, ushering in the end of an era.

TRIBUTE

Gold's reluctance to rise meant another tough year for a South African mining industry reluctant to sell its production forward for better prices. Instead, it continued to focus on the cost side of the profitability equation — with some success.

The year was one of co-operation between industry players. Miners settled for affordable pay rises with profit-sharing incentives built in. Industrial relations improved from a solid base because of participative management.

Western Deep Levels gave Blyvoor a new lease of life by allowing it to mine part of its title area on a tribute basis.

Another innovation is the path to be followed by ageing West Rand Cons, of which control and management will pass to a consortium led by clean-up specialist Fraser Alexander Gencor believes Fraser Alexander will do a better job of taking the last remnants out of the mine and rehabilitating it.

Anglo American went ahead with sinking a R1,6-billion shaft in the Moab area to the south of Vaal Reefs. It believes gold's future is sound because of growing jewellery demand.

The platinum industry hit harder times than previously. Although the platinum price fell, its decline was not as harmful as that of rhodium's.

The two main producers, Rusplats and Impala, both struggled under industrial action, Lebowa continued to battle on production targets and Northam fell behind its schedule in need of more money. How it will be funded is still being examined by Gold Fields of SA.

Good reports came from Potgietersrust Platinum Its directors say it will come into production under budget and at a cheaper level than originally expected

This year it was the turn of the diamond industry to take a knock as the world refused to emerge from recession and hampered discretionary spending on luxuries such as beautiful stones.

Low demand alone would have been manageable, but a torrent of diamonds were sold outside the Central Selling Organisation's area of influence, many from Angola and the former Soviet Union.

News of a big Canadian find did little to boost confidence.

SURPLUS

De Beers was obliged to lay off employees at several SA operations. All CSO member mines and countries were asked either to cut back on operations or to stockpile 25% of their production for a while.

All in all it was not the ideal time for De Beers to bring on-stream a rich producer of its own, but that is what took place.

The R1,1-billion Venetia mine in the North-western Transvaal was officially opened in August It will ultimately replace the production from SA's ageing mines — some a century old. But for the time being, its output is surplus to requirements.

Samancor, the world's largest ferroalloy company, took the unusual step of closing all its ferrochrome production capacity for several weeks early in the year in a bid to reduce stocks, cut costs and boost prices.

But continuing recession, large stocks and low demand for steel and particularly stainless steel, meant trouble for the world's iron and steel business.

Some ferrochrome contracts were signed at 52c US/lb, but the market dictated otherwise — a large supplier outside SA willing to accept 49c led to lower prices.

Coal continued on an even keel, but prices did not climb. Three mild European winters in a row have allowed buyers to accumulate surplus stocks — as reflected by the relatively low oil price

WRONG

Witbank Collieries changed its name to Rand Coal and moved its head office to Sandton Eskom's decision to suspend construction of three generating sets at Majuba power station knocked the Rand Coal share price to R4 It was R15,25 in February.

Eskom took the decision because the coal deposit is faulted and Rand Coal's mining costs would have been much higher than expected

Finally, there were a few changes in the dimension stone industry. It looked at one point as though the listed producers might reach a stage of cooperation or even merge.

In the end, Kudu merged with Anglo American-controlled but unlisted Impala Granite Keeley produced better results than expected, but Marlin battled. Its high production ahead of an expected post Persian Gulf war boost in sales was unfortunately wrong.

Minaco Granite, having acquired subsidiary Prairie, turned in a creditable set of results and the share price doubled to 40c late in November. It provided a glimmer of hope that the market for dimension stone might have bottomed.

TOP 100 RANKED BY MARKET CAPITALISATION

As at November 23 1992
Banks excluded

No.	Share Name	(Rms)
1	DE BEERS	20531
2	ANGLOS	19287
3	RICHEMONT	18844
4	SA BREWS	14671
5	REMGRO	13703
6	GENCOR	12729
7	SASOL	8265
8	BARLOWS	8210
9	RUSPLAT	7926
10	JCI	6983
11	ENGEN	6658
12	REMB BEH	6642
13	TIGER OATS	6507
14	C G SMITH	6023
15	ANAMINT	5700
16	SAPPI	5393
17	SAFREN	4818
18	BEVCON	4791
19	GFSA	4647
20	ANGLOVAAL IND	4538
21	C G S FOOD	4299
22	SAMANCO	4252
23	NAMPAK	3941
24	MALBAK	3895
25	PREMIER GRP	3468
26	PIKNPAY	3444
27	AMGOLD	3405
28	AMIC	3281
29	SUN BOP	3221
30	M&R HOLD	2967
31	AFROX	2816
32	EDGARS	2720
33	KERSAF	2545
34	TRENCOR	2412
35	CONSOL	2301
36	IMPLATS	2232
37	PEPKOR	2129
38	AMCOAL	2028
39	MID WITS	2010
40	ABI	1908
41	GENBEL	1902
42	ADCOCK	1862
43	PALAMIN	1784
44	FOSCHINI	1760
45	CADSWEP	1487
46	PPC	1483
47	HLH	1419
48	FOODCRP	1310
49	ANGVAAL	1296
50	ALTRON	1293
51	ISCOR	1290
52	I & J	1215
53	ALTECH	1208
54	LANGBRG	1168
55	SUNCRUSH	1160
56	ASS MANG	1153
57	ARGUS	1134
58	TONGAAT	1104
59	RAINBOW	1069
60	MNET	984
61	DISTIL	980
62	NORTHAM	950
63	AECI	928
64	REUNERT	920
65	HOLDAINS	917
66	LEFIC	901
67	PREMPHA	883
68	SA DRUG	864
69	PP RUST	842
70	ROYFOOD	809
71	HIVELD	773
72	TOYOTA	773
73	AVHOLD	755
74	A ALPHA	752
75	CNA GALLO	711
76	WOOLTRU	694
77	PLATE GLASS	659
78	METCASH	658
79	LYD PLAT	644
80	SENTRACHEM	618
81	INTERLES	598
82	TRNS NTL	598
83	ROYAL	583
84	TRADEGRO	577
85	RANDCOL	563
86	CLICKS	560
87	POWTECH	528
88	CG SUGAR	505
89	ICS	502
90	RAND MINES	477
91	CARLCOR	465
92	TIMES MEDIA	461
93	DORBYL	460
94	HAGGIE	457
95	IMPHOLD	441
96	UTICO	422
97	WESCO	403
98	DELTA	393
99	PEP	391
100	ELLERINE	380

The market capitalisation takes into account ordinary shares, preferred ordinary shares and 'S' shares

S/Times (BUSS) 6/12/92

Plunge from the peak

S/Times (BUSS) 6/12/92

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By CHERILYN IRETON

THE market values of South Africa's premier stocks, De Beers and Anglo American Corporation, have taken an agonising knock since last year's Top 100 survey.

De Beers has shed 40% of its value — or R14-billion — and Anglo's market worth has shrunk by almost a third.

This coincides with a 12% decline in the JSE's overall index and a 3% drop in the industrial index.

In spite of disenchantment with the two shares after turmoil in the diamond market, they still easily retain the honour of being the JSE's highest-valued companies.

But Anamint — which holds De Beers stock — lost eight places to 15th as its market capitalisation halved from R11,5-billion.

Richemont, which has a market capitaliation of almost R19-billion, retaines its No 3 ranking.

The combined worth of the Top Five is R81-billion. Last year the first handful boasted a joint market value of R109-billion.

The decline of the market in the past 12 months is further shown by the fact that only 59 companies have a market capitalisation of more than R1-billion. Last year 99 companies were in that bracket.

Companies moving up the ranks, merely through marginal increases in their share prices, include Engen and Barlow subsidiaries Tiger Oats, CG Smith, CG Smith Food and Nampak. Anglovaal Industries, Sappi and the Premier Group have also made healthy advances.

Boomers, busters of the '87 spree

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S/Times (BUSS) 6/12/92

By JULIE WALKER

THE listings boom of 1987 produced 10 companies which have made the Top 100 growth table in the five years since October 1 of that year.

Those heady days, when almost every flotation found overwhelming public support and handsome oversubscription, are perhaps better remembered for the large number of failures than for the winners. But investors in one of the Top 10 must be well pleased with their selection.

Top of the 1987 pops five years on are Imperial Group, followed by Royal Corporation, NBS, Safcor, Autopage, Unitrans, Lenco, Dimension Data, Sechold and Amshoe.

Several have changed their names. Royal started as Lovasz Chemicals, which expanded into food. It distributed food and chemical company shares to its members. Sechold started as Securities Discount House, but shortened its name to its common abbreviation and is one to watch for next year.

Amalgamated Shoe started as Jaguar before gobbling up competitors and broadening its scope.

CRAZY

Slightly more than 200 companies found their way to the JSE boards in that crazy year and 70% of them are still listed in one form or another. In many cases, the original managements bought back the assets they so readily sold into listing vehicles at handsome premiums, leaving the company as a cash shell

Merchant banks and boutiques made a living filling these cash shells with other businesses ready to list. A notorious example is Subroc, now KNJ, whose managing director of the time, Keith Jenkins, regrets having reversed into the listed vehicle because the remnants caused so much trouble.

In other cases, small companies that were a thorn in the side of bigger competitors were bought out — such as AECI's take-out of Swimline, Powertech's purchase of Yelland and UBS's takeover of Allied to become Absa.

Many will sorrowfully remember Lefkochrysos, Loucas Pouroulis's "white gold" platinum mine at Brits. Pitched at an average of R13, the price shot to R25 before the October 1987 global equity-market crash proved the turning point in Lefko's fortunes.

I remember having lunch during the week of the crash with a man who thought he had picked up Lefko shares at a bargain R16. When Mr Pouroulis ran out of financial backers for the underbudgeted project, it was onsold to Rand Mines at R4,50 a share and renamed Barmines

Rand Mines had already begun establishing its own platinum mine, Barplats, at Kennedy's Vale in the Eastern Transvaal. But this was shelved in favour of Barmines.

When Rand Mines discovered the true cost of mining, both projects were mothballed and control passed to Gencor's Impala Platinum. Barmines and Barplats shares are nearly worthless now.

Barbrook was a 1987 gold-mine listing after a run of independents such as Osprey, Eersteling and Rogold. Mininghouse championing was to have been the key to success, but Barbrook also proved more trouble than it was worth to Rand Mines and went into liquidation.

Northam and Lebowa Plats were two more platinum ventures listed that year — both have yet to display full merit

It was a year of granite listings — Marlin, Kudu and Keeley all coming to the market. They all flew for a while and became investors' darlings, but have suffered from world recession for two years and are reportedly seeking to rationalise.

Kudu has already struck a deal with unlisted Impala Granite.

The year 1987 might be remembered by many for the clutch of computer companies that came to market. My view was one of plenty of failures, but on closer examination many have actually done well.

Didata is one of the best and companies such as Spescom, Datakor, Kopp and Jasco spring to mind as success stories. Among those gone to grief count Computer Warehouse, Control Data Systems and CRB.

Financial services companies generally shaped well. The 1987 listings include Fidelity Bank, Crulife, Saambou and Board of Executors.

At its peak, the Development Capital Market numbered more than 100 listings Now there are a quarter of that Several companies graduated to the main board, such as Klipton, Spur Holdings and Aries Packaging. Yet more went down the tube, such as World of Music, Fred Whitehead and Playtime.

Big money-spinners

(BUSS) 210

THESE are the real biggies of corporate South Africa — the top profit makers.

Anglo American Corporation and De Beers are still easily SA's most profitable companies — despite both suffering a drop in earnings in the past year. The only significant change from last year's Top 100 is that Anglo American has now edged ahead of its stablemate.

De Beers, which features in the Fortune 500 rankings, is rated as the world's 41st most profitable industrial company.

Barlows, which reported mediocre results, has moved up in the rankings from being the sixth-most profitable company to the third. But this is largely as a result of previous contenders, such as Gencor, showing a bottom-line decline.

The profit ranking includes equity-accounted earnings. This means there is a lot of double counting — between the likes of De Beers and Anglo and Barlows and its subsidiaries.

Four companies can be classed billionaires this year, but Gencor has lost this status after its profit fell from R1,4-billion in 1991 to R766-million.

Another 51 companies achieved profits of more than R100-million.

Anglo and Eskom in tariffs talks

PETER DELMAR (210)

ANGLO American is negotiating with Eskom on a possible special power deal for its Namakwa Sands heavy minerals project on the west coast

The go-ahead for the project, which is expected to cost almost R1,4bn and generate 4 500 jobs directly and indirectly, was given late last month

Project director Neville Keys said the project, was expected to use more than 50MW of power This would make it one of the biggest new consumers of Eskom power. B|DAY 7|12|92.

Keys said studies and projections were based on Eskom's standard tariffs available to large users Discussions were continuing, however, on the possibility of structuring a special deal for the project

The outcome was unlikely to be similar to deal negotiated for the Alusaf expansion, however. Keys noted that the Alusaf contract was based on linking the cost of power to the aluminium price on the London Metal Exchange. There was no comparable yardstick for the Namakwa Sands project.

Keys said most of the power consumption would be at the smelter site near Saldanha Bay, not at the mine at Brand-se-Baai near Vredendal.

In planning the project Anglo had been "very conscious of the advice that Eskom has been giving, that they intend to retain the escalation in power costs below inflation," Keys said

ANC man eyes Anglo assets

(210) GRETA STEYN

THE state should nationalise most of the cross-holdings between Anglo American and De Beers, ANC minerals economist Paul Jourdan suggested at a weekend workshop on anti-trust, monopolies and mergers

Jourdan's suggestion is not official ANC policy as the workshop was arranged by the ANC to debate the issue and gain information before formulating policy.

His paper drew strong reaction from representatives of the big mining houses Although no firm policy conclusions were reached, ANC-aligned speakers did, however, emphasise the need to do away with pyramids.

Jourdan said De Beers and Anglo each owned about a third of each other, and if these equity stakes were nationalised, no private shareholders or other corporate holders would be directly affected. Part of the cross-holding could be used for an employee shareholding scheme, leaving the state with a 15%-20% stake in each mining house

He noted De Beers appeared to have learnt to live well with the Botswana state being given half the equity in Debswana.

Jourdan said the argument that conglomerates had to be large to mobilise massive resources was not necessarily true, as some of the subsidiaries were major companies in their own right and

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Anglo assets

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☐ From Page 1

did not need assistance from the "mother" company He noted JCI as an example, saying it was difficult to determine what it gained from being part of the Anglo stable

He argued the state should take over the responsibility for marketing minerals to influence the world price and that breaking up the interlocking mining oligopolies would reduce prices paid by the metal fabrication industries, encouraging exports of finished metal-based products

JCI economist Ronnie Bethlehem described the paper as "an attack on the corporate sector and a threat to SA itself"

He noted the paper did not address the issue of compensation for nationalising the cross-holdings SA already had a deficit of 8% of GDP and was threatened by a public debt trap; financing the nationalisation by issuing debt could only harm local and foreign business confidence in SA

He could not see an advantage in the state being a major shareholder that took over the marketing of minerals, as "SA mining companies are price takers and not price setters" He feared if the paper was accepted as ANC policy it would trigger capital flight, driving SA deeper into under-performance

Anglo American public affairs consultant Michael Spicer agreed with Bethlehem, saying the paper was cause for "serious apprehension" Referring to the De Beers situation in Botswana, he said the Botswana government's equity rights had been paid for by a variety of means, including policy on taxation and royalties, that he could not envisage in SA

Mining houses balk at ANC speech

CT 7/12/92

(210)

Own Correspondent

JOHANNESBURG. — The state should nationalise most of the cross-holdings between Anglo American and De Beers, ANC minerals economist Mr Paul Jourdan suggested at a weekend workshop on anti-trust, monopolies and mergers

His paper drew strong reaction from representatives of the big mining houses Although no firm policy conclusions were reached, ANC-aligned speakers did, however, emphasise the need to do away with pyramids

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Mr Ronnie Bethlehem, Johannesburg Consolidated Investments economist — part of the Anglo stable — described the paper as "an attack on the corporate sector and a threat to South Africa itself"

He noted the paper did not address the issue of compensation for nationalising the cross-holdings.

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Pro-business slant to ANC anti-trust policy

STAR 7/12/92 (210)

By Sven Lunsche

Anti-trust legislation by the ANC is likely to have a "pro-business" bias and is to be separated from policies aimed at addressing the concentration of economic ownership, says ANC economist Tito Mboweni.

He was speaking at the conclusion yesterday of a three day workshop on anti-trust, monopoly and merger policy.

The workshop was attended by ANC economists, private sector managers and a range of international experts on anti-trust laws.

The ANC's strong focus on anti-trust legislation is an indication that it will take the place of large-scale nationalisation as the major tool to redefine the largely white-controlled patterns of ownership.

Mboweni said the ANC had identified a set of key issues in dealing with anti-trust legislation, including setting-up an investigative arm similar to the UK's Monopolies and Mergers Commission.

Legal powers to take action on such findings should rest with the Department of Trade and Industry, he added.

"We are certainly not convinced that the SA Competitions Board, which has a very weak profile, can serve as a basis to investigate monopolies and mergers which impede competition in the economy."

Mboweni said anti-trust legislation could not be seen in isolation from "the power of the conglomerates and a long-term industrial strategy".

Yet, he added, the overriding tone of the workshop suggested that anti-trust policies should be "pro-business" and the ANC identified with this sentiment.

He said the organisation would use the input from the participants in the workshop to draw up a comprehensive anti-trust document, possibly by the end of February next year.

It also seems that the ANC will heed the advice of the senior economist of the UK's Monopolies and Mergers Commission, Geoffrey Sumner, who told the workshop that the confluence of economic power in the economy should not be redressed by retroactive competition policy.

Sumner said investigatory and tribunal agencies should be set up which "as far as possible should not have political bias".

The ANC was also warned that anti-trust policies alone could not achieve a radical change in the patterns of ownership and control.

JSE president Roy Andersen said the inward-looking policies of exchange controls, import tariff protection, import substitution and self-sufficiency during the apartheid years had played a critical role in the development of this concentration.

"These are the underlying causes of concentration which need to be dealt with," he said.

Despite the focus on anti-trust policies, the ANC has not ruled out partial nationalisation of mining groups.

In a paper to the workshop, ANC minerals economist Dr Paul Jordan said the state had a right to equity participation in private mining companies because of its ownership of the natural resources of a land.

Strategies proposed by Jordan included nationalising cross share ownerships between mining groups, particularly De Beers and Anglo American, and giving the state a minority equity holding of about 20 percent.

He said joint control of a mining group was working well in the case of De Beers and the Botswana government through the jointly contolled Debswana operation.

Furthermore, white control could be diminished by "a meaningful employee share holding scheme, which is not based on income".

Mboweni said the proposals addressed the problem of inter-locking directorships, but added that it remained to be seen whether this should be dealt with through nationalisation or anti-trust policies.

Palladium rises to 18-month high

By Neil Behrmann

LONDON — Palladium prices surged to their highest levels in 18 months last week in response to lower Russian supplies and a sharp increase in orders from Japan.

At $103 an ounce, palladium, the main by-product of platinum, is 25 percent higher than levels in August. Its trading range was $80 to $85 for most of this year.

Palladium, by far, has been the best-performing precious metal. Its appreciation since August compares with a four percent increase in the price of platinum, a constant silver price and a four percent decline in gold.

The rise in palladium prices is a welcome boost to SA platinum companies.

SA palladium production is forecast at 1,28 million ounces this year, compared with 2,82 million ounces of platinum, according to Johnson Matthey.

For each $10 increase in the palladium price, revenue for Rustenburg, Impala, Western and others rises by $12,8 million — not an insignificant sum.

Platinum's price increased by about $13 in the same period.

Since the rand has fallen against the dollar, platinum companies which were under pressure earlier in the year, should be on a better footing.

Yet actual revenue gains will depend on contract prices.

A palladium futures contract was introduced in August on Tokom, Tokyo's commodity exchange. Dealers say that on Wednesday volume reached a quarter of a million ounces and on Thursday 650 000 ounces.

Thursday's trade alone equalled activity for the whole of last month, say dealers.

London dealers are perplexed about the sudden burst of buying on the Tokyo futures exchange.

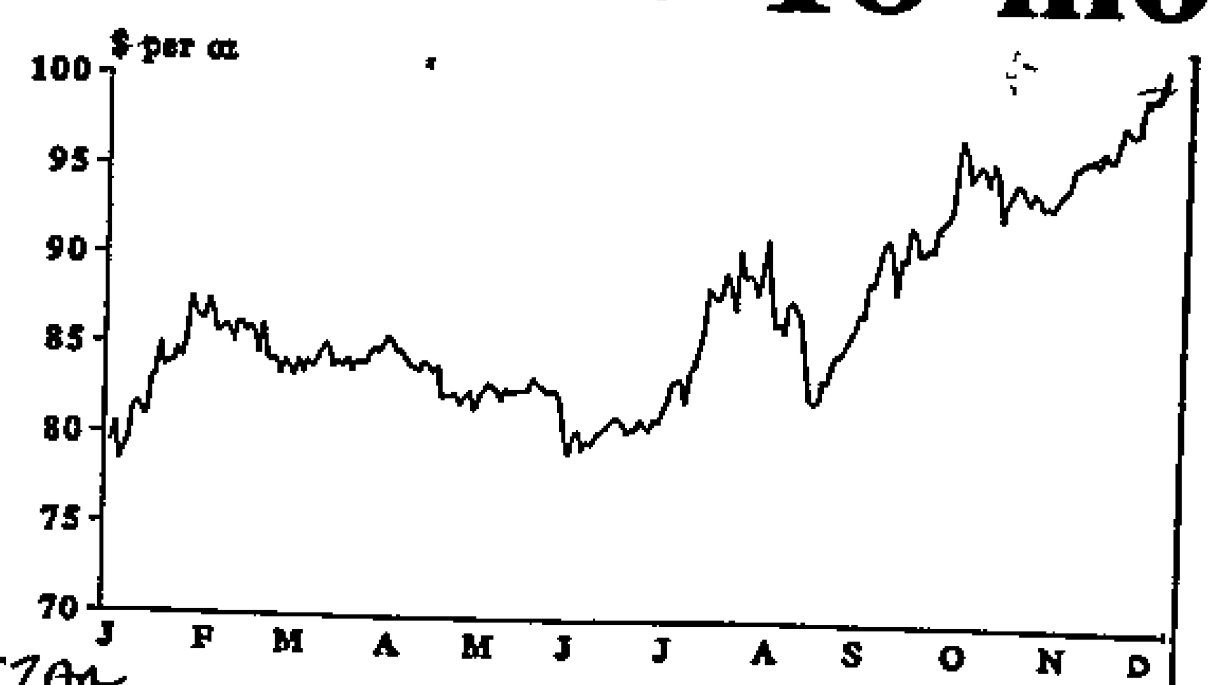
Some believe that Japanese motor companies intend using more palladium in anti-pollution auto catalysts.

Others say that "cold fusion" energy experiments are keeping the palladium pot boiling.

Cold fusion requires palladium to generate energy, but so far there is no scientific proof on whether the process will work.

According to some scientists, energy is produced when an electric current is sent through palladium electrodes that are immersed in a jar of heavy water enriched by a heavy form of hydrogen known as deuterium.

Japan, totally dependent on oil imports, is anxious to develop alternative energy sources.



STAR 7/12/92

The price of palladium this year

Robbie Williams taxing food is untenable

Williams favours export incentives

STAR 7/12/92

By Stephen Cranston

Tiger Oats chairman Robbie Williams has urged the Government to retain export incentives and not to succumb to pressure them.

In the annual report for the year to September, Williams says group exports and international sales now exceed R1,2 billion.

But it would be most unwise to expect SA to be able to compete effectively without such incentives when export subsidies in one form or another are commonplace worldwide.

"As a group we are acutely aware of the need to be internationally involved and competitive."

While Tiger Oats supports VAT as a better method of indirect tax than GST, the company feels strongly that for food, zero-rating should be applied across as broad a front as possible.

"The argument that this would allow the rich to eat tax-free is more than outweighed by the crying need to feed people as cost-effectively as possible.

"Unless adequate arrangements are made through food aid schemes to provide basic sustenance for the poor, we believe taxing food is untenable."

IDC disposes of Senchem shares

STAR 7/12/92

Finance Staff

The Industrial Development Corporation (IDC) has placed its R90 million shareholding in chemical group Sentrachem with 14 fund management groups.

IDC senior general manager Gerard Morse said at the weekend the IDC had sold its 13,5 percent stake as part of its policy of realising mature investments to fund new industrial projects.

Morse said the IDC had had a long, happy and productive association with Sentrachem, but that its development role had now been fulfilled and it was appropriate that it should realise its investment for other projects.

He said Alusaf, the Columbus stainless steel project and Namakwa Sands were some of the projects requiring IDC support.

The IDC is currently investigating the unbundling of Industrial Selections and National Selections, its two listed investment trusts.

All 14 institutions accepting the shares have committed themselves to supporting Sentrachem's proposed 40-for-100 rights issue.

The rights issue will go ahead only if the purchase of Chemplex Australia is successfully completed.

While the transaction has been delayed as a result of the Government's move to limit the use of the finrand for off-shore acquisitions, Sentrachem chief executive Dr John Job is said to be leaving for Australia soon to finalise the deal.

Job said the IDC's disposal provided an ideal opportunity to broaden shareholder participation in Sentrachem.

Seven of the institutions, which accepted the shares at 575c each, are new holders.

Tiger Oats should narrow its focus

STAR 7/12/92

By Stephen Cranston

Earnings growth at Tiger Oats has been consistent over the last three years.

After two years of increases in earnings per share of about 13 percent, the group turned in an 11 percent increase in the year to end-September.

This is not the kind of performance that would normally lead to Tiger's demanding rating of a 20,1 P/E ratio and a 1,7 percent dividend yield.

But investors like Tiger because it has taken a long-term view of its food basket. Market share, rather than short-term profitability, is king.

The group seems to tolerate a mediocre performance in some divisions — returns in the edible oil business have been poor for some years — but it has been able to acquire a formidable portfolio of companies and brands which have compensated for this.

Unlike arch-rival Premier, Tiger has held on to its interests in poultry and eggs, even though they have undoubtedly been a drain on margins and profitability.

The exact contribution of these interests cannot be determined from the annual report.

But margins for County Fair and Golden Lay were poor and under pressure and Tiger is waiting for rationalisation in these industries. It has the financial muscle to ride out such attrition.

It is surviving a price war in the animal feed area, for example. The group says a number of rival animal feed mills have closed down because of over-capacity in the market, but Tiger can afford to live with negligible margins.

But is it in the interests of Tiger shareholders to persist with a group with such an inconsistent profit mix?

In the agri-business and food processing division, for example, Langeberg, with a third of the turnover contributed, two-thirds of the profits.

Tiger is counting on improvements and can point to edible oils, margarine and peanut butter, which lifted operating profit by 48 percent, though off a very low base, and which still have a negligible opeating margin of less than three percent.

Tiger can still rely on certain divisions ensuring that its growth at least exceeds 10 percent.

Pharmaceuticals now contribute a quarter of operating profit.

Forefront

Adcock Ingram continues to be at the forefront of new product development and has the country's best portfolio of pharmaceutical brands.

Spar continues to show good growth. Perhaps the best opportunities will arise from its international shipping and trading operations.

It is well-placed to meet new opportunities after the R21 million expansion of its Durban bulk shipping facilities.

Tiger's advantage over other food suppliers is that it is represented in all the staple categories — and in the case of rice is the only producer, so if there is swapping in consumption between maize, bread, rice and pasta Tiger will be represented.

But is such breadth always an advantage? Tiger might be advised to take a look at its portfolio and concentrate its resources and efforts on areas providing the best returns.

Charter Consolidated pays unchanged interim

SMm 9/12/92

By Stephen Cranston

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Profits from Anglo American's British associate Charter Consolidated were almost unchanged in the six months to September

Earnings per share were 21,8p (22,4p last year)

Pre-tax profit was £37,1 million (£38,5 million). The interim dividend is unchanged at 7p

In rail track activities, the fastenings division performed well, particularly in exports from the UK and in operations in Belgium, Italy and the US.

The track maintenance division was hit by lower demand because North American railways are spending less on tamping machines and other capital equipment

In coal mining equipment, Anderson has reorganised operations to cope with a much smaller British market, but has enhanced its capability to supply overseas customers

In the quarrying and coal mining division, Hargreaves has improved profits, due in part to road maintenance programmes in the north of England

Cape, in building products and services, lifted sales overall by 31 percent, but operating profits were the same as last year

Overseas markets account for 44 percent of total sales (32 percent last year) Contracting benefited from major deals in Australia and Brunei

Johnson Matthey, which is 38,4 percent held, raised pre-tax profit to £33 2 million (£32,2 million)

The catalytic systems division had an excellent performance, boosted by growth in the European market

Johnson Matthey has signed an extension to its marketing agreement with Rustenberg Platinum to secure the future of the contract into the next century

Operating profits rose to £31,3 million from £30,2 million The recession has continued to affect operations in both the UK and the US and improvements in performance can be attributed to the continuing drive to control costs and develop business in other parts of the world.

Tax rate

Interest income was considerably lower at £5,8 million — down from £8,3 million last year.

Net cash resources were £102 million — down £20 million from the March year-end The group tax rate was reduced to 31,5 percent from 32,2 percent

Pandrol, a wholly owned subsidiary, is buying the whole of Societe Industrielle de Wallers (SIW) and a majority of shares in Promorail

SIW is a major supplier of rail fastenings to the SNCF, the French railway system. Promorail holds the patent for a new threadless fastening system now under development

Anglo mine to expand

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Star Foreign Service

SANTIAGO DE CHILE — Minera Mantos Blancos, the Chilean copper mine controlled by Anglo American, plans to invest $290 million to maintain production and develop a new deposit over the next five years.

Mantos Blancos needs to expand its mine near Antofagasta in the Atacama desert to reach the ore body's remaining reserves

The expansion, which is expected to cost $85 million, will extend the life of the mine beyond the year 2010. Output is expected to remain steady at about 75 000 tons a year

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Cathodes

The company will also invest $56 million to switch production from copper oxides to copper cathodes

In addition, Mantos Blancos is developing a second ore body called Mantoverde, which is expected to start production in 1994.

The mine will have to find $92 million to pay for its share of the Collahuasi copper project, should Royal Dutch/Shell and Falconbridge accept Minorco and Mantos Blancos as new partners

Luxembourg-based Minorco has made a $185 million bid for Chevron's 33 percent stake.

World oil prices tumble

STAR 10/12/92

LONDON — World oil prices tumbled yesterday, extending an abrupt slide that has taken them down by 15 percent in seven weeks because of market concern about excess supply.

Traders ignored a Saudi Arabian warning that a correction was in prospect

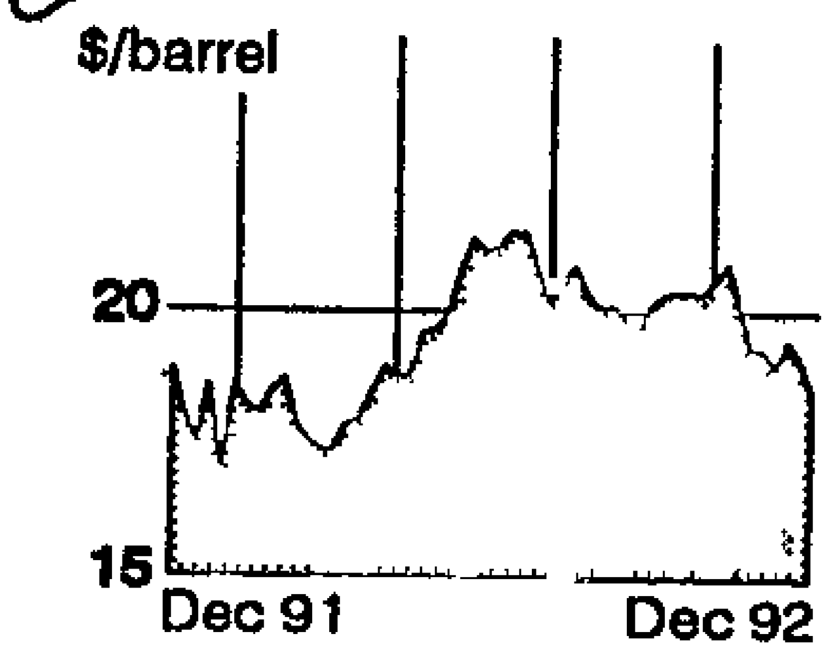
Futures for the benchmark crude oil, North Sea Brent Blend, were down 29c in London in late morning to $17,65 per barrel. This compares with almost $21 in mid-October.

"The market will pass through a correction period towards a significant improvement in oil prices," Saudi Arabian Oil Minister Hisham Nazer said during a visit to Cairo.

But traders reacted to news from the American Petroleum Institute that US stocks of distillate — used for heating oil — rose by 3,99 million barrels last week.

Americans are supposed to buy heating fuel at this time of year ahead of the northern winter, and market analysts saw the build-up in stocks as new evidence of poor demand for oil products on both sides of the Atlantic.

Besides mild weather, the sluggish demand is also a consequence of a weak global econ-



omy, said Geoff Pyne, an energy economist with brokers UBS Phillips and Drew in London

Pyne said that refiners who were already making poor returns on processing crude oil could be expected to reduce throughput of crude at their facilities.

The market's worry about poor demand was matched by concern about the level of expected crude supply from the Organisation of Petroleum Exporting Countries (Opec)

Traders were sceptical about whether the 12 Opec members would honour new output limits agreed to in Vienna last month.

These were designed to keep total volume from the producer club at around 25 million barrels per day in coming months

Market scepticism was not shared by such Opec leaders as Saudi Arabia's Nazer.

Nazer said in Vienna when the Opec talks ended that he would have preferred a lower production ceiling so as to ratchet the market higher

But he still thought that supply would about match demand and that prices would eventually go up.

He clearly hadn't changed his mind when he got to Cairo yesterday for Arab oil talks, while his assessment also seems to be supported by latest data from the International Energy Agency (IEA), the West's Paris-based oil watchdog body

The IEA predicts that demand from the suppliers of last resort — Opec and company stocks — will be a high 26,5 million barrels daily in the crucial January-March 1993 quarter.

Even with some "leakage" on Opec quotas, this implies a big draw on company stocks and a firmer market early in 1993

Nazer, however, also said yesterday it was important that all the Opec producers should join Saudi Arabia in honouring their mandatory output allocations

Sceptical traders pointed out that the Opec accord required cuts in output by Nigeria and Libya.

They said neither of these had reputation for keeping the rules — Sapa-Reuter

BUSINESS

Anglo plan to help the poor

w/mail 11/12-17/12/92

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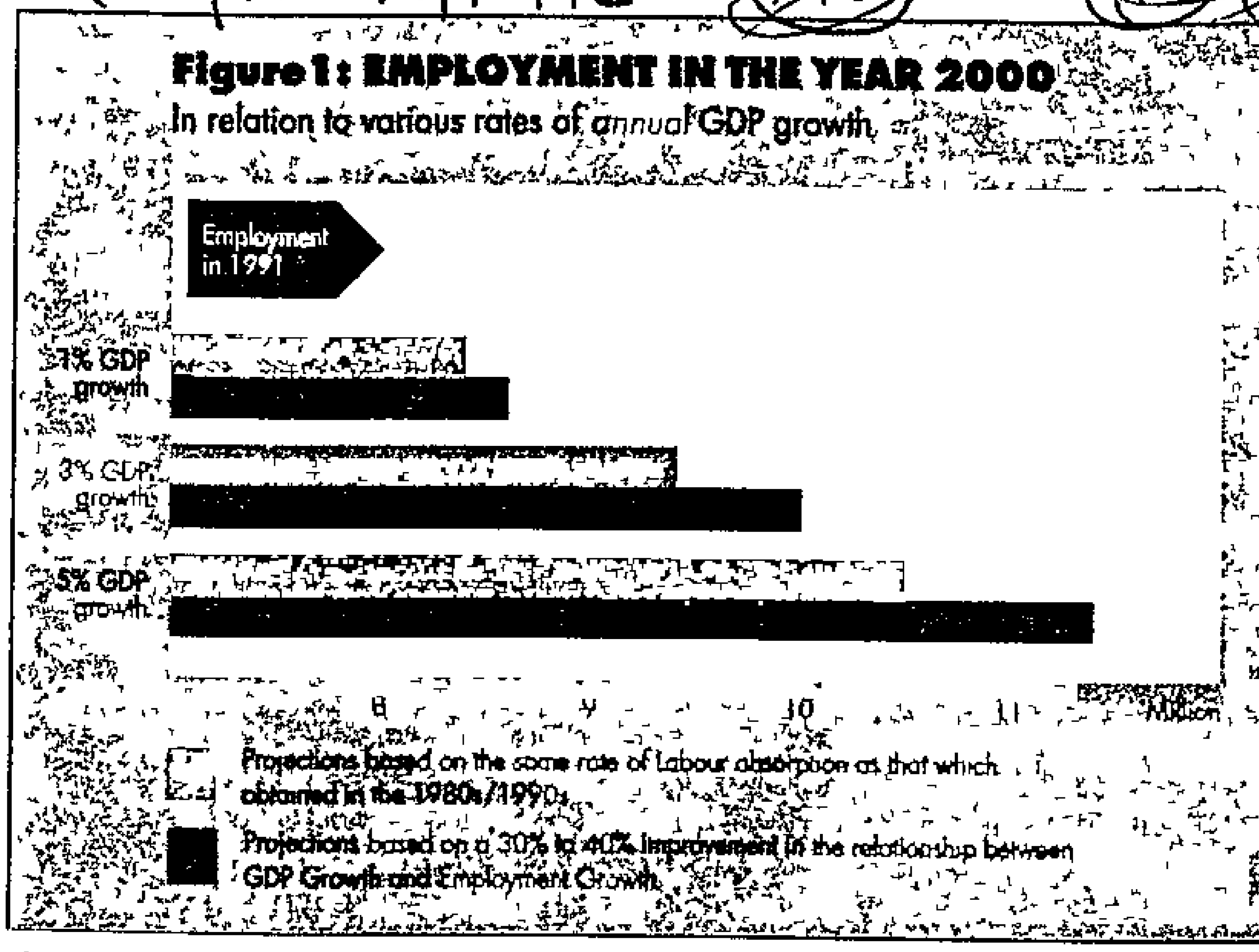
Anglo has responded positively to the ANC challenge to present alternatives to nationalisation, reports **REG RUMNEY**



Source: Optima

THE Anglo American Corporation has come up with some sensible ideas for tackling poverty in South Africa.

The proposals are contained in a draft document, put together by several people at Anglo, and published in summary form in the latest issue of *Optima*, Anglo's corporate journal.

The document was clearly a response to the African National Congress challenge to business to present alternatives to nationalisation. But *Optima* remarks that political groupings approached did not take up the invitation to debate the ideas proposed.

Understandably, the proposals fall within the business community's free-market ideology. Anglo stresses at the outset: "Economic growth is the only meaningful way to reduce poverty over time." The authors quote a World Bank study to show that a "market-friendly approach" by government to poverty alleviation is a pre-requisite for economic success. They remind that unsustainable social spending and over-extension of the tax base is a common cause of growth collapse and increased poverty And they strongly if not blindly support the growth of the informal sector.

Anglo, however, has also compiled an array of programmes which could form part of a short-term anti-poverty strategy, crucially ensuring access to water and job brigades to soak up unemployment

The authors have even drawn up a rough budget of the annual cost of some such anti-poverty strategies This gives a cost of around R12-billion and isn't immediately possible — it would probably double the Budget deficit. Tradeoffs will be necessary, though higher growth of five percent a year or more makes more possible.

In the course of identifying short-term interventions the report takes a close look at poverty in South Africa, making some useful observations and liberally quoting younger, less conservative, economists like Peter Moll and Nicoli Nattrass as well as the World Bank and establishment thinkers.

Above all, the authors note the really dire poverty in South Africa is rural. And they say the need to address absolute poverty in South Africa is unquestionably more urgent than putting right relative poverty.

Growth, it shows, using an Urban Foundation study, will automatically lead to a narrowing of South Africa's income gap.

For example, a 2,5 percent growth in gross domestic product between 1991 and 1995 will mean real per capita incomes for blacks, coloureds and Asians will be 15 percent higher in 1995 than they were in 1985 By contrast, white per capita incomes will have fallen by 9 percent.

But this conceals wealth movements within race groups. So inequality within such groups could increase while equality between race groups falls.

In the Philippines an improving proportion of income going to the poorest 40 percent of the population between 1961 and 1971 hid the fact that the share going to the poorest 20 percent fell drastically.

The poorest of the poor — the people without access to housing, basic health care, adequate nutrition or clean water — cannot afford to wait for the kind of gradual adjustment in the economy brought about by a steadily climbing growth rate, say the authors.

These people will also be hardest hit, they add, by a restructuring of the economy aimed at an immediate reduction of income and wealth inequalities between racial groups, at the expense of addressing the problem of poverty *per se*

Noting that 12-million South Africans, mostly in rural areas, don't have access to an adequate supply of clean water, they cite research to show basic water and sanitation could be provided with R11-billion capital cost plus R600-million recurring costs a year. They suggest a number of specific actions, such as greater use of underground water by urban communities to allow water from central dams to be re-routed to dry areas

Examining the increasingly popular idea of job brigades, the authors warn against the short-term political benefits of using them for grand public works programmes. They should be used to create assets from which the poor will draw particular benefit, such as erosion control in the homelands And they could be used to reinforce other components of an anti-poverty strategy including water supply and construction of basic health care or educational facilities.

"Where possible, job brigades should be run along more than simple 'make-work' lines, but this need not always be the case Indeed, the World Bank (1990) and others recommend job brigades essentially as welfare programmes where the objective is simply to get income to poor families by setting wages low enough to be unattractive to the non-poor."

The authors warn against large-scale job creation projects: talk of employing a million or more people at wage rates comparable with those in the formal sector, they say, would cost too much, consuming around R9-billion in 1990 prices, or four percent of gross domestic product a year They may also compete with existing formal sector employment, possibly limiting current job opportunities

No business trust in anti-trust

w|mail. (210)

11/12 - 17/12/92

Weekly Mail Reporter

PREDICTABLY, the N-word uttered at a conference on anti-trust policy attracted most media attention.

African National Congress mineral economist Paul Jordan suggested that to address the concentration of ownership by whites in mining industry cross-holdings between South Africa's large mining finance houses should be nationalised.

This drew an immediate reaction from big business which saw it as a threat of direct attack on the corporate sector. Johannesburg Consolidated Investment economist Ronnie Bethlehem warned of capital flight and a loss of foreign investor confidence as well as problems of compensation.

Jordan went to the heart of the ANC's qualms about South African business, however: much of the conference concerned the concentration of economic power and the exclusion of blacks from the formal economy.

ANC Department of Economic Policy economist Tito Mboweni said that anti-trust policy must be clearly focused on issues such as market dominance and anti-competitive behaviour

He says it emerged from the conference that the over-concentration of economic power does not fall specifically within anti-trust policy

Mboweni stresses that over-concentration does pose problems and will have to be addressed

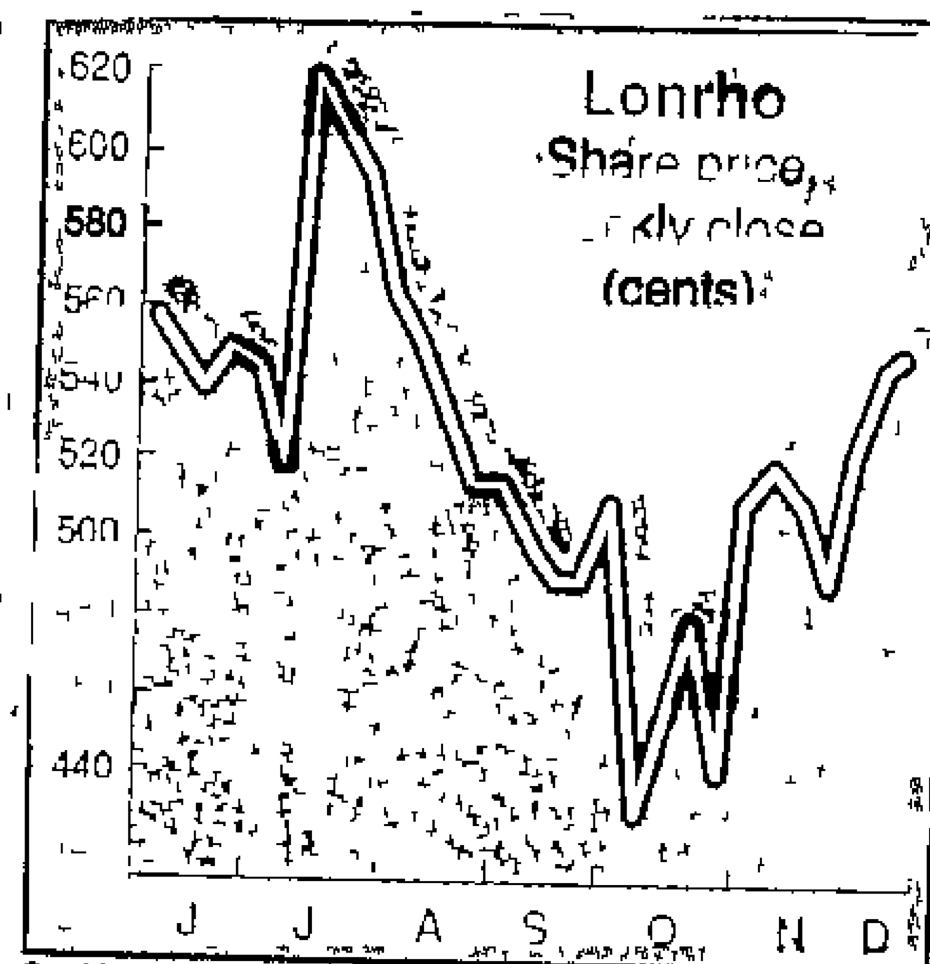
"Perhaps we need to put in place a short-term commission to look at measures to bring about a more diffuse and dispersed organisation of business without jeopardising operational questions"

Explaining this, he says that big is not necessarily bad but aspects of concentration of power are bad

Anti-trust policy must not be confused with fostering black economic empowerment, Mboweni says. This requires a separate policy

However, less concentration of economic power might spur the growth of small and medium sized businesses, which might aid black economic empowerment

Mboweni says the ANC will try to publish a discussion document on anti-trust policy in the new year.



Graphic RUBY-GAY MARTIN Source I-NET

Gencor keen to clinch Lonrho deal

JOHN CAVILL (210)

LONDON — Lonrho's £305m cash-raising plan could lead to a takeover of its mining assets by Gencor, chairman Brian Gilbertson said yesterday

Commenting on Monday night's announcement that Lonrho CE Tiny Rowland was to sell half his shares to German financier Dieter Bock and raise £180m in new equity, Gilbertson confirmed that Gencor had been negotiating a possible takeover of Lonrho. B/DAY 11/12/92

In his letter to Lonrho shareholders, Rowland said Gencor, which had a strong interest in buying Lonrho's 73% of Western Platinum and mines in Ghana and Zimbabwe, "came forward with ideas which all would have resulted in ... Lonrho becoming SA controlled".

"This was not in line with Lonrho's thinking. Although we could not agree to merge in the way they proposed we are still partners and good friends.

"I ought to say here that they intended to buy my own shareholding at a substantial premium," Rowland said.

Gilbertson admitted that discussions had taken place "on and off" since the deal in which Gencor became a 27% partner in Western Platinum in 1990

"Both sides realised there were benefits to be achieved through greater synergy and the partnership at technical level worked well. Gencor was not interested in Lonrho's hotels and non-mining businesses but they did eventually come into the picture But it was certainly never my im-

To Page 2

Lonrho B/DAY 11/12/92

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pression that the question of SA control was a problem.

"He (Rowland) never mentioned it. Nor did we offer him a premium for his shares — Mr Rowland asked for one," he said

Gencor will now wait for developments which could lead to Bock becoming Lonrho's biggest shareholder with 25%

"At worst it is quite good We simply continue as we are at present with our good working relationship at Western Platinum," Gilbertson said.

"At best, the new major shareholder (Bock) will recognise the benefits of synergy which exist between our two groups' interests and we may be able to do a deal some time in the future"

See Page 9

TINY ROWLAND: The Lonrho chief executive deserves honorary membership of the pantheon of Africa's post-independence leaders. However, he does not have the same links with the new generation as with the old, who are mostly dead or exiled.

Change takes its toll on Lonrho

AS TINY Rowland prepares to make his exit from Lonrho, MICHAEL HOLMAN of the Financial Times looks at the multinational giant's changing links with Africa, the continent that made Lonrho what it is. 210

STAR 12/12/92

LONDON — "Tiny's in town" For three decades the cry has gone up in towns and cities across Africa, from Cape to Cairo, from the lips of politicians, businessmen and journalists

If the pantheon of Africa's post-independence leaders allowed honorary membership, Tiny Rowland (75), Lonrho's chief executive, could take his place for granted

Ready to nominate him would be Dr Hastings Banda of Malawi, Kenneth Kaunda, Zambia's president until his election defeat last year; the late Samora Machel of Mozambique and his successor, Joaquim Chissano, Uganda's Milton Obote and Sudan's Jaafar Nimeiri, Joshua Nkomo, Zimbabwe's deputy president, and Kenyan President Daniel arap Moi

New generation

Yet all those leaders are dead, or dying, exiled or exiting Age has taken its toll, but so has democracy, with autocratic leaders buckling under domestic and international pressure and succumbing to demands for multiparty elections

It was with these men that Rowland worked closely It is said that he does not have the same links with the new generation of African leaders

And Africa is changing in another respect Structural adjustment under the scrutiny of the International Monetary Fund and World Bank is creating fewer opportunities to exercise presidential power

The high hopes that marked the emergence of independent African states in the 1960s were dashed in the 1970s Today those hopes are at their nadir

All these changes have taken a toll on Lonrho's assets, however efficiently managed Post-Rowland, Lonrho as a company, with Dieter Bock as its new driving force, will find business in Africa harder and potentially less profitable.

Lonrho has become increasingly dependent on profit from Africa They accounted for £150 million (about R704 million) out of group pre-tax profit of £207 million for the year ended September 1991 Activities include, in South Africa, platinum, gold, coal and asbestos mining, motor dealerships and sugar investments

Further north Lonrho has a wide spread of mining, agricultural and commercial assets spread across at least 16 countries Prominent is the Ashanti gold mine in Ghana, but the list extends to tea, beer, pharmaceuticals, sugar, farming, textiles, soft drinks, timber, paint and hotels

Yet questions shadow many of Lonrho's businesses.

Kenya's economic difficulties and political uncertainties put question marks against Lonrho's hotel and motor vehicle interests. Plantations in Mozambique depend on successful implementation of a UN-supervised peace plan In Zambia, Lonrho companies are dependent on the success of a fragile economic adjustment programme, as in Zimbabwe, where Lonrho has substantial interests

Political risk

The future of investments in Malawi is heavily dependent on what happens after Banda, now in his mid-90s, passes on Lonrho's companies in Nigeria are hit by economic crisis and uncertainty about the handover to civilian rule

Weak currencies, political risk and hold-ups in remittance of profits and dividends make many holdings worth less than their book value If sold, it would be difficult to repatriate the proceeds

Gencor and Lonrho at odds over sale price

S/Times (Buss) 13/12/92.

(210)

By ZILLA EFRAT

GENCOR did a full valuation of Lonrho at the beginning of this year, but walked away from the deal.

A London source says Gencor valued Lonrho assets as being worth 120p a share then and now believes that they are worth about 100p

The mining group was also not prepared to pay Lonrho chief executive Tiny Rowland a premium on his shares, even though he asked for one, the source says.

Rowland told a British newspaper this week "Gencor ... offered 130p for my shares. I turned them down."

Speculation in London is that Lonrho's Libyan connections were also a possible problem for Gencor The London Stock Exchange recently asked Lonrho to clarify its relationship with the Libyan government.

Mysterious financier Dieter Bock is to buy half of Rowland's 15% stake in Lonrho for 115p a share and has taken the option to buy the other half in three years' time.

The counter was trading in London at around 73p on Friday, and a rights issue — announced this week in a move to raise £300-million (R1,4-billion) — is pitched at 85p a share

Rowland reportedly met Bock five weeks ago in Frankfurt. The approach came from Bock, who has apparently always been fascinated by Lonrho's internationalisation.

Benefits

Bock is believed to have extensive property and construction interests in the Cape, but his name drew a blank in property and German business circles in SA this week

Gencor chairman Brian Gilbertson says the effect of the deal on his group is "neutral" Gencor is content with the current situation. It has a good working relationship at Western Platinum and expects this to continue

He says that, although Westplat, Lonrho's prize investment, has been Gencor's priority in negotiations, the concept of a bigger deal was raised at one or more times during discussions with Lonrho.

Mr Gilbertson says, it is possible that Bock may see the benefits of further synergies at Westplats and that Gencor and Lonrho may be able to do more together in the future.

Gencor's technical agreement for gold processing at the Ashanti gold mine in Ghana could also offer future areas of opportunity

Analysts believe it is unlikely that local minorities will subscribe to Lonrho's rights issue One says "I will eat a brick if anyone follows it. What does it offer investors?"

Old Mutual has a 2,76% stake in the group, and Sanlam is also a minority shareholder

Analysts say the rights issue is designed to fail It is being offered above the market price and Bock will underwrite half the 200-million shares in the 3-for-10 issue.

The SA issue price is 634c, based on the rand/sterling exchange rate The money raised in SA, should the rights issue succeed, will be used to finance the local operating subsidiaries.

Bock will end up with a maximum 19% stake in Lonrho if shareholders do not subscribe and 25% if he buys the other half of Mr Rowland's stake when he retires

Mystery deepens over Rowland's sale of shares

STAR 16/12/92

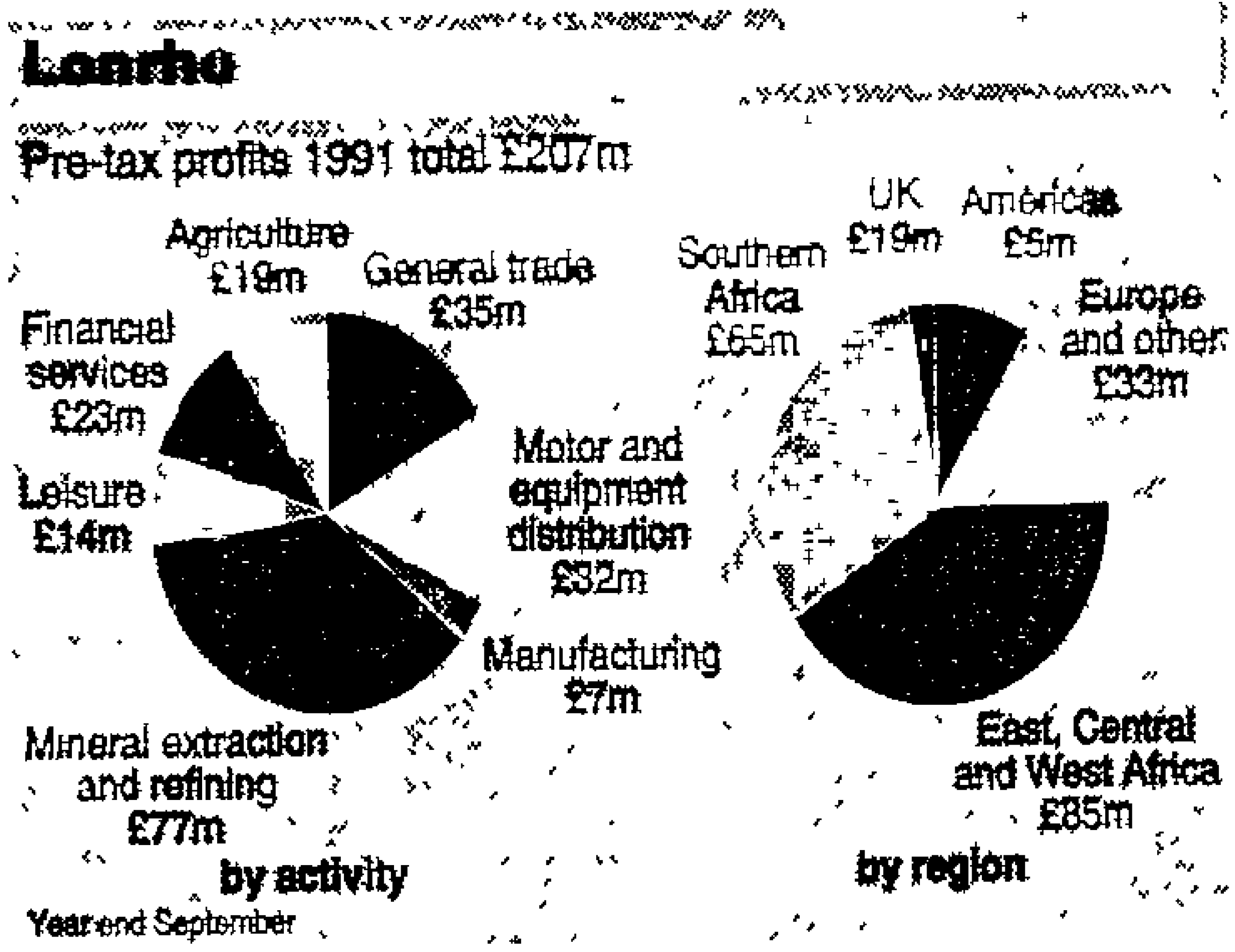
210

LONDON — The mystery deepened this week over the background behind Tiny Rowland's decision to sell a key 6,6 percent stake in Lonrho from his own personal holding to the German businessman Dieter Bock

Gencor rejected suggestions by Lonrho that it had offered to buy out Rowland's entire shareholding of 92 million shares, representing about 14 percent of the equity, at a premium price.

Peter Cronshaw, who carries out investor relations for Gencor, said yesterday: "I know that there was an approach to Lonrho in the days of Derek Keys (Gencor's former chairman) but that is old news rather than new news"

Two years ago Gencor was in talks with Lonrho about possible joint ventures, but emphatically denied that it intended to merge with Lonrho.



Shareholders

In his letter to shareholders last week, Rowland said Gencor, which has a 27 percent stake in Lonrho's Western Platinum mine, had been interested in buying out the balance of the shareholding.

He said the ideas put forward by Gencor would have led to Lonrho "sooner rather than later" becoming South African controlled.

"This was not in line with Lonrho's thinking," Rowland said.

Cronshaw said that Brian Gilbertson, who took over as chairman of Gencor at the beginning of the year, had met Lonrho some months ago

"I am not aware that anything serious was discussed. We were reviewing the business opportunities.

"We are interested in the mining operations, but we have never been keen on a full takeover of Lonrho because of the stigma attached to it."

Gencor does not own shares in Lonrho.

Separately, it has emerged that large investors will shun the £170 million rights, launched last week and partly underwritten by Bock

Several institutional investors say they will not be subscribing for shares in the rights issue, which are being offered at 85p, 12p above yesterday's closing market price of 73p.

This suggests the rights issue will be under-subscribed, leaving Bock to acquire a stake of up to 20 percent.

In this case, Lonrho would raise just £80 million rather than the full amount.

The issue was launched as part of a fund-raising programme, which also includes the £124 million sale of VAG, a Volkswagen dealer, and a further £300 million to £400 million of disposals, most of which have yet to be identified

Institutional investors in Lonrho include Fidelity with 9,7 percent, Philips & Drew Fund Management with five percent and Chase Manhattan and SA's Old Mutual with 3,1 percent each

Stakes

A number of others, principally those who run funds designed to perform in line with the FTA all-share index, have smaller stakes.

Genting, the Malaysian casino operator, holds a further 7,3 percent of Lonrho.

Analysts said the lack of interest in the rights issue meant that the nil-paid shares — shareholders who do not want to take up their rights would normally try to sell these — would be almost worthless when dealings start on Friday. — The Independent.

Hank Slack named Minorco's new CE

JOHN CAVILL (210)

LONDON — The troika of MDs running Anglo-De Beers' international group Minorco is breaking up and a single CE has been appointed — Hank Slack, Harry Oppenheimer's son-in-law.

Minorco said yesterday the two other members of the trio, Roger Phillimore, Oppenheimer's godson, and Tony Lea, had resigned as MDs of the $2bn group.

Lea, who wanted to return to SA, had been offered a senior job with Anglo American in Johannesburg from the middle of 1993 and would remain a director of Minorco But Phillimore would leave "to pursue his own interests" — understood to be in the world of fine arts.

Minorco sources said the management streamlining was triggered by Anglo's offer to Lea. While the troika had seemed suitable and worked during the group's transformation, a "simplified and strengthened management structure" was better for an operating company

When Slack, who has been a director of Minorco since 1981 and chairman of the executive committee for more than three years, was offered the CE post, Phillimore decided to make a complete change

The three were the young Turks who in 1986 urged a change of direction for Minorco to galvanise its passive portfolio investments BDAY 18/12/92

Since 1990 Minorco has laid out nearly $1,2bn in a string of acquisitions, from

☐ To Page 2

Minorco BDAY 18/12/92.

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major US gold producer Independence to a limestone mine in England, quarries in Germany and tungsten mining in Portugal

Deals agreed in the past two months will bring Minorco's total spending to $1,8bn It still leaves the group with about $1,3bn cash (net of borrowings) as at the last balance sheet date

This has changed Minorco from a dividend-receiving and share-dealing operation into one with sales of $1,7bn last year (up from $771m in 1990-91)

The new top management at Minorco will now consist of Slack, joined by Peter Burnell (formerly of Charter Consolidated and Anglo American of South America), financial director David Fisher and group technical director Tim Wadesdon

In addition, a new independent non-executive director joins the board — Peter Wilmot-Sitwell, chairman of S G Warburg Securities and vice-chairman of its parent company, the investment bank Warburg's

S African group was denied deal

Guardian W Ln

W Mail 18/12 - 22/12/92

ONE of South Africa's largest mining groups offered to buy all of "Tiny" Rowland's 15 per cent stake in Lonrho before his decision to sell half of the stake to the German property tycoon, Dieter Bock, *writes our City Staff.* 210

The proposals put forward by Gencor, the junior partners in Lonrho's Western Platinum mine, would have led to the British-based combine merging with the South African company and eventually coming under its control.

Gencor was keen to acquire Lonrho's 73 per cent in the complex, which is estimated to have reserves lasting for more than 100 years, as well as the rest of its mining interests in Ghana and Zimbabwe It also would have bought Mr Rowland's holding at a "substantial premium" The disclosures are thought to refer to talks held a few months ago which were broken off, believe analysts, because Mr Rowland was reluctant to cede control.

In his letter to shareholders Lonrho's chief executive said the merger offer was rejected as part of the effort to extract a better deal for the whole group

"This [the merger] was not in line with Lonrho's thinking as the board sought to do a deal more beneficial to the whole of the company," he said. "Although we could not agree to merge in the way they proposed, we are still partners and good friends."

Barlows results deceptively good

By Stephen Cranston (210) STAR 18/12/92.

Barlow Rand's results for the year to September have turned out better than the two percent increase in earnings per share implies

The balance sheet looks stronger, with cash up from R842 million to R1,485 billion and net gearing down from 41,6 percent to 30,8 percent

The returns still look acceptable, with an unchanged 22,2 percent return on net assets and the return on shareholders' funds down only fractionally from 20,2 percent to 19,8 percent

Perhaps most important is the resolution of the Rand Mines problem

Barlows intends to reduce its interest in gold to a 30 percent holding in Randgold & Exploration and has closed the Rand Mines head office

An increasing proportion of income is coming from areas which are improving profits, such as packaging, food and pharmaceuticals

Unfortunately, only a relatively small proportion of these earnings is attributable to Barlows as they are held through 60 percent-owned CG Smith

In the case of food and pharmaceuticals there is a further layer in CG Smith Foods, which is 81 percent-held by CG Smith Only about 26 percent of the strongly performing Tiger Oats is attributable to Barlows

Out of the R564 million in taxed profit for food and pharmaceuticals, just R152 million is attributable to Barlows

On the other hand, some of the poorer industrial performers are wholly owned

Tube manufacturer Robor Industrial Holdings, hit by depressed conditions and international over-capacity, had sharply diminished margins and lower profits

Home building and improvements group Federated Blaikie incurred a loss

In what used to be the flagship business, Barlows Equipment Manufacturing, profits declined, as they did in Barlow Motor Investments

Barlows hopes that its investments in capital goods will add a strong stimulus in times of increased fixed investment, but they are acting as a break on the more consistent results of consumer-related businesses

Attributable profit from industry was down 16 percent to R235 million, whereas earnings from pacakging and textiles were up 10 percent to R100 million and from pharmaceuticals up 9 percent to R152 million

Brokers Frankel Max Pollak Vinderine are predicting an increase in group earnings per share of barely more than 2 percent to 448c for the year to September 1993

STAR 18/12/92

Hank Slack becomes Minorco CE

A shake-up at Minorco, the European arm of the giant Anglo American empire, has tightened its links with the Oppenheimer family, the dominant influence on Anglo

Roger Phillimore and Tony Lea, Minorco's joint managing directors, have been replaced with a single chief executive, Hank Slack, and two new directors have been appointed to the board

Mr Slack, son-in-law of the patriarch Harry Oppenheimer, has been president of Minorco since 1985 Mr Phillimore is leaving "to pursue his own interests" while Mr Lea will be returning to South Africa to work at Anglo

The new directors are Peter Burnell, who spent nine years as managing director of Anglo's South American operations, and Peter Wilmot-Sitwell, a vice-chairman of the bankers SG Warburg

Robert Davies, a mining analyst with Lehman Brothers, said the reshuffle would aggravate concerns about whether Minorco would use some of its $1 billion cash mountain to assist Anglo's troubled De Beers diamond mining operation

210

In November Minorco gave assurances to Lehman's US banking arm that none of its cash had been lent to De Beers

Minorco's cash mountain is, however, thought to be shrinking as acquisitions and hefty operational investments have coincided with weak metal prices

— The Independent

FM 18/12/92 (210)

FM 18/12/92 (210)

RAND MINES PROPS

Down in the dumps (210)

There is a sadness about Rand Mines which permeates, it seems, to all its companies Rand Mines Properties (RMP) is no exception For the fourth successive year this company's profits, earnings and dividends have declined It is not a happy picture

The decline in 1992 is due almost totally, says MD Colin Steyn, to the gold price received and is significantly cost related Rand Mines Milling and Mining (RM3), a wholly owned subsidiary, operates gold recovery plants at Crown Mines and City Deep "We've taken all the action we can to reduce costs," says Steyn, "and we continue to examine our cost structures on an ongoing basis"

Activities: *Reprocesses gold dumps and markets, develops and administers property*
Control: *Barlow Rand 56% from early 1993*
Chairman: *J C Hall, MD C G Steyn*
Capital structure: *12,4m ords Market capitalisation R74,4m*
Share market: *Price 600c Yields 14,2% on dividend, 17,7% on earnings, p e ratio, 5,7, cover, 1,2 12-month high, 1 350c, low, 600c Trading volume last quarter, 73 000 shares*

Year to Sep 30	'89	'90	'91	'92
Gold Produced (kg)	3 937	3 856	4 165	4 282
Turnover (Rm)	165,7	172,2	180,6	189,5
Operating profit				
Gold (Rm)	25,3	4,4	3,3	(3,9)
Property (Rm)	9,5	17,7	16,6	22,5
Taxed profit	25,7	21,0	18,9	13,6
Earnings (c)	205	169	151	106
Dividends (c)	140	140	120	85

Despite that, working profit fell by 52% to R5,8m and amortisation charges of R10,7m tipped the gold recovery operations into a net loss of R4,9m for the year The continued decline in the gold price has brought something more ominous in its wake. as costs rise and revenues fail to compensate accordingly, so more of the reserves of sand dumps and slimes dams become uneconomic

RMP says it now has abandoned reserves totalling 38 Mt It has written R53,3m off the value of its recovery plants in consequence Steyn says that, at R32 000/kg, remaining viable reserves have diminished to the point at which the continuance of RM3's operations must be seen as extending for not more than five to seven years Of course, if the gold price rises to a meaningful extent, then the reserves available for economic treatment will again expand and the life of the company will lengthen

RMP's white knight continues to be, surprisingly in a time of acute recession and socio-political unhappiness, its property operations Its core business in this area is the conversion of mining land to property which can be utilised in other businesses

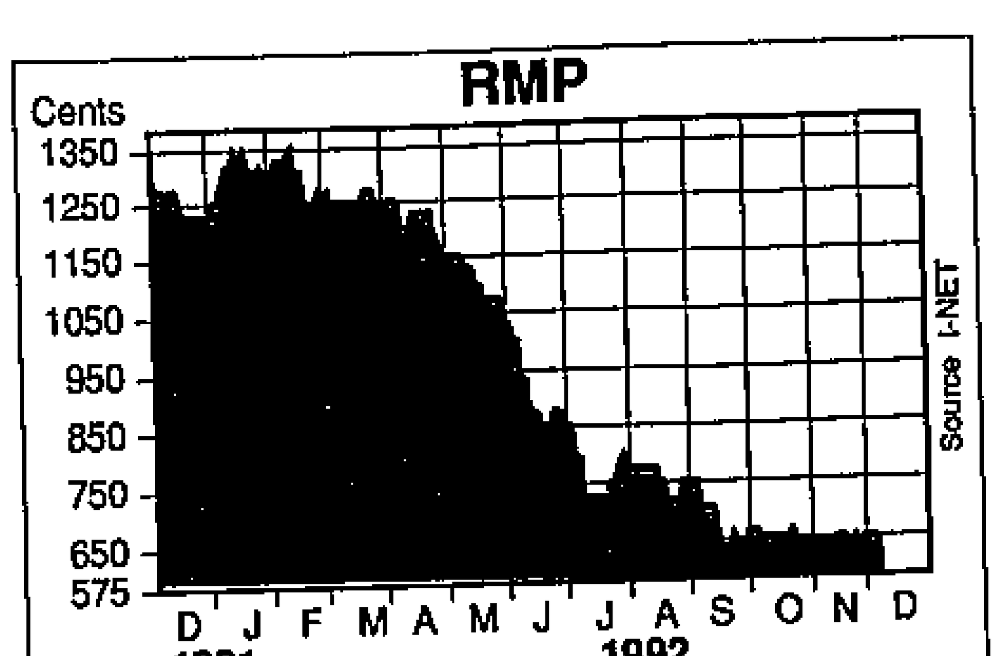
The bulk of its land is close to the Johannesburg CBD and has easy access to motorways "We were fortunate," says Steyn, "to get some industrialists to locate in our areas during 1992 Another feature was the extent to which some institutions were prepared to bank in land for the future"

Steyn agrees that the immediate future remains gloomy However, he says RMP is benefiting from changes which have followed naturally in the wake of the removal of the Group Areas Act "A community bank has purchased 86 ha in the Ormonde area where it's considering establishing about 550 freestanding homes and 350 cluster-type dwellings" In addition, land necessary for schools, shopping centres and community-centred activities is readily available

"We are focusing," says Steyn, "on delivering land for a variety of projects scheduled for 1993" These are concentrated on the provision of housing facilities, as such, the land will need to be "affordable"

So, in the absence of a positive improvement in underlying economic conditions, RMP's immediate prospects are for more of the same. uncertain gold recovery operations, bailed out by unexciting property transactions This is not a stock for the faint of heart

David Gleason



RANDEX (210) FM 18/12/92.

In mothballs

Activities: *Participates in the development of mineral rights*
Control: *Genbel 64%*
Chairman: *T de Beer*
Capital structure: *90m ords Market capitalisation R45m*
Share market: *Price 50c 12-month high, 82c, low, 25c Trading volume last quarter, 142 000 shares*

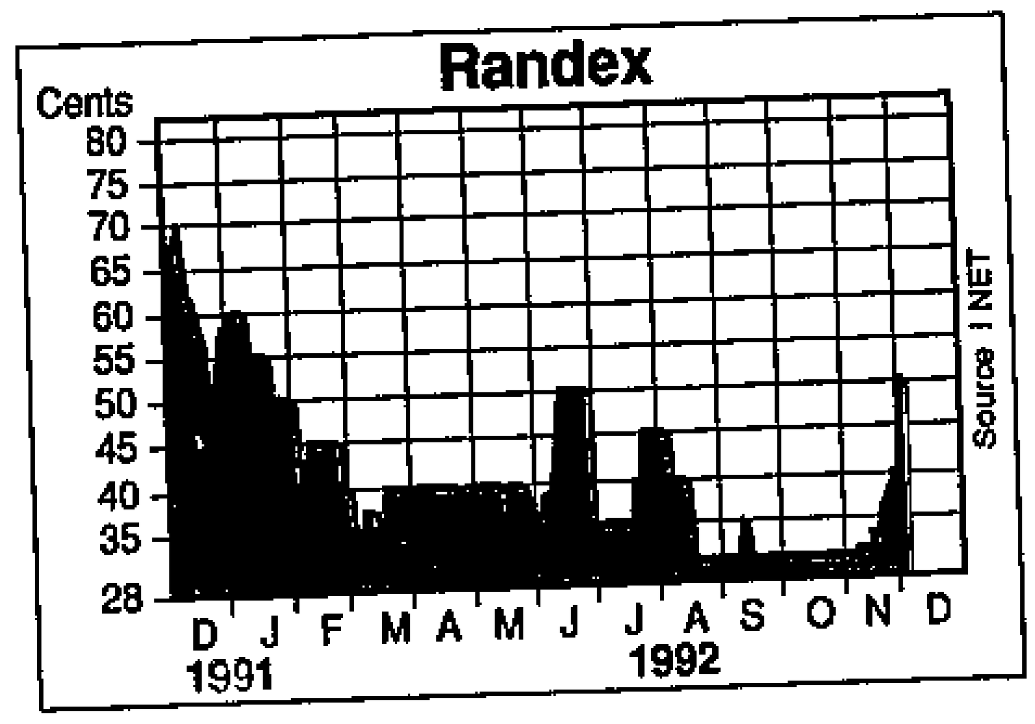
Year to Jun 30	**'90**	**'91**	**'92**
Net income (Rm)	23,3	12,3	7,9
Exploration expend (Rm)	18,3	10,2	6,4
Earnings (c)	(1,5)	2,3	1,7
Net worth (c)	44	36	29

(210) FM 18/12/92

The mining industry is making heavy weather of a world economy that increasingly needs fewer of our products and, anyway, at lower prices Nowhere is this more evident than in the exploration sector

Randex, Gencor's entry in this sector, has effectively been mothballed — it is on a care-and-maintenance basis Deputy chairman Anton Botha (also Genbel MD) says there's no point in pushing on with costly exploration when, with things as they are, it is possible to buy stakes in significant mining operations at much lower entry prices

Chairman Tom de Beer says "The exploration sector has become even more inactive, with major mining houses cutting back substantially on exploration for gold in the Witwatersrand Basin, where the bulk of Randex's assets are"



De Beer goes on to say that the value placed by the JSE on Randex "has fallen from about R113m to about R45m over the financial year and is now about R27m"

Until the economy improves, Gencor has decided Randex should cut back even further on exploration and acquisitions "Randex has, therefore, become a relatively passive company holding its present assets and will take action mostly to protect its interest in these assets"

So, for now, Randex is moribund

David Gleason

prove and stock markets rise.

But unless economies boom so much that demand for jewellery grows dramatically, gold at best will stay static, or even fall.

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Looking to good times

STimes (B455) 20/12/92

By CHERILYN IRETON

BARLOW RAND has often been criticised for being unbalanced, unwieldy and unfocused.

But with the traumas of Rand Mines and Middleburg Steel behind it, the group's mangement has been able to examine its weaknesses and identify very clearly where its long-term growth prospects lie.

Managing director Derek Cooper identifies four fertile areas in the group's annual report released this week.

Poised

Still a main facet of the conglomerate's future strategy is the belief that urbanisation will lead to strong growth in branded consumer products The group is poised to take advantage of social upliftment in areas like housing, health care and education.

The group aims to balance the quality of its earnings by maintaining an interest in "selected commodities" — this despite the costly lessons from Rand Mine's platinum and gold ventures and the draining effect that Middleburg Steel had on performance.

Mr Cooper says the exposure to commodities will ensure the group shares in cyclical upturns characteristic of these types of businesses without being unduly affected by downturns.

Although fixed investment has been dismal over the past, Barlow's management believes that, when the economy picks up and funds start flowing in, there will be a demand for capital goods, which will benefit divisions like Barlows Equipment.

Export earnings will give the group an added dimension.

Mr Cooper says Bibby's purchase of Finanzauto and the "subsequent creation of a capital equipment division signals the beginning of a new strategic direction for Barlow Rand's international operations".

But with exports, as with all the other target areas, much will depend on a vast improvement in the economy.

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Warning

The strategic positioning is designed to see the group into the second half of the decade and will have little contribution to make to profits in the current year.

In fact, chairman Warren Clewlow warns that it will be hard to show earnings growth in 1993, given that there is little hope of any significant economic improvement.

Mr Clewlow says that South Africa's outlook is also linked to there being meaningful political progress and an end to violence in the country.

Barlow Rand sets dates for new listings

210

STAR 22/12/92

By Derek Tommey

The restructured Barlow Rand minerals division group will reach the Johannesburg Stock Exchange on February 1 when Randgold and Exploration and PGM Investments are listed.

According to a pre-listing statement shareholder approval will be sought at a general meeting on January 12. On the same day Randcoal shareholders will be asked to approve the purchase of the coal rights, Eskom contracts and coal mine management contracts held by Rand Mines. This will enable Randcoal to hold all the group's coal interests.

Randgold, PGM Investments, Rand Mines Properties, Randcoal and Pretoria Portland Cement will be the key components of the new mineral resources division of Barlow Rand, which will have assets of around R3 billion and will generate profits of over R440 million a year.

Randgold will control the four gold mines — Harmony, Blyvoor, Durban Deep amd ERPM. It also holds a portfolio of listed and unlisted shares in mining and other companies.

Randgold expects to show after-tax profits of R4,6 million in the year ending September 30, 1993 This compares with taxed earnings of R2,7 million in 1992 and R1,9 million in 1991.

Randgold intends to continue with exploration activities

PGM Investments, which holds shares in Rusplats and Implats, expects after-tax profits of R1 million for the year ending September 30, 1993 This is R400 million less than in 1992 and is the result of reduced dividends.

Both Randgold and PGM Investmnts will be debt-free as they are to be capitalised with a R110 million Rand Mines redeemable preference share issue.

BARLOW RAND FM 25/12/92 210

Rewarding the parts that perform

Activities: *Mining, manufacturing, distribution, food, pharmaceuticals and property*
Control: *Old Mutual (34,5%), Sanlam (7,9%)*
Chairman: *W A M Clewlow, MD D E Cooper*
Capital structure: *195,5m ords Market capitalisation R8,79bn*
Share market: *Price 4 450c Yields 3,9% on dividend, 9,8% on earnings, p e ratio, 10,2, cover, 2,5 12-month high, 6 050c, low, 4 200c Trading volume last quarter, 3,5m shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	1 376	1 494	2 004	1 830
LT debt (Rm)	2 044	2 669	2 367	2 716
Debt equity ratio	0,39	0,42	0,43	0,32
Shareholders' interest	0,43	0,4	0,43	0,43
Int & leasing cover	10,3	7,2	6,0	9,9
Return on cap (%)	17,3	13,7	13,6	12,7
Turnover (Rbn)	26,4	29,1	32,0	35,2
Pre-int profit (Rm)	2 824	2 549	2 633	2 809
Pre-int margin (%)	10,2	8,5	8,0	7,7
Earnings (c)	544	462	431	438
Dividends (c)	170	170	170	173
Net worth (c)	1 991	2 262	2 258	2 407

Barlows' Clewlow
satisfactory results

Chairman Warren Clewlow starts his annual review with the statement that he believes 1992's results to have been satisfactory taking into account difficult economic conditions, locally and abroad If this was intended as a signal that things are not as bad as they might seem, it is a message that has been totally lost on the market which has sharply downgraded its rating of Barlows shares

The deterioration of Barlows' rating was one of the points highlighted by the *FM* after release of the preliminary results (*Leaders* November 20) when its yields were compared with those of other conglomerates as well as the JSE Industrial index An interesting sideline to this is the extent to which the rating has slipped relative to other group companies, most notably sub-group C G Smith, which is pretty much a conglomerate itself

Over the past year, whereas Barlows' share price has slipped about 12%, that of C G Smith has risen 22% Apart from indicating that Smith's current price (R133) is 39% more than it would have been if it had moved in line with its parent, a chasm has opened between the respective ratings of the two shares It puts Barlows at a discount of between 33% and 41% to its subsidiary, depending on whether this is measured in terms of earnings or dividends

The point here is that, in its downgrading of Barlows, the market is not rejecting the group *per se* It is quite happy to accord good ratings to the parts that can perform, as did Smith last year, but less so in the case of the parts that don't — which at the moment include a number of Barlows' wholly owned subsidiaries as well as what is now called the Mineral Resources division, where results in 1992 continued to exert a strongly negative influence on the overall group

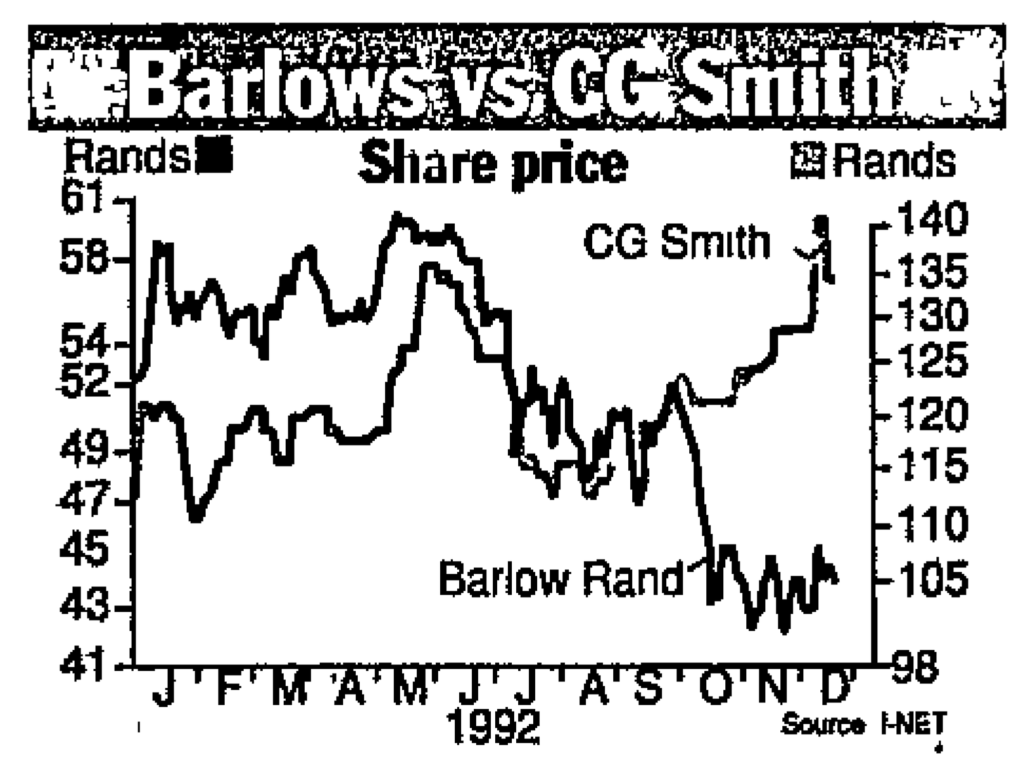
At the start of the year, following the sale of Middelburg Steel & Alloys together with the chromite mining interests, the *FM* estimated group results should have benefited from the deployment of the disposal proceeds of R1,1bn by around R100m which, alone, should have added 12% to attributable earnings if everything else had stood still

This benefit was achieved, if one takes the turnaround from a R66m attributable loss to a R50m profit from the Financial Services/ Group Admin division

But the boost to Barlows' bottom line was substantially diluted by reduced contributions from Mineral Resoures (down R54m) and Industry (R44m lower) For this reason investors obviously disagree with Clewlow's comment on the group's performance, which in turn accounts for the downrating of the share.

By the same token, the combined contribution of the Packaging & Textiles and Food & Pharmaceuticals divisions — in other words, the Smith group — rose by R22m And whereas Smith chairman Robbie Williams forecasts "some growth" in this year's earnings, the forecast for Barlows is that it will be difficult to show any growth while business conditions remain as they are Put simply, this points to an expectation on the part of management that 1993 will see more of the same in terms of the performance of Barlows relative to Smith

As things stand, it is an open question as to whether the final dismemberment of Rand Mines will yield any material improvement in results, thereby reversing the progressive



decline in the contribution from the Mineral Resources division which has been evident for a number of years (see graph) As far as the Industrial division is concerned, last year's problems centred on three wholly owned subsectors — Robor (tube manufacture and steel merchanting), Barlows Consumer Electric Products (consumer electric durables) and Federated-Blaikie (building materials) whose combined contribution to earnings was R54m lower than in 1991.

Clearly, a lasting turnaround here will depend largely on an improvement in fixed investment expenditure Since this cycle normally lags the general economy, the short-term outlook for the division, where most interests are tied significantly to the fixed investment cycle, is not particularly promis-

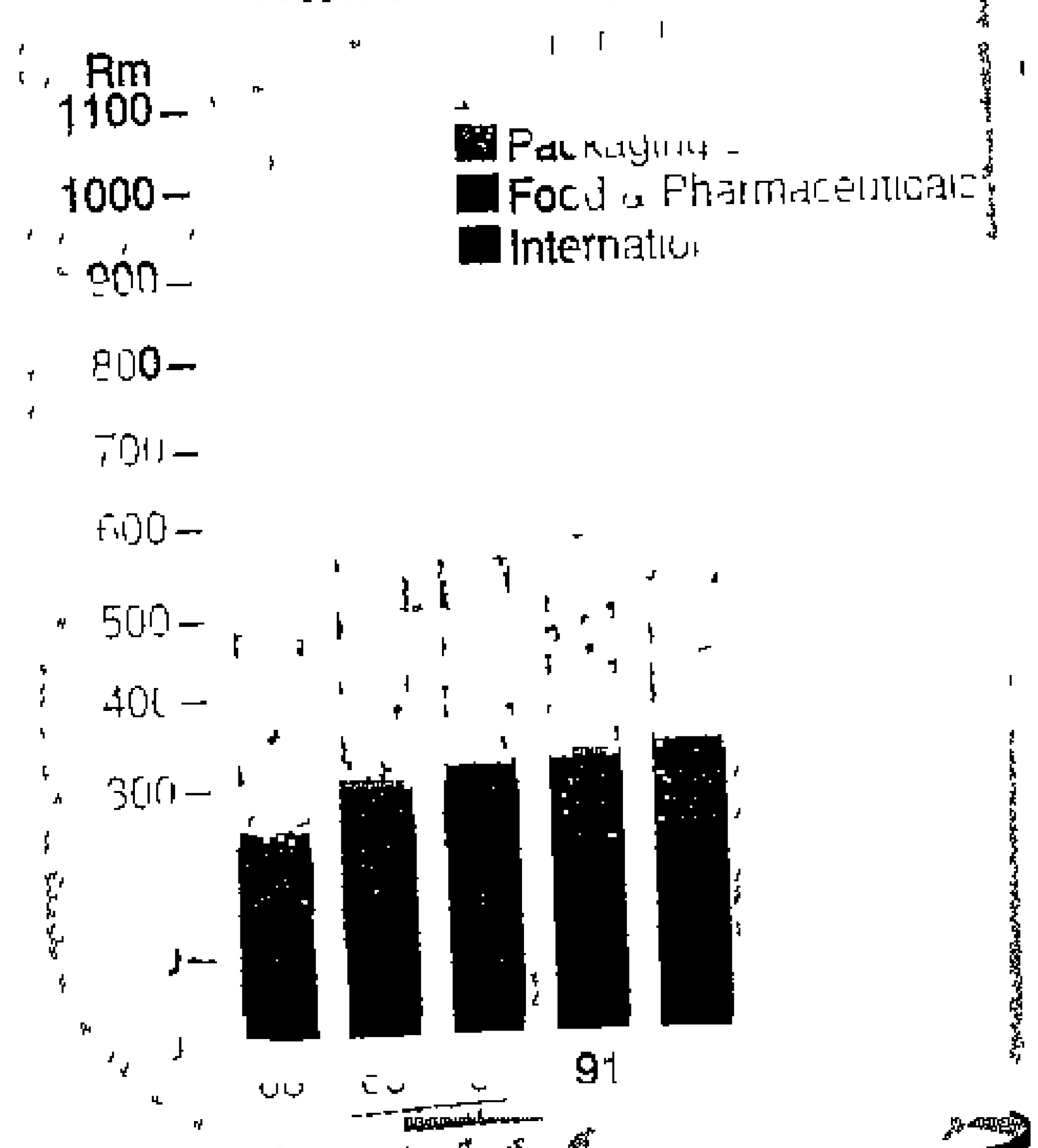
DIVISIONAL PERFORMANCE

	Taxed profit		Shareholders' funds†		Return	
	1991 Rm	1992 Rm	1991 Rm	1992 Rm	1991 %	1992 %
Mineral Resources	427	371	2 226	2 416	19,2	15,4
Industry	373	361	1 727	1 864	21,6	19,4
Packaging & Textiles	249	275	1 436	1 617	17,3	17,0
Food & Pharmaceuticals	498	564	2 575	3 372	19,3	16,7
International	122	133	814	939	15,0	14,2
Financial services & Group Administration	(64)	51	373	196	(17,2)	26,0
Total	1 605	1 755	9 151	10 404	17,5	16,9

† Includes minority interests, deferred tax and loan stock

P.T.O.

FM 25/12/92



Changing mix

(210)

ing

It is difficult to argue with the way the market is pricing Barlows relative to Smith Being closer to the consumer sector, Smith will almost certainly respond to an upturn in the economy quicker than Barlows Against this, once Barlows does start to feel the benefits of the upturn, its earnings — as with the last cycle — are likely to outstrip Smith's as interests now underperforming kick in with a full earnings contribution

At that stage, the existing disparity between the ratings of the two counters should narrow, if not reverse But with the economy still in the doldrums, that is not a short-term prospect

Brian Thompson

Mining houses running lean are optimistic

(210) ARCG 26/12/92

GARY MAUDE
Managing Director, Gengold

SOUTH African mining houses, are optimistic about the outlook for the gold-mining industry if not in the short term, certainly in the medium term.

All our mines have cut costs to the bone and many marginal mines might have to close down unless rescued by a gold price surge

Production, as a consequence, is expected to fall from the current 600 tons a year to about 470 tons by the year 2000

We expect that market reaction to a sharp slide in gold production, the psychological effect of the closure of world-famous marginal mines and an increase in the demand from the jewellery industry, already greater than new gold mined, will soon begin impacting favourably on the market

While the picture in the gold mining industry is certainly not as rosy as we would have liked it to be, other sectors of the minerals industry are in a less critical situation.

The coal industry's future is pinned to the slowdown in the rate of power generation by Eskom because of surplus generating capacity of about 4 700 megawatts

The export potential for coal will be boosted by additions to the export loading capacity at Richards Bay.

The market for platinum group metals has been confounded by a weak global industrial demand, falling jewellery consumption and persistent rumours of the discovery of substitutes for PGM metals in catalytic converters. Platinum prices have reacted accordingly but the expansion programmes of the industry have, however, remained at a high level, presaging better market conditions ahead.

South African mining houses and companies are also taking a new look at Africa

A technical perspective on prospects for shares

STAR 29/12/92

(210)

Dee Campourogiou, technical and market researcher for Frankel Max Pollak Vinderine Inc, suggests technical analysis points to demand for JSE shares outstripping supply.

Outlook '93

Just as 1990 was characterised by a strong downward corrective wave in the market, so was 1992, with the overall share index falling by nearly 22 percent.

It started off slowly enough in June, with the Dow Jones industrial index showing signs of flagging and the FTSE-100 entering a serious corrective wave. But then a series of exacerbating factors took over in the ensuing months.

Breakdown in political negotiations, violence in Boipatong and Bisho, mass action and the realisation of its effect on a deepening economic recession added further fuel to an already falling equity market.

De Beers' announcement of reduced expectations in August shattered confidence, causing the share to fall from around 7 500c to a low of 4 460c (−40 percent), with the concomitant ripple effect virtually across the board.

The gold price, after trying to rally beyond $350 during October, again continued to disappoint.

But what of the future?

The market ha been heavily oversold and buyers have been returning, particularly in the latter part of November.

In fact, our technical signals are pointing to much better prospects for 1993, although the current rally certainly cannot be sustained to much beyond current levels before a short-term corrective wave sets in

Nonetheless, given the positive medium-term prospects (considering a six-to-nine-month time horizon), this potential downward move should provide tardy investors with yet another opportunity to accumulate selected stocks at technically cheap levels.

That is not to say we are forecasting a glorious bull market into the future — too many imponderables exist in our current socio-political and economic climate — but in terms of our technical research, demand seems to be outstripping supply, which is the stuff of which bull phases are made.

The London and New York markets have been helping of late, and technical signals here too reflect positive potential on a three- to-five-month view, although a short-term downward correction should materialise in the next few weeks.

It must be noted, however, that disturbing signals are present for the Dow in the latter part of 1993.

Dollar strength since early October put paid to an appreciation in the gold price, but at its recent high of Dm1,6055 the dollar has become overbought on a short-term view, suggesting a cycle of weakness is about to begin, providing some respite for gold.

Nonetheless, a stronger dollar (above Dm1,60) is expected in the course of 1993, which leaves us with beleaguered bullion.

A short-term upside ceiling appears to be in place between $343 and $345, and the medium-term signals do not encourage us to place our expectations on anything beyond that.

Long-term signals (six months plus) are starting to intrigue, but gold would need to penetrate the $350 level for us to be convinced of a sustainable turnaround.

The prospects for platinum look more promising.

The recent strong depreciation of the rand against the dollar also appears to have run its course for the present as reflected in a heavily oversold short-term condition, but as the dollar strengthens next year, further weakness can be expected, if not at the recent rate.

Focus can then again be applied to rand hedge shares in the course of 1993.

Mining

The mining board is comprised of coal, diamond, gold and metals and minerals, which in broad terms have not been favoured since the beginning of the decade.

De Beers, in particular, at its recent low of 4 460c, has shed 55,5 percent of its value since its peak in November last year.

We expect a strong price performance from mining products and mining financials early next year, and this should be accompanied by a superior performance against the market as a whole.

This statement, however, needs qualification, and should not be regarded as a blanket one.

Price action on De Beers, in the recent rally to 5 800c, provides a clue. Short-term buying pressure is strong, but of more importance is the emergence of medium-term buying pressure, which implies that the current rally should be sustainable well into 1993.

In addition, the stock shows potential to beat the market average during this time. The share is highly tradeable, and should be bought into any short-term weakness for positive prospects, at least for the next six-to-nine-month time-horizon.

Mining financials should also sparkle in the early part of next year, and the shares favoured within mining houses for recovery potential on a six-month view are JCI, Anglo American and Gencor, in that order.

Charter's recent strong performance has placed it in expensive territory on a short-term view, so some market under-performance is likely in the next couple of months.

Minorco, within the mining holdings sector, also falls into this category, but superior prospects for 1993 suggest that the share should be accumulated, but only after some price retracement.

When looking for recovery potential within the holdings sector, it is Middle Wits that stands out

Of technical interest, too, is Rustenburg Platinum, both for its potential price advance and re-rating ability against the overall share index.

Coal shares should continue to disappoint, and we would avoid the gold market, except for short-term trading opportunities, until such time as bullion achieves a sustained break beyond $345 an ounce.

● In a subsequent article the writer will discuss prospects for the industrial board

MINING - GENERAL

1993

Cracks appear in Anglo facade

By Derek Tommey STAR 27/1/93.

Mining analysts are agog over prospects of a clash among executives in the normally monolithic Anglo American.

The man triggering the clash is Hank Slack, Harry Oppenheimer's son-in-law, and president of Minorco, Anglo's offshore arm.

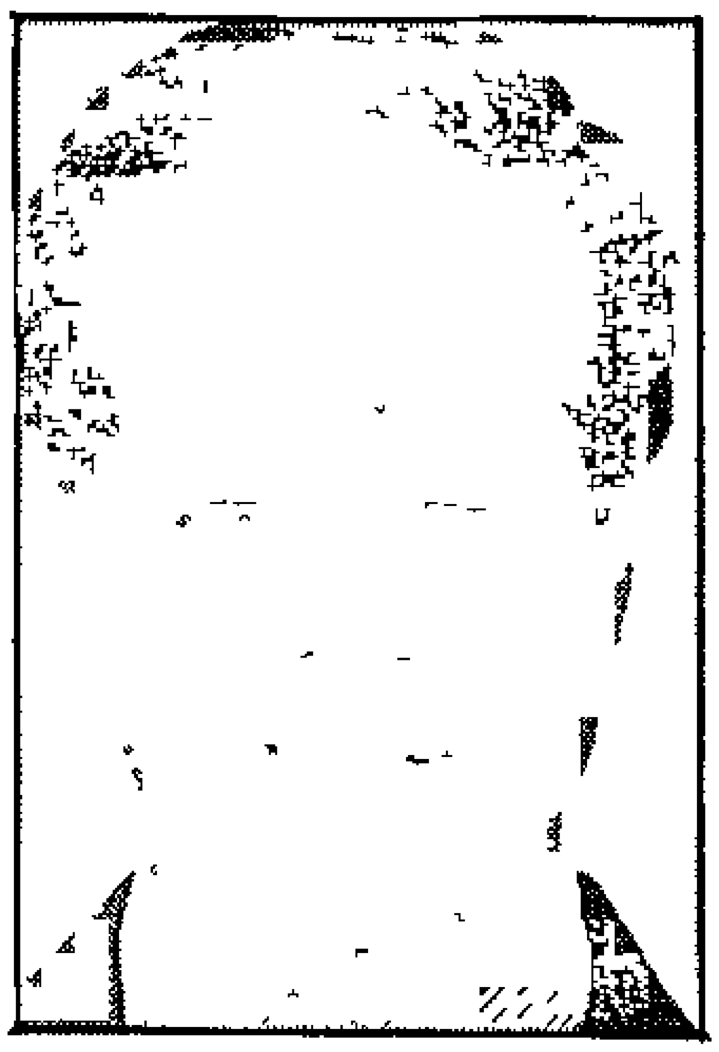
Slack appears to have embarked on a course of action beneficial to Minorco, but potentially harmful to Anglo's South African platinum interests.

The threat to group solidarity emerged last week when Charter Consolidated, effectively controlled by Minorco, said it planned to sell its 38,4 percent stake in platinum refiner Johnson Matthey (JM)

The news caused considerable concern at mining house JCI, which saw it as a threat to own interests. It called an urgent meeting of directors

JCI, 48 percent-owned by Anglo, is concerned about its 32,6 percent stake in Rustenburg Platinum, the world's largest producer of platinum group metals, for which JM is the sole selling agent

Neither JCI nor Rustenburg



Hank Slack. . . . action beneficial to Minorco

would want the JM shares to fall into hostile hands

This has been confirmed by Pat Retief, chairman of JCI, who has said that JM is of great importance to Rustenburg, which, in turn, is vital in the context of JCI

He has refused to comment further on the matter, other than to say that he has been in touch with both Charter and JM.

The offer by Charter to sell the JM shares poses many problems for JCI if it wants to buy the shares itself

Even if JCI had the means and the permission to export capital, it would not want to buy the whole 38,2 percent stake as this would be regarded as a takeover and JCI would have to make an offer for the entire share capital

JCI therefore is limited to bidding for 30 percent of JM's shares, which would cost about £267 million (R1,95 billion) if it were to buy the shares through the finrand

Another complication is that the Reserve Bank has clamped down on buying overseas investments.

Consequently, unless JCI can do a special deal with the Reserve Bank, it seems it will not be able to buy the shares from Johannesburg.

JCI is believed to have complained to Slack and other Anglo executives about the deal at the weekend.

On Monday, Minorco appeared to have tried to cool the situation It said it fully supported Charter in the sale of JM shares.

But it said it would ensure that the sale be conducted in the best interests of all Charter shareholders

Some analysts interpret this as a coded message to Anglo — the biggest investor in Charter — that its interests would be looked after (210)

There was another twist in the saga when a spokeswoman for Minorco told the British press that the sale of JM shares to another Anglo company would not be in Minorco's best interests.

Minorco has a 30 percent stake in the US company Engelhard, which is a major competitor of JM's in the field of platinum exhaust catalysts.

Minorco would like to increase its stake in Engelhard, but it could fall foul of US antitrust requirements if it took this step while still holding a stake in JM.

Analysts say that Slack's action could well be in the best interests of Minorco. The US economy is expected to start expanding and Engelhard probably has much brighter prospects than JM, whose performance in recent years has been poor

On the other hand, Rustenburg and JCI are left with a major problem

But if the thinking at Anglo is that it is time for the group to concentrate on building up its foreign investments, even if it is at the expense of its SA interests, then Slack's actions are understandable and could have the support of the Oppenheimer family

Gencor unbundling is still on the cards

Blomy. 1/2/93 210

JONO WATERS

THE unbundling of Gencor remained a distinct possibility, Gencor Beherend chairman Marinus Daling said in the company's annual report for the year ended August 31 1992.

But, Gencor had deferred a decision on the matter as it had to overcome fiscal problems to complete the process at an acceptable cost to shareholders, he said.

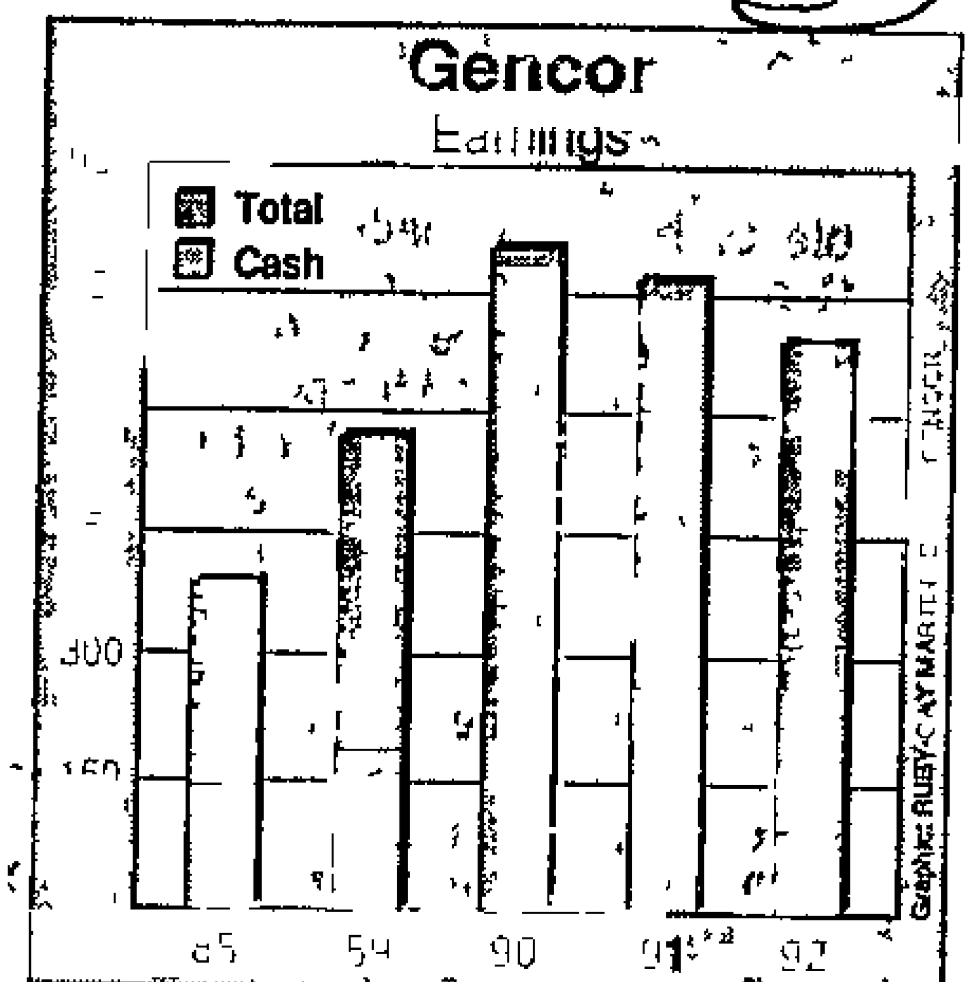
"The Gencor Beherend board will consider the matter in the light of the Gencor board's eventual decision, the timing of which is not possible to indicate at this stage."

Gencor Beherend's only investment is a 54,8% stake in Gencor. The Sanlam group has a 54% interest in Gencor Beherend and the Rembrandt group holds 25%.

Weakness of major world economies resulted in weak demand for Gencor's export products in the past financial year. International commodity prices came under severe pressure and with few exceptions average export prices were down on previous years, he said.

"Limited weakness in the rand/dollar rate provided some relief, but not enough to counter the effects of a stubbornly high rate of domestic inflation."

Trading conditions in the domestic market were difficult as a result of the recession and were aggravated by the drought and political uncertainty. But Gencor divisions were well positioned to benefit from the next upturn, by advancing or completing major projects and important strategic acquisitions.



Daling said the current year would be difficult for Gencor as the economy was not expected to improve and earnings were likely to be lower. But, Gencor's businesses were healthy and investments made over the past year provided the group with a sound platform for the future.

At the end of the financial year, Gencor had R2,4bn in liquid financial resources for investment in growth projects, he said.

JCI postpones its results 'pending deal'

JONO WATERS

JCI's interim results, initially due out this afternoon, have been postponed as an announcement is expected next week regarding the acquisition of part of Johnson Matthey, sources say.

Charter Consolidated, in which natural resource group Minorco has a 36% stake, announced two weeks ago it wanted to dispose of its 38,4% in Johnson Matthey, the platinum fabricator, marketer and high-technology group, for about £360m.

JCI is expected to buy just less than 30% of Johnson Matthey at a cost of about £277m, but analysts are uncertain as to how the mining house will finance the deal with SA's currency restrictions.

3/2/93 3/2/93

The group would need about R1,25bn on the current commercial rand rate and R1,89bn on the financial rand. At the June 30 1992 year-end, JCI's liabilities of R2,32bn exceeded assets of R1,88bn.

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said JCI might sell its interest in the CSO to buy Charter's stake in Johnson Matthey.

(210)

JCI chairman Pat Retief confirmed last week that the mining house had been in touch with Charter and Johnson Matthey, but declined to comment on whether the group had made an offer.

Anglo probes new Mali mine

From JONO WATERS CT 4/2/93 (210)

JOHANNESBURG. — Anglo American was in the final stages of a feasibility study to establish a mine in Mali in west Africa which would produce seven tons of gold a year, sources said yesterday.

However, the corporation said it had entered only into an option agreement with a Canadian partner to undertake exploration in Mali.

This would result in Anglo "earning a participation in any mine that might result from a successful exploration programme and feasibility study".

A spokesman said: "The project is in the early stages of development and it will probably be of the order of 18 months before any decision is taken as to whether or not it will be feasible to develop a mine in the area."

The deposit had been known for hundreds of years, sources said.

The mine would be opencast with reserves of about 100 tons of gold.

Sources inside the corporation said the project would be low cost and could prove to be more viable than the R1,7bn Moab project launched in October last year.

FANTASY GAPS: *Share prices too high*

Star 6/2/93

Beware of the pink elephants

(210)

FINANCE STAFF

FORGET the bulls and bears. The most dangerous creatures on the stock exchange for 1993 are pink elephants. Or — as Dee Campouroglou, market analyst at Frankel Pollak Vinderine Inc terms them — fantasy gaps.

Campouroglou was one of the speakers at The Star First National Bank Investors' Club meeting held on Thursday.

According to her, the "fantasy gaps" refer to the discrepancy between real returns on earnings and current stock market prices.

"So far in the '90s the traditional relationship between equity prices and the real economy has become distorted .. Despite the recession and an overall negative real earnings growth, the market has powered ahead."

She shows that over the last three years these fantasy gaps have continued to widen.

"Industrials are the most overheated in terms of expectations There has to be a 20 to 30 percent growth in earnings to justify the prices we are seeing now..

"The risk-return ratio is high, and this sector is the one most likely to experience a blow-off scenario later in the year. Be particularly careful of equity markets towards the end of the year."

She also predicts that the sector leadership is likely to change. Areas most likely to benefit earliest by some economic recovery would be supply companies in building and construction, chemicals and oils, furniture, motor cars and stores This could be followed later in the year by growth in electronics and possibly sugar. Specific recommendations include Anglo Alpha Cement, PPC, Sasol, Engen, M&R Holdings, Malbak, Ellerine, Toyota, Holdains, CNA Gallo, Edgars, McCarthy, Wooltru, SFW, Suncrush and M-Net.

Mining and mining financials show the smallest fantasy gaps, and these sectors are the ones she particularly favours for 1993

Her specific share investment recommendations are De Beers, Anglo American, JCI, Genbel, Middle Wits, Amgold, Palamin and Samancor. She notes that there has already been a strong appreciation in these shares recently, and predicts further improvement.

Frankel Pollak Vinderine's forecast for economic growth in 1993 is put at a negative 0,5 percent, which is an improvement from last year's decline of 2 percent.

One reason for this low forecast is the prolonged drought. In addition, the restrained monetary policy of Reserve Bank Governor Chris Stals is not providing economic stimulus Investor confidence continues to be eroded by adverse political developments, the firm says.

However, the potential for a workable political accord could turn this situation around. The firm is forecasting that the inflation rate will drop to an average of 10,2 percent and the Bank rate to 12,5 percent.

The rand is likely to drop from R3,05 (at the end of last year) to R3,55 to the dollar. Ironically, Campouroglou notes that the negative outlook for the exchange rate is a positive force for equity prices. She suggests this is the first key for investment in 1993.

The second key to investment is the improvement in the world commodity index. This, she feels, should start picking up towards the end of the year Because the world markets impact almost immediately on our own, the upwards growth rate in the US holds positive benefits for SA.

Star 8/2/93

Anglo tidies up LTA stake

By Derek Tommey

210

The Anglo American group is tidying up its holdings in construction company LTA.

Anglo American Industrial Corporation (AMIC) is to acquire the 13,1 million LTA shares (48,78 percent of the issued capital) held by Anglo American in exchange for 1 064 323 Amic shares

This will increase Amic's interest in LTA from 22,79 perfcent to 71,57 percent and Anglo American's interest in Amic from 46,94 percent to 47,9 percent.

The directors of Anglo American and Amic say the transaction will have a minimal effect on the earnings and net asset values of the two companies.

The share exchange will simplify the control structure, set up clearer reporting lines and demarcate management responsibility and accountability

The JSE has deemed Anglo American and Amic to be concert parties and consequently no offer is required to be made to the minority shareholders of LTA.

GENCOR BEHEREND FM 12/2/93 (210)

Pedestrian financial performance

Activities: *Investment company whose sole interest is ownership of 54,8% of Gencor*
Control: *Sanlam 54%.*
Chairman: *M H Daling, MD. B P Gilbertson*
Capital structure: *834m ords Market capitalisation· R7bn.*
Share market: *Price: 840c Yields· 4,8% on dividend; 10,6% on earnings, p:e ratio, 9,4; cover, 2,2. 12-month high, 1 115c; low, 770c. Trading volume last quarter, 2,5m shares.*

Year to Aug 31	'90	'91	'92
Dividend income (Rm)	257	277	322
Taxation (Rm) ...	2	1	1
Attributable income (Rm)	805	764	687
Earnings (c) . ..	113,9	108,1	89,2
Dividends (c) . ..	35,5	38,0	40,0
Net worth (c)	975,3	1 116,8	991,8

Gencor Beherend's annual report for 1992 is about as inspiring as a visit to the dentist. In other words, it is painfully boring Of course, the company's sole reason for existence is to hold Sanlam's control of Gencor Being a conduit emphasises its dullness.

The company's financial performance was understandably pedestrian Dividend income rose an encouraging 16%; in an inflationary era it is always great to beat the index But attributable income fell to R687m from R764m. that is a decline of 10%, and occurred because of a reduction of R124m in its share of Gencor's retained income

And therein lies a tale. Gencor's total retained income fell by R225m, largely because of the mining house's need to subscribe heavily in major capital projects. Beherend itself was obliged to turn to its shareholders to enable it to fund its obligations to Gencor, and raised R1,14bn in a rights issue

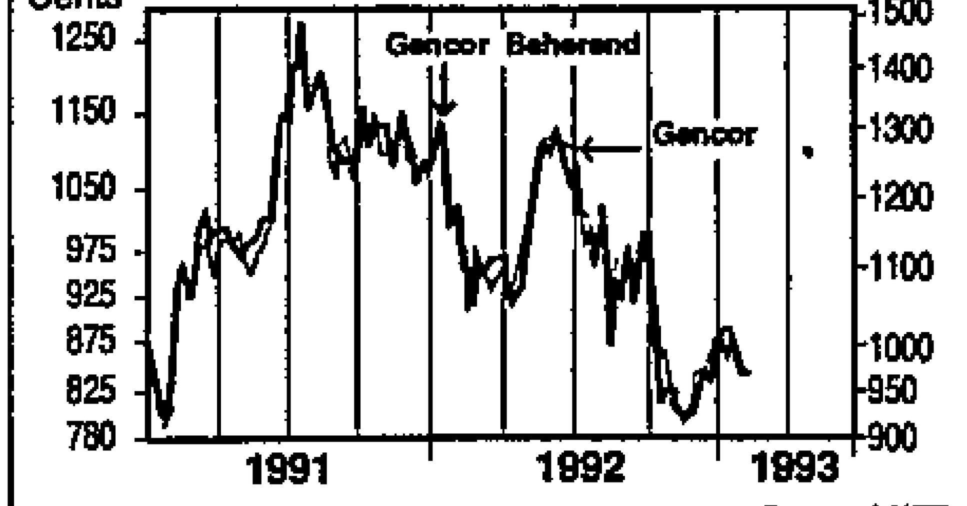
Chairman Marinus Daling carries the same message as most of the industry's captains· demand for Gencor's products declined in another year of international economic gloom And demand weakness was reflected in sharp falls in world commodity prices. "With few exceptions," complains Daling, "export prices received were well down on the levels achieved in the previous year."

For some reason, ever since Gencor former chairman Derek Keys first expounded on the subject, Gencor companies have found a reference to the question of unbundling *de rigueur* Daling is similarly impelled in his chairman's statement this year Unfortunately, he casts no new light on the subject We are dealing with the matter, he says

There is little reason for investors to prefer this company to a direct holding in Gencor unless it is because, in the JSE's perverse way, it is suddenly available at an attractive discount to its sole underlying asset

David Gleason

Beherend's Daling ... *export prices well down*



JOHNSON MATTHEY/JCI/CHARTER/MINORCO

FM 12/2/93

Shuffling the assets

2.10

The much discussed and long-awaited sale of Charter Consolidated's 38,3% holding in UK platinum refiner and marketing giant Johnson Matthey (JM) was finally consummated this week And, true to expectations, mining house JCI is a major buyer.

JCI and Luxembourg-registered greater Anglo American group sister company Minorco jointly took up nearly 37m of the JM shares on offer at £4,90 a share, for a total consideration of £187,8m JCI and Minorco will establish a new company to hold the shares, effectively 20% of JM's issued equity The domicile of the company hasn't been decided

However, the arrangements are complicated by JCI's inability immediately to meet its full commitment An arrangement has been struck between Charter and JCI, in terms of which JCI will pay an initial tranche of £48,6m, followed by a subsequent payment in three years of a like amount

That means, of course, that Charter is bankrolling JCI's investment. JCI chairman Pat Retief describes it as a "deferred payment" arrangement, which carries an interest burden. Retief says the interest obligations were factored into the calculations in arriving at JCI's tranche payments of £48,6m each Charter financial director Nigel Robson says the interest rate applied has been pegged at 5%, "rather better than we can get now in the UK money market"

JCI is arranging to make its first payment from what it describes as "existing offshore resources and from offshore borrowings," and the approval of the Reserve Bank has been obtained. Effectively, that means JCI is able to apply the commercial rand rate of exchange. Retief declined to reveal the nature of JCI's off-shore investments other than to confirm these are sufficiently substantial to support the deal. (The diamond trading investments, perhaps?)

One area which has surprised some analysts is the involvement of Minorco in the deal It was felt that Minorco would run into insuperable regulatory problems because of its direct holding in Engelhard Industries (a large US platinum refiner). Minorco's response is it is exchanging an indirect holding of about 14% in JM through Charter for a direct holding of 10%, which hardly constitutes an excessive concentration of power

Meanwhile, the balance of Charter's holding in JM — another 34m shares or 18% of JM's equity — was taken up by two London brokers, at a strike price of £4,55 a share That compares with the price paid by JCI and Minorco, effectively £4,90 and the present price on the LSE of £4,75 These shares were immediately laid off with a range of UK institutions.

The entire transaction, said in some UK newspapers to be another shuffle by Anglo of its worldwide interests, was inspired, in fact, by the declared desire of Charter's CE Jeffrey Herbert to make active use of the company's single largest asset

Charter's investment in JM represents about 55% of the company's asset base; being required in the interests of wider Anglo considerations to sit on such an amount as a passive investment was, to Herbert, an intolerable imposition

"This is an excellent deal for Charter's shareholders," says an exultant Herbert It is right for Charter to convert an asset which we do not control into cash which we do."

And it is a lot of cash — about £293m almost immediately, with £48,6m to follow in three years' time What will Charter do with it? One option is to buy back from Minorco its 36% holding in Charter, a move which would take Charter forever out of the Anglo orbit

"That," says a Charter spokesperson, "is definitely not Herbert's intention, though it is an alternative We are much more likely to make strategic industrial acquisitions Another suggestion is that a special dividend should be declared That has more or less been ruled out on the grounds it would be tax inefficient"

In summary, this has been a re-arrangement of chairs which will probably benefit Charter, given its desire to become a true industrial conglomerate, and will achieve little for the other Anglo group participants. Retief speaks ebulliently of the prospects which this creates for greater co-operation between JCI, Rustenburg and JM

If the truth be known, those opportunities have never needed a shareholding relationship to bring to fruition It is Charter and, by extension, Herbert, who score from this deal. And SA investors will watch the progress Charter, a solid rand hedge stock, will make

David Gleason

JCI

Worse to come

The figures show JCI held up well at the interim stage, but there's worse to come in the second half, according to chairman Pat Retief, who declines at this stage to comment on whether the final dividend could be cut

In his last annual review, Retief warned of lower attributable earnings this year and, at this week's press conference, he stressed results for the year to June will be "significantly lower"

Attributable earnings at the half-way stage were only 7% down Retief considers this a reasonable performance in the circumstances Those circumstances include depressed prices for every commodity in which the mining house is involved and worsening trading conditions in SA for the major industrial groups in which JCI holds stakes, such as SAB (15%-held by JCI), Premier (29,2%) and Argus Holdings (22,7%).

The 1992 financial year was the first in which JCI's industrial and property interests contributed more to earnings than its mining investments Retief says that trend has continued into the 1993 year, as dividends from major mining investments like Rustenburg Platinum and the diamond interests continue to fall

JCI has maintained its payout for the past three years and, after the maintained interim, is halfway towards the fourth consecutive year of pegged dividends A cut final dividend is extremely unlikely, but that still leaves the share on a forward yield of 2,4% with the share at R55 Average yield for the mining house sector is 3,1%

The share rose sharply at the end of last year from around R46, to a high of R58, before starting to slide The Johnson Matthey deal provides few short-term incentives, though Retief stresses the acquisition will not weaken JCI's balance sheet Even so, the counter could slide further back to R50-R53, which would probably represent fair value.

Brendan Ryan

SBIC FM 12/2/93

Bearing offshore costs

It may be partly a result of the hype around Standard Bank Investment Corp's offshore shopping spree and R650m rights issue but SBIC's 17% increase in EPS was significantly less than the market was expecting.

Even after taking into account the expected dilution in earnings from the rights issue, scrip dividends offer (withdrawn for the 1992 financial year-end after being introduced two years ago) and issue of shares for the purchase of ANZ Grindlays African banking operations, analysts were predicting EPS growth of at least 20%

The additional 16,4m shares issued during the 1992 year dampened the strong 22,4% increase in attributable income Extraordinary items totalling R200,4m (1991. R19,7m), most from financial rand rate write-offs for last year's foreign acquisitions, taken into the accounts at the commercial rand rate, diminished the retained surplus from 1991's R328m to R210m

Setting up the offshore operations boosted

continued

Although the NMC will strive for consensus, each member will have a vote, "implying that the points of view of the largest and most impor-

eration of South African Labour Unions each have two representatives.

All the major employer associations have appointed members to the commission

LABOUR BRIEFS

W/mail 12/2 – 18/2/93

NUM Committee in session

(211)

THE National Union of Mineworkers began its three day central committee meeting yesterday.

The 300 delegates at the meeting — the highest decision-making body after congress — will decide on wage and working condition demands for 1993.

It will be the first union to debate Cosatu's draft Reconstruction Accord and decide whether the labour movement should field candidates in elections, says assistant general secretary Marcel Golding.

The union is likely to consolidate profit-sharing agreements and will campaign against Goldfields for improved labour relations. It will draft policy on seven-day working weeks and will make proposals for tax and company law changes.

Demand for judicial inquiry

MINERS' unions are likely to step up demands for a judicial inquiry into mine deaths, focusing on standards and enforcement authorities.

During this year 24 miners have died and 21 have been injured in accidents at the Atok, Western Holdings, Elandsfontein, Western Deep Levels and Buffelsfontein mines.

W/mail 12/2 – 18/2/93.

Hardships threatened by global weather shifts

BDM 16/2/93

210 RAY HARTLEY

SOUTH Africans had better get used to radical variations in their weather, with droughts and floods increasingly likely over the coming decades, or find themselves hopelessly unprepared for major global climatic shifts.

Wits Climatology Research Unit deputy director Janette Lindesay says the signs are there that the world is heading for its first major climate shift for several centuries, presaging greater unpredictability in global weather patterns.

As southern Africa, at "normal" times, is caught between the tropics and the middle latitudes, which make it subject to variable weather, the climate change could lead to even greater variation on the subcontinent, she says.

The climate change would take "several decades" and ultimately result in a warmer world, although it is impossible to predict what new climate patterns will emerge, she says.

Global temperatures, which have been increasing gradually this century, rose markedly over the past 12 years, and climatologists are still trying to understand this, she says.

The most recent global climate change, from cooler to warmer conditions, came at the end of The Little Ice Age which lasted for about a century

The most recent true ice age occurred about 18 000 years ago, and had been followed by warming and a period of greater variability, but there is no cycle according to which global climate changes can be predicted Unfortunately, the greater variation experienced at present could bring more extreme dry and wet spells in southern Africa, causing further hardship for farmers who depend on reliable and predictable rainfall, Lindesay says.

Climatologists believe SA's fairly regular nine-year wet and dry spells have been upset. The previous nine-year dry spell was supposed to have ended in 1987, but has persisted into the '90s, with the past three years unusually dry.

The "geographical accident" which finds SA in two climatic zones is compounded by the fact that the summer rainfall areas are located on a plateau, with the escarpment preventing moist air from getting to the interior from the Atlantic and Indian oceans.

This makes SA's summer rainfall areas dependent on moist air flowing in from the tropics to the north. This is, in turn, affected by the El Nino phenomenon, which has been found to suppress rain formation, she says.

It has been widely speculated that El Nino — a warming of the Pacific Ocean off the coast of South America — led to a weakening of the high pressure system in that area, thereby adversly affecting southeast trade winds over the Pacific. Because air normally flows from the high pressure system to a low pressure system over northern Australia and Indonesia, El Nino has weakened this wind system and affected global weather, ultimately preventing the formation of the "cloud band" which, in good rainfall periods, extends from Africa's tropics across SA.

The little publicised La Nina, El Nino's rain-bringing twin, leads to periods of heavier rainfall in SA.

Although SA's seasonal rainfall is very difficult to predict, the signs are there that below average to average rains can be expected in the rest of the summer season, with the decline of El Nino in 1992 and the absence of any other "dominant governing factor", she says.

Under the circumstances, SA's Weather Bureau does "an excellent job" with its daily forecasts which show a good understanding of global and southern African climatic conditions "The only thing we can predict about SA's seasonal weather is that it will be unpredictable," she says.

"The anticipated global climate change has been partially prompted by the activities of human beings on the planet. Industrial gases, including carbon dioxide and chlorofluorocarbons, and deforestation, among other factors, are probably affecting the climate," she says

While greenhouse gases contribute to the natural climatic tendency for the earth to warm, widescale deforestation is changing moisture levels in the atmosphere and changing the extent to which the earth reflects sunlight, she adds.

Climatologists are working on plausible scenarios to explain climate change, variability and prolonged drought. Mechanisms to deal with potential droughts and floods in the coming decades need to be established, while forums such as the joint government-development agency Consultative Forum on Drought need to become permanent features of SA life, she argues.

"Perhaps the most sensible body would be a forum or committee on natural disasters which would include drought," she says. South Africans are victims of a "hydro-illogical cycle", which leads to great concern during droughts, followed by apathy after good rains.

"One thing of which we can be certain is that drought will recur. We don't exactly know when or how severe it will be, but there will be another drought," she adds.

Smith heads new Gencor division

JONO WATERS

HANS Smith has relinquished his post as Samancor MD to become CE of Gencor's new business division in a management reshuffle at the mining house (210)

He has held the job since 1989 ~~and~~ managed Samancor while its fortunes deteriorated as a result of weakening metals prices BIDAY 19/2/93.

Chairman Brian Gilbertson said yesterday Engen chairman Bernard Smith had been appointed chairman of the new business division and would be "helped out" by Smith Trans-Natal MD Mike Salamon would replace Smith at Samancor on March 1 Trans-Natal's projects and technical senior manager Dave Murray would succeed Salamon

In another move, Impala Platinum (Implats) MD Mike McMahon would become that company's executive chairman He, Salamon and Engen MD Rob Angel have all been appointed to the Gencor board.

Gilbertson said he would remain chairman of Genmin, Trans-Natal and Samancor, adding that Implats and Samancor would no longer report to the Genmin board, but to Gencor's He did not elaborate, but said Genmin would continue to hold the group's interests in Implats and Samancor. Malbak, Sappi, Genmin, Genbel and Engen would continue to report directly to the Gencor board, while Gengold, Trans-Natal and the group's minerals division would continue to report to Genmin's

Analysts predict more big changes at Gencor

BDay 22/2/93 (210)

JANE ARBOUS

GENCOR's surprise reshuffle of its top group management last week is unlikely to be the last of major changes at the mining house, say analysts.

They said although many different factors might have triggered the move, they believed the conglomerate was moving closer to a possible restructuring of its interests "Unbundling has never been more on the cards as it is now," a mining finance analyst said

Gencor chairman Brian Gilbertson, who gave no indication of his thinking behind the sweeping changes, is overseas and unavailable for comment

However, Marinus Daling, new deputy chairman of Sanlam which is Gencor's controlling shareholder via Gencor Beherend, said the changes at Gencor had nothing to do with the unbundling issue and "stood in their own right"

"Gencor is a huge group and the management changes are part of the normal process The reshuffle is also to lighten Brian's load and enable him to take a more overall view," he said

Daling confirmed that the possibility of Gencor hiving off its disparate mining, industrial and finance interests was still under serious discussion, but declined to comment further

Analysts said the management changes at Sanlam announced last week were crucial to future developments at Gencor.

Three senior executives appointed to top positions in Sanlam — Pierre Steyn, Daling and Desmond Smith — were all pro-unbundling, said one analyst. They "could swing the vote", he said, referring to known opposition on the Gencor board to loosening the group's tightly held pyramid structure.

"The unbundling of conglomerates is the route that has to be taken in a new SA," said another analyst, adding it would appease the ANC which has expressed concern about what it calls an undue concentration of economic power.

Analysts said key elements in Gencor's management reshuffle were its focus on new business opportunities, and consolidation of the power of Gilbertson whose stated desire is to unbundle the group "There are a lot of political realignments taking place within the company and this is not the end of it," said an analyst

Moreover, recent curbs on the use of the financial rand to buy offshore assets meant Gencor needed to re-evaluate its focus on growth opportunities.

Another analyst said a related factor to the reshuffle was the current poor performance of subsidiary Samancor "A lot of questions have been asked about Samancor's under-performance"

Samancor MD Hans Smith makes way for Mike Salamon, MD of Trans-Natal Coal which is considered a traditional route for promotion of Gencor mining executives, analysts say

Smith has been appointed CE of Gencor's new business division under its chairman Bernard Smith, who will remain chairman of oil subsidiary Engen — Reuter

Gencor may up stake in Lonrho

CT 2/3/93

(210)

From MATTHEW CURTIN

JOHANNESBURG — Poor platinum group metal prices may be speeding up talks between Lonrho and Gencor. The SA mining house may increase its stake in Lonrho's Western Platinum in a debt equity deal which would ease the burden of Western Platinum's R800m borrowing.

The London Financial Times reported yesterday that Lonrho was negotiating with Gencor about a cash-raising exercise which would see its shareholding in its SA platinum asset reduced to 51[illegible].

Lonrho's SA MD Terence Wilkinson would not comment yesterday on whether talks were in progress beyond noting the already close ties between Lonrho's and Gencor's platinum operations.

Gencor CE finance Philip Iedemever said he could not comment at this stage.

The Financial Times said Lonrho directors expected talks to be concluded within a month but an industry source said in Johannesburg negotiations were likely to prove protracted before Lonrho and Gencor agreed on the right price for any deal.

News of the talks reflects the strain SA platinum producers are feeling from the collapse in platinum group metal prices. Last week Platinum fell nearly $30 to below $350 while rhodium prices, particularly important to Western Platinum which mines a high proportion of rhodium-rich UG2 ore, have sunk to below $1 700 an ounce against $1 900 in January.

Rustenburg Platinum, the world's leading producer, said at the weekend that poor prices had led it to review its production programme. Impala Platinum deferred several large capital spending programmes last year and without the large cash reserves of Rusplat face working capital commitments more keenly exposed to poor prices.

Gencor's Implats already has a 27[illegible] stake in Western Platinum, and Gencor chairman Brian Gilbertson has said the mining house is interested in increasing its holding. There are already close management and technical links between Western Platinum and Implats but Lonrho has said talks regarding a possible merger broke down last year.

The Financial Times said Lonrho was contemplating selling its 22[illegible] tranche of Western Platinum as part of the group's strategy of reducing debt by selling stakes in core businesses. Lonrho valued Western Platinum at £1bn but independent brokers said it was worth only half that.

Market sources said Western Platinum's debts had risen to more than R800m and Lonrho was investigating three ways of raising money to reduce borrowing:

- Gencor would buy another 22[illegible] of Western Platinum with the Lonrho mines floated on the JSE.
- Western Platinum would be listed with a new share issue to pay off its debts; or
- Lonrho's platinum assets would be put into one of its existing JSE-listed mining holding companies, Coronation Syndicate, Duiker Exploration or Tweefontein United Collieries — which would then hold a debt-relieving rights issue.

Minorco hopes to buy Aussie mine dashed

210 8/0 PM 2

JOHN CAHILL

LONDON — Minorco, the £1,5bn international arm of Anglo-De Beers, has been thwarted in its ambitions to buy 49% of Olympic Dam, the giant copper-gold-silver-uranium mine in South Australia. 8/0 PM

Yesterday Western Mining Corporation of Perth, which owns 51% of Olympic Dam, said it will exercise its pre-emptive right to buy the 49% stake from British Petroleum (BP) for which Minorco had bid $456m ($240m equity and $216m loans). 3/3/93

Olympic Dam would have been Minorco's second-biggest investment since it launched its worldwide buying spree after its takeover of Consolidated Gold Fields was aborted in 1989.

Minorco reached agreement with BP on November 4 last year but in terms of the joint venture agreement Western Mining had 90 days in which to consider taking up its pre-emptive option for the 49%.

A spokesman for Minorco, which holds £1,8bn in cash, yesterday said "We are naturally disappointed — we were looking forward to being a partner in one of the word's major copper mines.

"But we are not really surprised. We obviously obtained such a good deal with BP that Western Mining could not resist the opportunity to buy complete control at our negotiated price," the spokesman said.

Lonrho/Gencor 'deal' confusion

B/DAY 3/3/93 (10)

MATTHEW CURTIN

CONFUSION surrounding the future of Western Platinum, Lonrho's debt-heavy platinum mines, intensified yesterday as the troubled international trading company denied a report that a deal between Western Platinum and Gencor was imminent.

Reuter reports Lonrho deputy chairman Paul Spicer said the report by the London Financial Times — which said Gencor might be about to increase its 27% stake in the platinum mines to 49% — was "purely speculative" He would not comment on whether talks were in progress, but dismissed suggestions, which the Financial Times said had come from a senior Lonrho source, that discussions had narrowed to three options, one involving a deal with Gencor.

Although Gencor and Lonrho spokesmen in SA remain tight-lipped, it is not the first time conflicting accounts have emerged about the future of two parties' relationship in SA. Lonrho said it had walked away from a possible merger with Gencor last year, opting for the involvement of German businessman Dieter Bock

In contrast, Gencor has argued it was interested only in increasing its stake in Lonrho's SA platinum assets and other African mining interests, rather than any deal involving Lonrho's varied non-mining interests which range from hotels, and vehicle distribution to tomato farming

Analysts said yesterday the irony of the situation confronting Western Platinum, Gencor and Impala Platinum was that while the depressed platinum market was putting pressure on Western Platinum to lighten its debt-burden, weak market conditions prejudiced the chances of a rights issue succeeding and Gencor/Implats' ability to pay a satisfactory price for an increased share in Western Platinum.

Frankel Pollak Vinderine analyst Peter Davey said Western Platinum was struggling to cover interest payments. The group reported sharply reduced after-tax profit of R81m (R149m) in 1991/92, and passed its dividend payment, R97,1m in 1991

Davey said doing a deal with Gencor, as opposed to trying to list the platinum mines on the JSE in their own right or via a quoted mining holding company, would be "the cheapest route out of their troubles"

However, cash-strapped Implats was unlikely to be willing to inject the finance Western Platinum would want It could argue that investing in Western Platinum was sound in the long-term, but parent Gencor would be required to put up the necessary cash at a time when it faced multi-billion rand capital commitments in Alusaf and the Columbus Stainless Steel joint venture

Simpson McKie analyst Rodney Yaldwyn said "Both sides are in a pickle"

Guardian earnings rocket 200% | Strong dem

Lower tax limits fall in earnings

TOM HOOD, Business Editor

BA/G 5/3/93

TURNOVER of mining house Anglovaal rose by 5 percent to R4,3 billion in the six months to December, but operating profit fell 8 percent to R344 million

210

However a R29 million drop in tax to R150 million helped to limit the fall in earnings to R136 million, a reduction of 3 percent

The interim dividend, however, has been maintained at 33c

Chairman Basil Hersov warned the full year's earnings could be slightly lower than 1991's, although he hoped there would be an upward trend in the economy towards the end of 1993.

Group mining companies continued to operate in adverse markets, with volumes and sales prices, particularly in international steel markets under severe pressure, he said Unless market conditions improved, the contribution to group profits from minig would continue to fall

● **Merhold Kirsh Capital** (MKC), the investment and corporate finance arm of Merhold Group, has acquired a 50 percent equity interest in Photo Trading Corporation from the founder, Hymie Hochman

● **Varex Corporation**, the automotive spares group W & A created last year, has reported earnings a share of 101,4c for the 10 months to December A 30c dividend is being paid

Mining interests hold back Anglovaal

BIDAY 5/3/93.

(210)

MATTHEW CURTIN

ANGLOVAAL, the mining and industrial conglomerate, reported a 6% fall in earnings a share in the half-year to December 31. Strong performances from its enlarged industrial interests were not enough to offset a continued fall in contribution from its mining interests

Earnings a share fell to 226c from 240c, but the group declared an unchanged 33c interim dividend

Chairman Basil Hersov said in a statement yesterday that trading conditions in the period were "extremely difficult" Drought and political turbulence in SA did not bode well for short-term economic growth

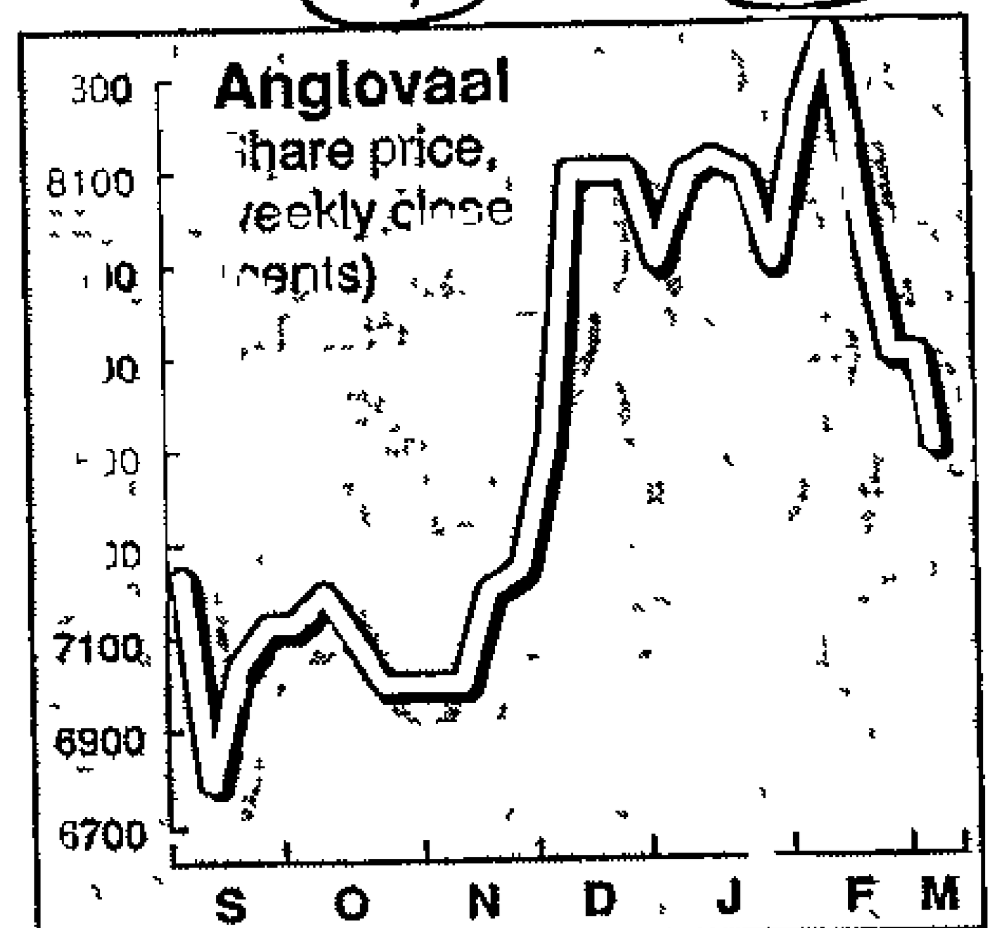
However, Hersov said, if there were progress in political negotiations, an improvement in the world economy, coupled with benefits of lower interest rates and inflation locally, then "there is hope that the lower levels of economic activity will bottom out and that there will be an upwards trend towards the end of 1993"

Anglovaal's turnover rose to R4,3bn (R4,11bn), but operating profit dipped 8% to R345m (R376m). Investment income improved to R26,4m (R22,5m).

Pre-tax profit fell to R371m (R399m), and a lower tax bill led to a marginal increase in after-tax profit at R221m (R220m) Attributable earnings stood at R136m (R143m).

Hersov said AVI's contribution to group earnings jumped 20% because of the industrial group's 9% increase in earnings — thanks to good performances from two subsidiares — rubber, packaging and glass maker Consol and foods group National Brands — and further investments in AVI by Anglovaal New AVI associate company Anglo-Alpha contributed R14,3m

Associated Managanese, Anglovaal's ore and alloy producing subsidiary and largest



Graphic RUBY GAY MARTIN Source I NET

contributor to mining income, reported a 51% fall in earnings as it reeled under the impact of depressed prices and demand in the international steel market

Hersov said that without a turnaround in market conditions, the contribution from mining, which includes Anglovaal's three gold mines, would continue to decline.

Anglovaal received a sharply increased contribution of R4,7m (R2,8m) from Saturn Mining Prospecting and Development, the company entitled to receive 12,5% of profits after capital recoupment from De Beers new Venetia diamond mine Anglovaal has a 87,5% stake in Saturn.

However, Hersov said De Beers had told the group that the build-up in Venetia's production would be slowed in 1993 following the application of quotas on all diamond mines selling to the Central Selling Organisation

Despite the shelving of the group's Sun gold mine project last year, Anglovaal spent R36,5m (R38,2m) on exploration in southern Africa and investigating new mining opportunities

Overall capital spending stood at R144m (R116m), concentrated within AVI, with another R215m authorised at December 31.

Star 5/8/93

Anglovaal's earnings in decline

210

By Stephen Cranston

Anglovaal has reported a six percent decline in earnings per share to 136c in the six months to December

The interim dividend, however, has been maintained at 33c.

Chairman Basil Hersov says that the contribution from Anglovaal Industries increased by 20 percent because of a nine percent increase in earnings per share and as a result of further investments by Anglovaal in AVI.

There were stronger results from Consol and National Brands as well as a R14,3 million contribution from 25 percent-held cement producer Anglo Alpha.

Anglovaal's mining investments had to contend with continuing adverse market conditions, with both volumes and sales prices under severe pressure.

Earnings from this division were reduced despite a R3,3 million dividend from Prieska Copper Mines, which has ceased operations.

The Associated Manganese Mines, the major contributor to mining income of the Group recently reported a 51 percent drop in profit for its first half

Venetia mine

Construction work at the Venetia diamond mine was completed according to plan and the main treatment plant started production last July and reached full capacity at the end of the year

Unfortunately, commissioning of the mine has coincided with a plan by De Beers to slow the build-up of production this year in response to the Central Selling Organisation's application of quotas of deliveries of diamonds for sale to the market.

Although the major gold exploration programmes undertaken by Sun Prospecting and Oribi in the northern Free State are completed exploration expenditure continues. The group and its partners spent R36,5 million on exploration in the first half and expects to spend R22,7 million in the second half.

Group turnover increased by five percent to R4,30 billion but operating profit fell eight percent to R344,8 million

There was a useful 17 percent increase in investment income to R26,4 million and a 17 percent reduction in tax to R149,8 million

After-tax earnings were up three percent to R274,8 million but the portion attributable to minorities was up 13 percent to R138,8 million

Attributable earnings increased by five percent to R136,0 million

Hersov says that the prospects for domestic economic growth in the short term are not encouraging

But he adds that with some progress on political negotiations, an improvement in the international economy and the benefits of lower interest rates and inflation, there is hope that the lower levels of economic activity will bottom out and there will be an upward trend towards the end of 1993.

Star 9/3/93

(210)

India hoping for mining tie-up with SA

BOMBAY — India expects tie-ups with mining companies from Australia, Canada, the United States and South Africa after throwing open most of its mining sector to overseas firms for the first time, Indian officials say

In the latest phase of its reform programme, India announced new national minerals policy allowing foreign companies up to 50 percent equity participation in mining concerns, and more in some cases

The government said it planned to remove restrictions on 13 minerals earlier reserved for the state sector.

The minerals opened for the private sector are iron ore, manganese, chrome, sulphur, gold, diamonds, copper, lead, zinc, molybdenum, tungsten, nickel and platinum

Coal and minerals linked to atomic power remain restricted, but the government had already authorised foreign participation in certain coal extraction projects in both Tamil Nadu and Bihar, industry officials said

Indian officials believe that companies from Australia, Canada, the United States and South Africa are interested in Indian joint ventures — Sapa-Reuter

LONRHO (210) FM 12/3/93.

In need of discipline

Activities: *UK-based multinational with mining, agricultural, commercial and industrial interests and 60 countries*
Control: *D Bock with 19% is the largest shareholder*
Chairman: *M J R Leclezio, Joint MDs R W Rowland & D Bock*
Capital structure: *661m ords Market capitalisation R3,8bn*
Share market: *Price 585c Yields 3,2% on dividend, 1,0% on earnings, p e ratio, 105, cover, n/a 12-month high, 800c, low, 350c. Trading volume last quarter, 14,1m shares*

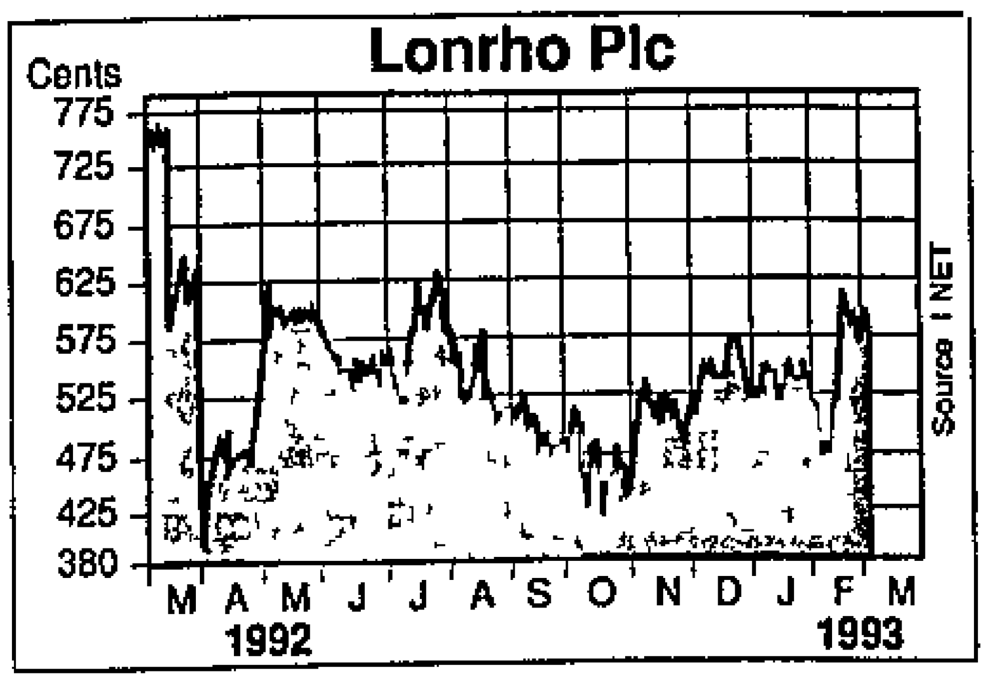
Year to Sep 30	'89	'90	'91	'92
Turnover (£m)	5 108	5 476	4 846	3 866
Pre-int profit (£m)	273	272	207	179
Pre-int margin (%)	5,3	5,0	4,3	4,6
Earnings (p)	27,1	23,6	14,2	1,2
Dividends (p)	14,2	15,7	13,0	4,0
Net worth (p)	222	216	204	171

Someone out there knows a lot more than the rest of us Why else would Lonrho, whose earnings at 1,2p a share were last this low in 1965 and which has returned sharply declining results for three successive years, be sitting on the extraordinary price.earnings ratio of 105?

Perhaps that someone is the German financier, Dieter Bock, who has just become Lonrho's joint MD and CE Effectively, that brings to an end the unusual one-man control exercised by Tiny Rowland, an inscrutable manager possessed of a life-long love affair with Africa

Romanticism is one thing, hard facts are another This multinational trading conglomerate has colossal borrowings of £849m; its net interest bill for 1992 was £99m, turnover has fallen a cool £1bn from 1991, and attributable profit has fallen to £8m from the previous year's £90m Lonrho's only saving grace came from extraordinary items, which netted £78m — nearly all from the disposal of a variety of important investments

The dividend of 4p a share, down from 13p in 1991, is still generous relative to its earnings Rowland cheerfully tells shareholders in his annual message that the company will be doing better next year — that will not be a moment too soon for loyal followers who have lived for years through Rowland's triumphs and tragedies



Lonrho does a bit of everything. It owns newspapers and hotels and prints postage stamps, it mines gold, platinum group metals and coal, it is heavily involved in motor vehicle sales and assembly and makes bed linen, it sells aeroplanes and clocks In the circumstances, it is not surprising the group comprises 700 companies and operates in 60 countries The wonder is that anyone can keep track of such a diffuse and amorphous congeries

Lonrho and Rowland have not exactly been beloved of the City Whether Rowland cares is one thing, unfortunately, it has probably harmed his company and its shareholders in the process. Research for this article led to the interesting discovery that very few major London finance houses or brokerages covers Lonrho on a regular basis "There's not much interest in it in the UK, old boy," drawled one superior-sounding analyst "The chaps on the Continent seem to follow it"

What Lonrho needs is more cash by way of equity and less through borrowings — recognising this, it has held a rights issue and sold substantial investments, most of it at a profit But the debt mountain is still daunting. Suggestions that Lonrho is seeking to capitalise on its highly successful — and unlisted — Western Platinum mine by doing a deal with partner Gencor haven't been confirmed.

Lonrho needs tighter management control and less in the way of African buccaneering and spectacular vendettas about Harrods which derive as much from pique as from lost opportunities. Bock will probably bring qualities of discipline and order to the company No doubt he will introduce well established Teutonic ways and means and, in time, it will make good money again

That will make Lonrho predictable and safe, shareholders will applaud Financial observers and journalists will be bored

David Gleason

ANGLO-ALPHA FM 12/3/93

Emphasis on cost controls

While the economy and, particularly, the fixed investment cycle remain in recession, the only game in town for companies like Anglo-Alpha is cost-cutting and tight asset management as a means to underpin profits

In this context, Anglo-Alpha has enjoyed above-average success. Though earnings have declined in each of the past three years, the cumulative fall in historic cost EPS has been confined to under 10% — from a peak of 367c in 1989 to last year's 331c While the deficit is a wider 26% on current cost earnings, even this is acceptable given the 16% decline in sales volumes experienced over the past two years alone.

FM 12/3/93

Anglo-Alpha's Pretorius .
expansion plans cut back

Activities: *Produces cement and related products*
Control: *Holderbank and AVI through Altur Investments (54,8%).*
Chairman: *P Byland; MD. J G Pretorius.*
Capital structure: *30,1m ords Market capitalisation R1,038bn*
Share market: *Price 3 450c Yields 4,4% on dividend, 9,6% on earnings, p.e ratio, 10,4; cover, 2,2 12-month high, 4 350c, low, 2 400c. Trading volume last quarter, 412 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	42,6	15,2	45,6	38,3
LT debt (Rm)	73,0	82,2	137,2	160,2
Debt equity ratio	0,19	0,14	0,23	0,19
Shareholders' interest	0,69	0,71	0,70	0,65
Int & leasing cover	10,5	13,0	7,1	5,4
Return on cap (%)	20,4	18,5	14,1	14,3
Turnover (Rm)	625	691	728	757
Pre-int profit (Rm)	183,1	177,3	148,7	162,2
Pre-int margin (%)	27,3	24,4	19,0	19,9
Earnings (c)	367	350	343	331
Dividends (c)	115	132	152	152
Net worth (c)	2 069	2 262	2 453	2 609

Last year's fall was due entirely to factors which, for present purposes, can best be described as "non-trading" These can be summarised as

☐ Interest charges — 1992 interest charges rose R9m from R21m to R30m The after-tax cost reduced the bottom line by almost R4,7m and the effect was to reduce EPS by about 16c This was a carry-over from 1991, when total year-end borrowings rose from R97,4m to R182,8m and though interest charges that year increased by 54%, the R21m total for 1991 was still only 11,5% of year-end debt So the 1992 increase to R30m

SA mining industry looks to ventures in China and India

ARG 15/3/93 (210)

DEREK TOMMEY

JOHANNESBURG. — South Africa's mining industry may provide China and possibly India with package deals for thermal electric power projects, says leading German industrialist Heribert Wiedenhues.

Mr Wiedenhues is chairman of Krupp Fordertechnik, one of the six major divisions of the giant Krupp group

His company makes plant for the mining, earth- and materials-moving industries

He said in Johannesburg at the weekend that China and India were desperately keen to expand their electric power production and that the South African mining and engineering industries were in a strong position to help them

South Africa is a leader in opencast mining techniques and has extensive experience in the construction of integrated coal mining power generation projects.

Were the South African firms successful in their attempts to provide integrated power projects, part of the finance would come from the World Bank, part from the country getting the project and part from the supplier of the plant and equipment

The money would be repaid from the profits on the sales of electric power

South African mining know-how will be of great value in helping overseas countries develop their mineral industries

Mr Wiedenhues is on his 40th visit to South Africa

He is in the country to explain to clients the changes arising from the merger of Krupp with another major German steel manufacturer, Hoesch (not to be confused with the giant German chemical group Hoechst)

The merger of Krupp and Hoesch was the biggest merger in Germany since World War 2

The group will have a turnover of about Dm30 billion (R60 billion) a year and employ more than 100 000 people

The local Hoesch company, PHB Weserhutte, has been merged with Krupp South Africa

It will employ about 50 people and have a turnover of R50 million a year

Krupp has no intention of manufacturing in South Africa There are first-rate firms well able to provide Krupp with its requirements, says Mr Wiedenhues.

He sees a great future for South Africa's coal industry He believes there is increasing concern overseas about the risks of nuclear power

Coal will, as a result, experience a renaissance in electricity generation With the use of proper filters, coal pollution can be greatly reduced.

Mr Wiedenhues admits to having a vested interest in the expansion of the local coal export industry.

It would require a new coal terminal at Richards Bay and he would like Krupp to get the contract for the project, he says.

■ Mr Wiedenhues's remarks tie up some loose ends. A number of mining houses have recently appointed top people to new business divisions

And The Economist magazine of March 6 reports that the Indian government "has offered a five-year tax holiday for new power projects, many of which have been proposed in recent months by foreign investors.

"More reliable supplies of electricity are one of India's most pressing needs," it says.

With sanctions coming to an end, South Africa seems to be rejoining the world with a bang.

SA mineral sales take a knock

ARG 16/3/93

210

Business Staff

WORLD economic recession and depressed mineral markets saw the total value of South Africa's mineral sales in 1992 decline 3,7 percent to R38 billion, according to figures issued today by the Department of Mineral and Energy Affiars.

The reduction occurred in spite a further weakening of the rand-dollar exchange rate, and was mainly brought about by lower export sales of R29 billion — a decrease of 4,9 percent compared with 1991.

The value of local sales increased by 0,6 percent to R8,9 billion

The department said that although international prices for South Africa's precious metals and minerals declined markedly, production volumes of these commodities generally increased.

Gold production showed a significant rise of 12 tons to 611 tons, in spite of the closure of some marginal mines and sections The rise was mainly due to an increase from 5,2 g/t to 5,4 g/t in the average grade of ore milled

Export revenue from gold, however, slipped 2,7 percent to R18,8 billion

The production of the platinum-group metals increased by 7,3 percent to 68 983kg, while the production of the associated cobalt and nickel showed similar increases

Diamond production increased by 20,4 percent to 10,2 million carats.

But coal production fell by 2,3 percent to 174,1 million tons (Mt). Local sales revenue, however, increased by 12,7 percent to R5 billion — with sales volume increasing by 0,5 percent to 132,9 Mt.

In spite of fierce international competition, revenue from coal exports rose by 0,9 percent to R4,3 billion, whilst the mass exported increased marginally from 49,3 Mt in 1991 to 50,1 Mt in 1992

Mineral production tops R38-bn mark

Star 17/3/93

(210)

Financial Staff

South Africa produced minerals worth R38,2 billion last year, 3,7 percent less than in 1991, says the Department of Mineral and Energy Affairs.

Although exporters benefited from the weakening of the rand-dollar exchange rate, the value of export sales declined by 4,9 percent to R29,3 billion.

Local sales were virtually unchanged at R8,9 billion.

International prices of precious metals and minerals declined markedly, but production volumes generally increased.

Gold output rose by 12 tons to 611 tons.

Reduced output from mine closures was offset by an increase in the average grade of ore milled from 5,2 grams a ton to 5,4 grams a ton. Export revenue from gold dropped 2,7 percent to R18,8 billion.

Output of platinum group metals increased 7,3 percent to 68 983kg. Production of the associated cobalt and nickel showed similar increases.

Diamond output rose 20,4 percent to 10,2 million carats

Coal production fell by 2,3 percent to 174,1 million tons, but local sales revenue increased by 12,7 percent to R5,028 million, with sales volume increasing 0,5 percent to 132,9 million tons.

In the face of fierce international competition, revenue from coal exports rose 0,9 percent to R4,3 billion, while coal exports increased marginally from 49,3 million tons to 50,1 million tons.

Depressed world economic conditions resulted in generally lower exports of ferrous and non-ferrous mineral commodities and associated alloys.

However, some processed commodities such as aluminium, manganese, phospheric acid and titanium increased export volumes and revenue.

Local and export sales of industrial minerals showed variable trends, with export revenue from the sale of vermiculite and granite declining considerably, and those for andalusite and phosphate rock increasing.

World economic conditions are likely to remain depressed in the first half of 1993

But the South African industry is expected to hold its ground in international mineral markets, the Department says

Green light for Gencor

S Times (Buss) 21/3/93 (210)

By CIARAN RYAN

THE Gencor board is expected to decide within the next two weeks to unbundle its R14,5-billion empire.

"All the excuses are gone," Gencor chairman Brian Gilbertson said this week after Finance Minister Derek Keys announced that draft legislation would be introduced during the current session to facilitate unbundling.

Mr Keys exempted profits related to unbundling from the 15% tax on distributed profits introduced in this week's Budget.

Gencor's share price ramped from 910c a week ago to 1 060c this week in anticipation of an unbundling, reducing the discount to underlying assets from 26% 10 days ago to 8% on Friday.

Unbundling refers to the sale or distribution of shares in a holding company to shareholders in the operating companies with the purpose of removing the holding company.

Mr Keys says corporations have developed unwieldy pyramids over the years as a result of mergers and acquisitions.

"Structures of this sort frequently mean cost inefficiency in the utilisation of capital," he told Parliament this week.

"The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement."

Removed

Pyramids are disallowed in several countries because they allow a minority shareholder to exercise effective control of a large group.

Unbundling can unlock value in the underlying assets of a holding company.

Mr Gilbertson says the final obstacle to unbundling the group has been removed and the matter is being referred to the board of directors.

He adds that one way to unbundle would be to distribute shares in Gencor to shareholders in the major operating companies — Malbak, Sappi, Engen and Genbel.

Genmin, which houses the mining interests, might be renamed Gencor, while Genbel might be retained as a vehicle to fund mining ventures.

Genbeheer shareholders could receive Gencor shares and Genbeheer would then disappear.

Mr Gilbertson rules out the possibility of a complete break-up of the group.

Malbak and Genmin comprise a large number of listed subsidiaries which in theory could be split from the parents.

Peter Davey, mining analyst with Frankel Max Pollak Vinderine, says the group could be unbundled piece by piece, with Engen and Malbak the first to go.

"Another way would be to split the group into industrial and mining. Brian Gilbertson is a mining man, so he would probably go with Genmin."

He says the effect of the secondary tax on companies will hurt Gencor's dividend income from subsidiaries. He says the shares should trade at around 900c in view of the changed tax regime.

Mr Gilbertson says unbundling would have relatively little effect on Gencor's head office staff because of the highly decentralised management style.

Heavy

Mr Davey says the unbundled units within Gencor are worth no more than R10 altogether and advises investors to sell at current prices.

"Institutional investors may want to offload Gencor if the group is to be unbundled because they may end up with too heavy a weighting in unwanted shares.

"They may, for example, find they end up with too many Sappi or Malbak shares. This will create selling pressure, and I think shares are likely to correct from this level."

Minorco shake-up continues

STAR 23/3/93

210

Another senior executive has suddenly quit Minorco, the Luxembourg-based overseas investment arm of the Anglo American Corporation.

Geoff Mortimer, 49, was recruited two years ago as managing director of Minorco's industrial mineral division after the company paid $108 million for the Elbekies sand and gravel business, near Berlin, in former East Germany.

His departure follows Minorco's top-level shake-up in December.

Then, Roger Phillimore, a joint managing director, left, having lost a contest for the chief executive's role to Hank Slack.

Departure

Minorco made no mention of the departure of Mr Mortimer, formerly managing director of ARC's UK aggregates operations, when it released its half-year results recently.

These revealed a sharp jump in operating earnings from the industrial minerals business — from $0,3 million to $23 million in the six months to December.

Minorco said Mr Mortimer had "gone back to consulting We are very sad to see him go' He will be replaced by another former ARC executive, Mr John Draper.

Minorco reported that its financial income, plus earnings from equity-accounted investments, more than offset its operating losses in the half-year to December. — Financial Times.

Star 26/3/93 (210)

Mineral production hit by world recession

By Derek Tommey

The value of SA's mineral production, hit by the worldwide recession, fell by 3,7 percent last year to R38,2 billion from R39,7 billion in 1991, Department of Mineral and Energy Affairs figures show

Exports dipped 4,9 percent to R29,3 billion from R30,8 billion, while local sales rose by R50,1 million to R8,9 billion.

One of the sharpest drops in sales was experienced by platinum group metals.

Production last year was worth R2,2 billion, a 19,1 percent drop from the R2,7 billion produced in 1991.

The value of gold produced showed a smaller fall. It declined by 2,7 percent to R18,8 billion from R19,3 billion in 1991.

Chrome ore sales were sharply lower, falling 25,7 percent from R434,6 million to R322,7 million.

Manganese ore sales also fell, by 21,8 percent from R767,1 million to R599,7 million

Vermiculite was another mineral to suffer from the world recession, with sales dropping 36,1 percent from R44 million to R28,1 million

Granite had sharply lower sales, falling 20 percent from R188,1 million to R150,5, million. Copper sales were 8,4 percent lower at R1,03 billion.

Production of diamonds rose from 8,4 million carats in 1991 to 10,2 million carats in 1992 But no figures are available for the value of diamond sales.

These are included in "miscellaneous", together with the proceeds from uranium oxide, antimony, titanium oxide, mica, zirconium, perlite, phosphate concentrates and monazite.

Some of these products must have suffered a serious setback last year, as "miscellaneous" sales dropped 20,7 percent from R3,1 billion to R2,4 billion.

But not all the news from the mining industry was bad. Iron ore sales were virtually unchanged at R1,1 billion.

Coal sales rose 6,9 percent to R9,35 billion. Sales of zinc rose 17,9 percent to R141,7 million.

Salt sales rose 18,5 percent to R65,4 million

Silver sales rose 17,2 percent to R44,9 million. Sales of andalusite rose 42 percent from R78 million to R110,8 million.

ERPM faced with critical year ahead

CT 7/4/93

JOHANNESBURG. — East Rand Proprietary Mines (ERPM) faces a critical year ahead said chairman John Turner in his annual statement. (210)

ERPM posted a taxed loss of R19,8m in the year to last December 31, versus a R27,1m loss in 1991. Working profit improved to R22,7m from R20,1m

Turner said the current mining and finance plan contains substantial productivity improvements for the underground operation which must be achieved for the operation to become viable.

Such improvements are essential in 1993 and will have to continue into 1994 to meet expected, revised debt repayment terms without the need for bridging finance and renegotiation of assistance and loan repayments, he said.

"The effect of any adverse change in production parameters, gold price or interest rates against the plan will have a very significant impact on profitability and the concomitant cash flow necessary to meet the required repayments of debt and interest," he said

"These factors make 1993 a critical year for the future of the company," he said, adding no significant improvement in the world gold price was anticipated for the year.

Star 12/4/93

IGI unit trust buys into mines

Finance Staff

The fund managers of the IGI Unit Trust engaged in heavy buying and selling the first quarter, turning virtually a quarter of the R48 million portfolio.

Purchases, totalling R8,62 million, included 18 000 Driefontein worth R711 000, 70 000 Kloof (R2,45 million), 11 000 Vaal Reefs (R2,28 million), 100 000 PP Rust (R975 000), 25 000 Liberty (R1,575 million), 10 000 Bid Corp (R40 000) and 25 000 AECI (R230 000).

Sales of more than R3 million included 5 400 Anglos, 110 000 Gen Beheer, 15 000 Safren and 25 200 Remgro.

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The fund managers say that because the economy is in a strong position to benefit from rising commodity prices in a world recovery, they have taken a pro-active stance on precious metals and have preferred to be in mines rather than in mining houses.

They have taken a generally more bullish stance on the stock market, having reduced liquidity from 26 percent in the fourth quarter of 1992 to 14 percent.

COMPANIES

Mixed fortunes for Southern

ANDREW KRUMM

SOUTHERN unit trusts' cautious strategy achieved mixed results for the year to end-March BDay 16/4/93

Southern GM, investments, Carel de Ridder said the R175m Southern Equity fund posted a 14,65% return for the year, which compared favourably with the CPI of about 9% However, a University of Pretoria (UP) Graduate School of Business survey said the smaller Southern Mining fund reported a -3,19% return (210)

De Ridder said a recovery in mining shares helped swing the Mining fund's performance up from the -13,32% return for the year to end-December 1992

Sibling funds Southern Pure Specialist (market value R10m) and Southern Income (R13m), neither yet a year old, did not report returns for the period

Southern's cautious strategy entailed maintaining liquidity while avoiding more cyclical counters, he said The Equity Fund bought into GFSA, Tempora, Dalys, Suncrush, Sunbop, Didata and Toyota, and sold Mobile CDs (232)

The Mining Fund sold all gold shares bar its holding in Randfontein, reduced an investment in De Beers and doubled a stake in Gencor Liquidity of the fund — valued at R21,6m at quarter end — was 26,3%

The "socially responsible" Southern Pure Specialist Fund achieved a return of 6,45% for the quarter It would "continue to exclude investments such as those in liquor and gambling companies" and had added Wesco and Suncrush to its portfolio

De Ridder said the Southern Income Fund remained mostly liquid

Income distribution of 3,9c a unit was declared for the Southern Equity Fund, 3,29c a unit for the Mining Fund and 1,71c a unit for the Pure Specialist Fund.

Tax confusion delays results

MATTHEW CURTIN

2.10 328

ANGLO American has postponed announcing year-end results for three of its investment companies because of uncertainty surrounding the implications of the new secondary tax on companies (STC)

An Anglo spokesman said yesterday "There is still some uncertainty regarding the practical application of aspects of STC and urgent clarificaton is being sought (from government) on these matters" The implications of the tax had to be cleared up before the companies made their year-end statements to shareholders

The problems centre on diamond investment company Anglo American Investment Trust (Anamint), gold investment company Amgold, and exploration and investment company New Central Witwatersrand, which have their financial year-ends on March 31

Finance Minister Derek Keys said earlier this month that all companies paying dividends after March 17 would be liable for STC, which is a 15% levy on distributable profits

BDAY 16/4/93.

This could prejudice companies with March 31 year-ends because they would fall under two tax structures both STC and the old 48% company tax rate because their year-end comes before the implementation of the lower 40% rate on April 1

The postponement of the results comes as business continues to grapple with the implications of the Budget Sacob has made representations to government seeking redress for companies prejudiced by STC The new system has knocked shares

☐ To Page 2

Results

BDAY 16/4/93

2.10 328

☐ From Page 1

in some companies with low effective tax rates and high dividend payments, such as paper producer Sappi, which will emerge worse off under STC.

In fact, STC will make little material difference to the three Anglo companies

Anamint derives most of its income from dividends received from overseas companies Foreign dividends are excluded from STC because they reflect profits which do not have the benefit of the lower company tax.

Amgold and New Central Wits receive the bulk of their income from dividends from gold mines There was initial concern that gold investment companies would be prejudiced by STC because they would be paying the new tax on dividend income from gold mines which had been effectively taxed already The mines, likely to opt, in terms of the Budget proposals, for their old tax and lease formula, would be paying an effective 48% tax rate.

However, Keys told Parliament it was necessary to allow credit to gold mines' corporate shareholders for dividends declared by the mines

Consequently, the three companies would be liable for STC only on internally generated income

Anamint earned R1,9m in interest in 1991/92, compared with dividend receipts of R394m; Amgold received R68m in interest and other income compared with investment income of R220m, and New Central Wits R279 000 compared with R3,8m. The companies pay little or no tax.

Business and mines help to foot the bill

ERICA JANKOWITZ
and ALAN FINE

210

13/04/93

THE country's major mining houses were large contributors to a trust fund established to cover the costs of Chris Hani's funeral.

Sources said mining houses, through the Chamber of Mines, had contributed several hundred thousand rands for transport, food and other logistical costs.

This followed approaches by NUM president James Motlatsi, whose union had been given the task of organising many aspects of yesterday's events by the ANC alliance.

A spokesman for Cheadle, Haysom & Thompson, the legal firm administering the fund, said a wide spectrum of businesses, individuals and embassies had been approached and had made contributions.

Chamber president Bobby Godsell said the chamber had made it clear donations "should not be construed as an indication of mining industry support for the views of the late Chris Hani or the policies of any of the organisations of which he was a member. The donation was made as a gesture to mark the tragic death of a political leader in violent circumstances which members of the chamber abhor."

The chamber understood that a number of other businesses had also agreed to make contributions in one form or another.

One such company was Coca Cola which donated soft drinks to the Hani family for consumption at the wake.

OM mining funds bounce back on higher gold price

Business Staff

OLD Mutual's mining funds rebounded strongly on the back of the higher gold price in the last quarter. The Gold Fund was the star performer in the stable, with its fully invested strategy paying off.

Unit trusts manager Selwyn Feldman says that although Old Mutual "remains somewhat cautious on the gold outlook", the Gold Fund and Mining Fund portfolios consist of quality counters which should continue to do well if the gold price holds up.

But he cautioned that specialist funds were designed for the professional investor with a thorough knowledge of the stock market. Small investors should seek professional advice.

The only new counter in the Gold Fund portfolio was Randgold. There were additions to the holdings of Beatrix, Ergo, Welkom and Amgold.

Sales consisted mostly of Vaal Reefs, Western Deep, GFSA and New Wits, and the entire holding of Genbel. Liquidity fell from 12,4% to 11,8%.

New counters in the Mining Fund portfolio were Beatrix, PGM, CMI and Highveld. The entire holdings of Western Deep, Vaal Reefs and Assore were sold with about 20 000 De Beers shares.

(210)

Old Mutual ~~Investors~~ Fund increased liquidity to 15,3% from 11,6%. It added Highveld and National Selections to its portfolio and increased its holdings of Absa, Barlows, Engen and SAB. Sales included Ergo, Kinross, Western Deep, Assore and Rand Mines.

CT 20/4/93

Old Mutual Industrial Fund reduced liquidity to 7% from 14%. It bought Richemont, Sasol, Da Gama and Liberty, and added SAB and Scharrighausen Holdings for the first time.

Old Mutual Top Companies Fund added SAB and Scharrighausen for the first time and bought Elfi bull stocks, Anglos, Richemont, Remgro, Dimension Data, Trencor and Yabeng. It reduced holdings of Genbel, Sunbop and Sappi.

Old Mutual Income Fund bought R6m 1994 RSA, R5m 1994 SA Transport and R8m Transnet. During the quarter R4m NCDs were redeemed.

FM 23/4/93

(210)

UNBUNDLING

Another coup for Genmin

FM 23/4/93

Unbundling is developing momentum Gencor's wholly owned subsidiary General Mining Metals & Minerals (Genmin) has just bought the interests of Old Mutual, the Industrial Development Corp (IDC), Natsel and Indsel in Richards Bay Minerals (RBMH) for a handsome R671,2m The acquisition doubles Genmin's stake in RBMH to 50% and gives investors and the market, for the first time, an indication of RBMH's worth — a substantial R2,7bn

Indsel and Natsel will receive their disposal consideration as a mixture of cash (R102,1m) and 4,4m Engen shares The disposal constitutes a material change in the portfolios of Indsel and Natsel and will obviously affect the distribution to be offered to shareholders in their planned unbundling

The IDC sale follows government directives last year to mobilise finance for industrial development and is linked to its unbundling of investment trust subsidiaries Indsel (52,1% owned) and Natsel (50,8%)

How the IDC will unlock the value of investments within these two companies has occupied investors' minds since the first cautionary four months ago A dividend *in specie* including a cash option close to underlying NAV was deemed the most feasible (*Fox* December 11) Shareholders will be offered either cash or shares

To help shareholders to value their investments in Indsel and Natsel, IDC has disclosed portfolio details allowing for pre- and post-disposal NAVs to be placed on the two companies. Indsel increases NAV by 14,6c to 320c a share and Natsel by 16c to 341c

Indsel is trading at 280c and Natsel at 285c. Discounts of 12,5% and 16,5% respectively emphasise the way unbundling can unlock wealth for shareholders' benefit Specific terms will be announced only once there is clarity concerning unbundling legislation — which is not expected before end-June

Gencor will in total pass on 9,1m Engen shares and 1,5m Malbak Had the additional RBMH stake been included in 1992 results, there would have been a modest 1,0% increase in Gencor's EPS, says chairman Brian Gilbertson. However, Genmin's contribution would have risen to nearly 35% from 31%

In setting the payment terms, he says Gencor wished to keep enough cash not to impair its ability to finance major projects The Engen and Malbak shares are surplus to its needs, he says Indeed, 9,1m Engen are only 6% of its equity, which will leave Gencor holding some 56%, while 1,5m Malbak are only 0,5% of its equity.

By coincidence, Malbak also announced this week that it is renouncing about two-thirds of its entitlement in SA Druggists (SADrug)'s pending R201m rights issue SADrug will place the shares with institutional and private investors and staff

This will cut Malbak's stake from 84% to 76% of an enlarged equity, so will certainly make the SADrug share more marketable, as well as conserving cash for Malbak

But if these deals are any indication, Gencor seems prepared to unbundle only to the extent of not losing control And while the IDC is divesting itself of RBMH, concentration of 50% ownership at Gencor (RTZ owns the other 50%) is the reverse of unbundling

Kate Rushton & Michael Coulson

MALCOLM MACDONALD: Capital raised for new ventures

IDC bails out of its mature investments

STimes (Buss. Times)
210 · 25/4/93

THE Industrial Development Corporation plans to unlock billions of rands for industrial development by selling its listed investments. It will begin with the unbundling of investment trust companies, Natsel and Indsel, which will raise more than R900-million.

IDC announced the sale of its effective 16,7% interest in Richards Bay Minerals to Gencor this week for about R450-million and its decision to equity fund 50% of Sappi's R1-billion Saiccor mill expansion. IDC senior general manager Malcolm Macdonald says the group plans to sell its effective 20% in Sasol, worth about R2-billion, "when market conditions are right". IDC sold a third of its holding in Sasol for R1-billion and a minority stake in Sentrachem for R103-million in 1992.

By CIARAN RYAN

"This is in line with our commitment to mobilise capital for new industrial ventures," says Mr Macdonald. "To take part in the projects we have identified, we will have to liquidate most of our mature investments."

IDC has come under attack for sitting on billions of rands in mature investments instead of releasing the money for development.

Pension

"This is no longer applicable," says Mr Macdonald. "We will sell these investments when conditions are right."

Mr Macdonald says the unbundling of Natsel and Indsel should be completed by July. Shares in the underlying companies will be distributed to Natsel and Indsel shareholders. IDC holds slightly more than 50% of both companies.

It will sell its equity stakes in both to the Public Investment Commissioner, which manages the State pension funds. IDC is awaiting legislation for tax exemption on profits arising from unbundling.

IDC will buy back minority-held stakes in unlisted companies when Natsel and Indsel are unbundled.

IDC owns 16% of Iscor, worth R283-million, and all of unlisted phosphate producer Foskor. Market conditions are unsuitable for a sale of these assets, says Mr Macdonald. Demand for phosphate remains depressed and Iscor is trading at less than a third of its net asset value.

IDC has committed R3,5-billion in the past six months to three projects in which it has acquired equity stakes: the R7,2-billion Alusaf aluminium smelter expansion, the R3,5-billion Columbus Stainless Steel project and Sappi's mill expansion at Saiccor.

A further R100-million has been committed for a pilot plant to recover alumina, magnesia and potash from phlogopite at Foskor. A total of R1-billion is allocated each year to fund small and medium enterprises.

Rim

Mr Macdonald defends IDC's role in financing capital-intensive projects such as Alusaf and Columbus in spite of IMF and World Bank criticism that they do little to ease unemployment. Fewer than 2 000 jobs will be provided by these two projects — at a cost of more than R10-billion.

"There are no viable alternatives," he says. "If we had a labour-intensive project which was viable we would fund it. Our labour-intensive industries cannot compete with the Pacific Rim countries.

"SA has a high propensity to import and once the economy turns, we will start to run into balance-of-payments problems which constrain economic growth.

"We have to create the conditions which will allow the economy to grow and that requires a healthy balance of payments. These projects will earn foreign exchange which will help to pay for economic growth."

Harmony compounds Randgold mine losses

CT 26/4/93 (210)

Own Correspondent

JOHANNESBURG. — Randgold & Exploration's marginal Harmony gold mine slipped back into the red at operating level in the March quarter as the Free State producer struggled to maintain its grade in its second quarter on Sunday operations

The four Randgold mines increased their overall bottomline loss R9,34m (R1,89m) as a result of the fall in Harmony's profit and greater losses at ERPM.

The mine made a working loss of R1,73m compared with a working profit of R6,53m in the December quarter. However, capital recoupment and sundry revenue resulted in a bottom-line profit.

Harmony, granted Sunday mining rights in September in an attempt to save the mine from closure, expected short-term fluctuations in grade, chairman John Turner said at the weekend

Total gold production by the four fell fractionally to 9,84 tons (9,93 tons) as lower grades at the two largest producers, Harmony and Blyvooruitzicht, cut the group's average grade to 4,1g/t (4,2g/t) and outweighed an increase in the quarter's mill tonnage to 2,42-million tons (2,35-million tons).

Randgold chairman John Turner said at the weekend Harmony's grade reduction to 3,39 grams a ton from 3,57g/t in the December quarter was in line with short-term fluctuations. He would not, however, be drawn on likely fluctuations in future. The increase in ore production which followed Sunday mining and which had been needed to curb unit costs had reduced the mine's grade flexibility.

Harmony made a bottom-line profit as a result of the sale of assets for R7,9m (December R1,9m)

Adding to ERPM's woes had been the discovery of a fault in the Far East Vertical (FEV) shaft which was expected to affect production within two years. Randgold had pinned hopes on the FEV to restore profitability to the debt-laden mine, which owed R517m (R513m) at the end of the quarter The FEV's ore body was accessed in the March quarter and grades of 8,5g/t were in line with expectations

ERPM MD Karl Eick said yesterday the fault was not of major concern and he was confident ERPM could make a profit after-tax and interest by year end.

The fall in ERPM's tonnage to 286 000 tons (292 000 tons) was as a result of operations moving out of low grade areas sooner than expected, he said.

He hoped ERPM would be drawing 30% of its ore from the FEV section within three years.

The state had granted the mine a further loan of R9m at market-related interest rates during the quarter. An application to government for a further interest rate concession had been turned down and the earlier 10% interest rate subsidy had come to an end at end-1992 Turner said the government would review assistance to ERPM during the year but any future said would be less than already granted.

Eick believed that as tonnage from the FEV built up, the mine's average recovery grade would rise beyond the latest 5,54g/t But he warned bluntly that if the grade did not rise in line with expectations, ERPM would be "dead".

A grade drop to 6,1g/t from December's 6,78g/t resulted in a lower profit after tax and capital spending for Blyvooruitzicht. The quarter's bottom line profit fell to R1,39m from R2,16m

Blyvoor's own underground reserves were expected to be exhausted next year, but a tribute agreement with Anglo American's Western Deep Levels had extended the operating life to the year 2000

Durban Deep's vulnerability to operating cost changes was shown by the fact that a small drop in the ore milling rate lifted unit costs by 3,3% a ton. Nevertheless, a higher underground ore recovery grade offset the higher unit cost and a lower dump reprocessing recovery grade to give an operating profit of R303 000 against the previous quarter's R253 000.

JCI gold mines boast profit boost of 44,7%

(216) CT 28/4/93

Own Correspondent

JOHANNESBURG — JCI's gold mines reported a 44,7% increase in profit after tax and capex in the March quarter as a result of improved performances by Randfontein Estates and Western Areas, and lower capital spending.

The group paid productivity bonuses of R2,3m to mine workers in the quarter.

Overall bottom-line profit rose to R36,5m compared with R25,2m in the December quarter. The mines achieved an increase in average grade to 4,59g/ton (4,47g/ton), as the amount of ore milled fell to 2,72-million tons from 2,84-millions tons. Gold output declined to 12,5 tons (12,7 tons).

Gold division chairman Kennedy Maxwell said the group's drive to contain costs resulted in unit costs falling to R28 334/kg from R28 761/kg. Average revenue a kilogram rose 1,5% to R33 774 (R33 287).

The troubled HJ Joel gold mine had implemented its survival plan, expected to make the mine profitable within 18 months, he said. This included development blasting on Sundays, a reorganisation of underground shifts, and sending some workers on extended unpaid leave coupled with some retrenchments.

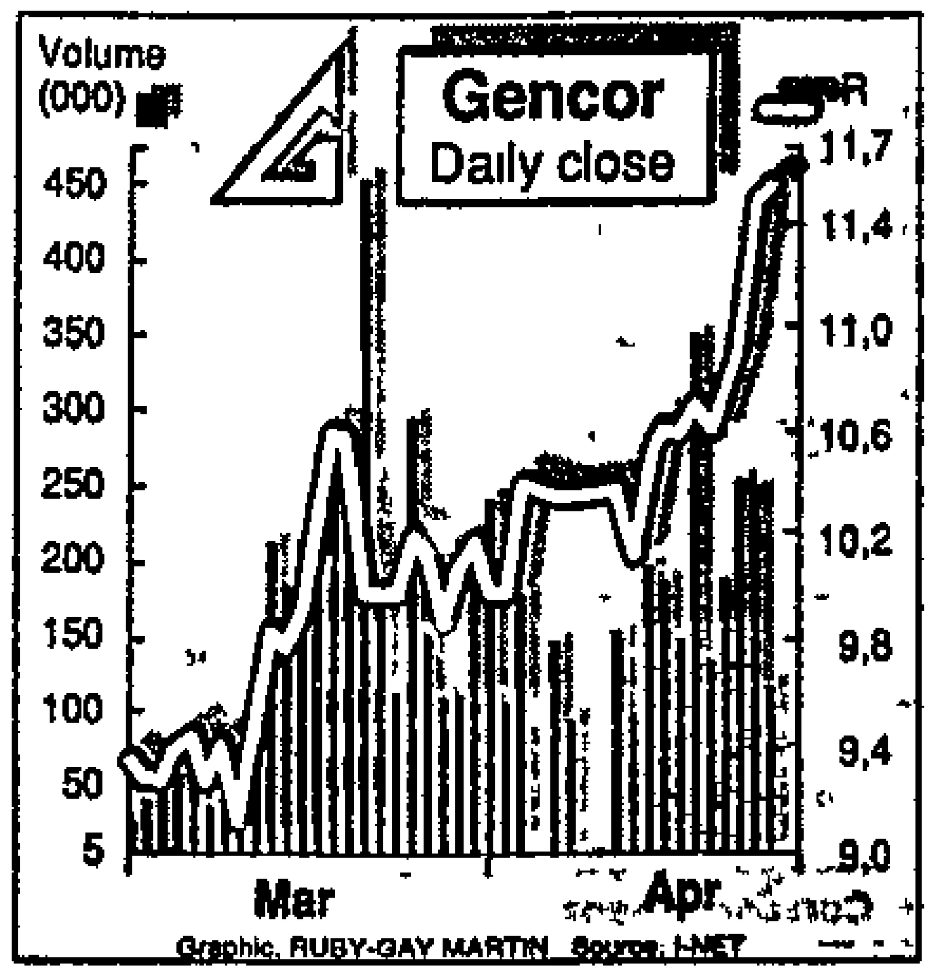
Money-spinner Randfontein increased its profit after tax and capex by 19% to R27,1m (R22,8m).

Western Areas increased its bottomline profit by two and half times to R11m (R3m).

Consolidated Murchison (Cons Murch), which falls under JCI's coal and base metals division, reported an almost unchanged bottomline profit of R922 000 (R972 000) in the March quarter.

Chairman Mike Hawarden said antimony revenue increased 67% to R3,82m (R2,29m), but gold revenue dropped to R9,06m (R10m) as a result of a fall in gold sales to 273kg (307kg).

Total mining revenue rose to R13m (R12,4m) against costs of R11,7m (R11,1m), resulting in an operating profit of R1,24m (R1,23m).



Gencor looks at unbundling issue

(210)

MATTHEW CURTIN

GENCOR is on the verge of deciding whether to unbundle its non-mining assets in a bid to realise their true value for shareholders. BDM 28/4/93.

Addressing more than 100 brokers and industry representatives in a presentation on the group's interim results, chairman Brian Gilbertson said yesterday that in the light of enabling legislation promised in this year's Budget, "we are close to a decision" and the Gencor board would meet soon to come to a final verdict.

Gilbertson said the next time the mining house spoke to the investment community, it would be to announce its decision, one way or another.

Gencor reported a 10% decline in earnings a share to 43,1c (47,8c) in the half-year ended February 28, but it declared an unchanged interim dividend of 16c.

Gilbertson said debate within the group on unbundling centred on whether disposing of shares in its non-mining assets to Gencor shareholders would eliminate the discount to net asset value at which Gencor stock consistently traded. At the same time, the group had to be sure the exercise would not compromise its status as a major internationally competitive natural resources combine.

He said research commissioned by the group showed that the capacity to bring "mega projects" into production was a major factor in ensuring a mining and minerals conglomerate's success.

New projects made major significant contributions to Gencor earnings growth in the '80s The group now had more than R11bn worth of "world-scale projects" on

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Gencor BDM 28/4/93

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the go — the Alusaf aluminium smelter expansion, the Columbus stainless steel joint venture — on top of Sappi's Saiccor pulp mill expansion, the R800m upgrade of Engen's Genref oil refinery, the developing Oryx gold mine, plus Sappi's major acquisition of German paper producer Hannover Papier last year. Gencor had also spent R671m in doubling its stake in Richards Bay Minerals to 50%.

At the end of 1992 the discount to net asset value at which Gencor shares traded had widened to R3,25bn, but the group was aware of the danger that unbundling might not eliminate the discount.

The group reported interim income of R434m (R433m), falling to pre-tax profit of R341m (R373m) after lower financing charges but higher exploration and project costs. After-tax profit stood at R317m (R313m) and attributable earnings, lifted by improved retained equity-accounted earnings, rose 6% to R593m (R562m).

Improved contributions from investment arm Genbel, industrial group Malbak and fuels group Engen were offset by a torrid six months experienced by Sappi and mining and minerals division Genmin.

Genmin's gold, platinum, coal and ferro-alloy interests were hit by weak markets, overriding the benefits of good operating performances.

Gilbertson said world economic recovery was patchy at best and there were few convincing signs the commodities cycle had turned the corner.

Gencor earnings take a knock as recession bites

(210) MRC 28/4/93

Business Staff

HARD times hit the earnings of mining and investment house Gencor in the six months to end-February

Lower contributions from two of its major investments — Genmin and Sappi — limited to six percent the growth in earnings to R593 million

Earnings were diluted by a 17 percent increase in share capital, resulting in a 10 percent drop to 43,1c a share

However, Gencor is paying an unchanged dividend of 16c a share

Chairman Brian Gilbertson says he is dissatisfied with with Gencor's share price discount to underlying assets.

The market value of the group's shares is R3,25billion, while total underlying assets are worth R100 billion.

■ Diamond sales of **De Beers** rose sharply in the first quarter of the year, says chairman Julian Ogilvie Thompson and the company intends increasing purchases from producers slightly

He declined to give figures but dealers estimate about $1,25 billion (R3,9 billion) worth of diamonds were sold by De Beers in the first quarter

The average of the three sales, known as sights are thus estimated at more than $400 million (R1,26 billion) compared with the average of $340 million (R1 billion) at the 10 sights held last year

Independent dealers, however, are worried that the market is recovering slowly and that De Beers' diamond stockpile has soared to $3,8 billion (R11,5 billion) from $2 billion (R4,8 billion), five years ago.

They caution that sales at the sight next week will fall sharply

"Dealers are very worried because they have absorbed a lot of stock," said a manufacturer "They are worried that the market is recovering very slowly and they are concerned that De Beers' diamond stockpile has soared"

Mr Ogilvie Thompson also cautioned that the company would "adjust its sales programme", partly because the Pentagon in the United States is selling 2 million carats of quality diamonds in the next six months.

The value of the first sale is estimated at $50 million to $100 million, according to dealers and the Pentagon

Despite dealer concerns, De Beers is sufficiently confident to marginally raise its purchases from producer members to 80 percent of annual output from 75 percent.

Last September De Beers, which controls about 75 percent of the world rough diamond market through a producer cartel, reduced purchases from producers such as Botswana and Australia by a quarter The move helped support the market

Sales of the rough uncut diamonds were "very good" at the first three sights, said Mr Ogilvie Thompson, mainly as a result of falling supplies from producers such as Russia and Angola

Russian output fell by 25 percent last year and is set to fall further in 1993, says Gary Ralfe, an executive director and specialist on the region It is unlikely to recover for some time, he said

■ Increased efficiency and a higher milling yield enabled JCI's Transvaal gold producer, **Western Areas**, to report an almost fourfold increase in attributable profit to R11 million in the March quarter.

The group's other Transvaal mine, **Randfontein**, increased its earnings by 19 percent to R27,1 million (R22,8 million)

The improved results at Randfontein and Western Areas boosted group earnings by 44 percent to R36,5 million

■ **Fintech**, the computer group in the Altron stable, raised its dividend 25 percent to 50c

Chairman David Redshaw says the progressive move away from the bottom end of the computer market assisted in maintaining margins in the face of continuous downward price pressure and market uncertainty stemming from the present socio-economic situation

Turnover rose seven percent to R602 million and operating profit edged up five percent to R32,4 million

There was a sharp fall in gearing from 39 to four percent as the group earned R1,9 million in interest compared with paying R1,2 million the previous year

Anglo sets sights on the appliance market

STAR 30/4/93

(210)

By Derek Tommey

Mining giant Anglo American is about to move into the domestic electronic appliance market.

And befitting its status as SA's biggest mining house, it intends doing so on a fairly large scale.

Engineering News reports that Anglo's subsidiary Amic is investigating making colour television tubes in South Africa in a joint venture with Daewoo, a major South Korean appliance company

The proposed factory will cost R600 million and produce 800 000 colour tubes a year

The investigation should be completed by October.

Expectations

If the factory gets the go-ahead, it will take about two years to reach the production stage.

The plan stems from expectations that by the turn of the century South Africans will be buying a million new colour television sets a year — a number that could be easily reached if Eskom's drive to bring electricity to black homes maintains its current momentum.

Amic director Hilton Davies says the tube project is only one of a number his company and Daewoo are investigating

The news of the project will be no surprise to the market.

About six weeks ago, Leslie Boyd, deputy chairman of Anglo and chairman of Amic, told The Star his company could soon become a leading producer of domestic consumer goods.

Boyd said Amic was being repositioned to lessen the effect of the commodity price cycle on group earnings.

The end to sanctions had opened doors to new investment from overseas.

Amic was now looking to Japanese and Korean consumer goods companies to establish joint ventures in SA, he said

Amic is already a major car manufacturer, producing Ford and Mazda cars through its Samcor subsidiary

Anglo already has a growing indirect interest in the supply of domestic electronic appliances through its 29,2 percent stake in the Altron electronic group.

Altron recently aquired Picapli, the appliance company in the Pickard stable.

This company, renamed Gentech, has 39,9 percent of the fridge and freezer market

Gentech, which manufactures under the KIC label, represents several international companies including Indesit, Whirlpool, Daewoo and Hitachi.

Altron chairman Bill Venter said recently his group was being restructured in order to be more flexible and meet market needs.

Gentech chairman Peter Watt says the company aims to acquire improved technology by seeking closer ties with foreign partners.

He expects sales to rise as more people get access to electricity.

Eskom has made no secret of the fact that it has embarked on a major drive to bring electricity to townships.

It provided electricity for 145 000 houses last year and plans to electrify a further 150 000 houses this year.

Discussions

Eskom and the Life Offices Association are holding discussions on lending money to Eskom to help it carry on electrification projects.

It is understood that these loans will be at below market rates of interest.

This will enable life assurers to show their critics that their funds are being used to help improve the lot of lower-income groups.

However, makers of domestic appliances should get another boost when proposals to build 250 000 new houses a year for people in the lower-income group get off the ground.

This could follow immediately after a political settlement has been reached.

[redacted] guessing, please

investments have shown an appreciable improvement If anything, therefore, the balance sheet is now considerably stronger

What is clear is that no-one, least of all the analysts assembled to listen to Ogilvie Thompson's words of wisdom on an open line from London, is prepared to say how 1993 will turn out for De Beers Wisely, to a man, they say they'll have to consider matters Yes, well, of course. *David Gleason*

GENCOR [redacted] 2.10 [redacted]

Even tougher times [redacted]

Chairman Brian Gilbertson predicted a tough ride for Gencor in the year to August with no significant upturn in revenues before 1994 The 10% drop in first-half earnings bears out his forecasts But times are even tougher than he expected. He is reconsidering the verbal forecast made last October that shareholders might receive an increase of about 2c a share in this year's total dividend in spite of lower earnings

The maintained interim indicates caution

FM 30/4/93

MAINTAINED INTERIM

Six months to	Feb 28 '92	Aug 31 '92	Feb 28 '93
Attributable income (Rm)	562	699	593
Earnings (c)	47,8	55,5	43,1
Dividends (c)	16,0	29,0	16,0
Net asset value (c)	1 435	1 341	1 336

Gilbertson comments. "I would be surprised if we don't at least maintain the final but I'm losing my nerve a little over intentions to increase the payout "

The reason is the grim business conditions facing each of Gencor's diverse mining and industrial operations. Though there have recently been more favourable signs, with the decline in ferrochrome prices halting and gold starting to perform, Gilbertson remains cautious

"The gold price has only started to move in the last four days. I'll get excited about it when the price is up another $50," he says

Gencor is heavily committed to new projects in the pursuit of real growth They include the R7bn Alusaf expansion, the R3bn Columbus stainless steel expansion, the R1bn expansion of Sappi's dissolving pulp mill at Saiccor and the R800m upgrading of Engen's refinery in Durban

Latest development (*Fox* April 23) was the raising of Gencor's stake in Richards Bay Minerals from 25% to 50%, at a cost of R671,2m, paid mainly through the sale of some equity stakes in Engen and Malbak [redacted] 2.10 [redacted]

Those sales again raised the issue of Gencor's possible unbundling of its nonmining interests which Gilbertson says will be put shortly to the Gencor board for a decision

He says "At the meeting three questions will be put to the directors — whether we unbundle, if so to what extent we unbundle and how fast we do it. I cannot be more specific and there are powerful arguments both for and against unbundling."

If the group goes all the way with unbundling proposals, Gencor would pass all its stakes in the various industrial subsidiaries to its shareholders and be left only with its mining interests FM 30/4/93

Despite the bad times, Gencor continues to spend heavily on exploration which absorbed R50m in the six months to February (previous comparable six months. R39m)

The search for a suitable vehicle outside SA to expand the group's international mining and exploration business remains the priority following the failures to do a deal with Lonrho over its international mining interests and get control of Australian coal mining group Oakbridge

Lonrho spurned Gencor's overtures The Oakbridge deal was killed by the tighter exchange controls imposed by the SA Reserve Bank on the use of the financial rand for such investments Gilbertson notes that a US company, Cyprus Minerals, now appears to have made a successful bid for Oakbridge

"This lack of an international mining arm continues to be our single biggest failure It's a critical area and we are continuing to work on it, which is why Hans Smith has been moved from Samancor to work with Bernard Smith in the new business division "

Gilbertson concedes the Reserve Bank restrictions are a serious hindrance "To meet them you have to find a very good project overseas and there are not that many of them to be found at the bottom of the commodity business cycle "

The share has recovered from its 12-month low of 895c last November to current levels around 1 150c but has underperformed the general recovery in the mining house sector

A maintained final would put Gencor on a forward yield of 3,9%, which is by far the highest of the major mining houses and compares with a sector average of 2,7%.

Though the short-term forecast is for another drop in earnings in the second half, Gencor remains an attractive investment through its exposure to real growth from new projects across the industrial and mining sectors and the prospect of resurgent income from investments such as Samancor and Gengold *Brendan Ryan*

S1Times [Bass]
2/5/93

Anglo warning to Japan denied

By JOHN CAVILL and CIARAN RYAN

ANGLO American executives have been warning potential Japaneses investors not to put their money in South Africa, claims a report in Africa Confidential, a fortnightly newsletter

Anglo American Investment Corporation chairman Leslie Boyd, fresh from announcing that the group was looking guardedly at a venture with South Korean conglomerate Daewoo to build a TV tube plant, as well as other projects involving Japanese and South Korean investors, denies that any Anglo executive has warned Japanese investors

Mr Boyd says "Contrary to the Africa Confidential report, Anglo American Corporation has been trying to persuade for the last three years certain Japanese companies to take equity positions in existing operations in SA"

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Africa Confidential says that even cautious prospective Japanese investors "were surprised when top Anglo American Corporation executives warned visiting delegations that the risks are too high to make fixed investments viable"

It cites a "senior Japanese source" as saying puzzled businessmen were trying to work out the reasoning behind Anglo's advice

Star, 3/5/93

Mining industry's share of GDP slumps to 1970 level

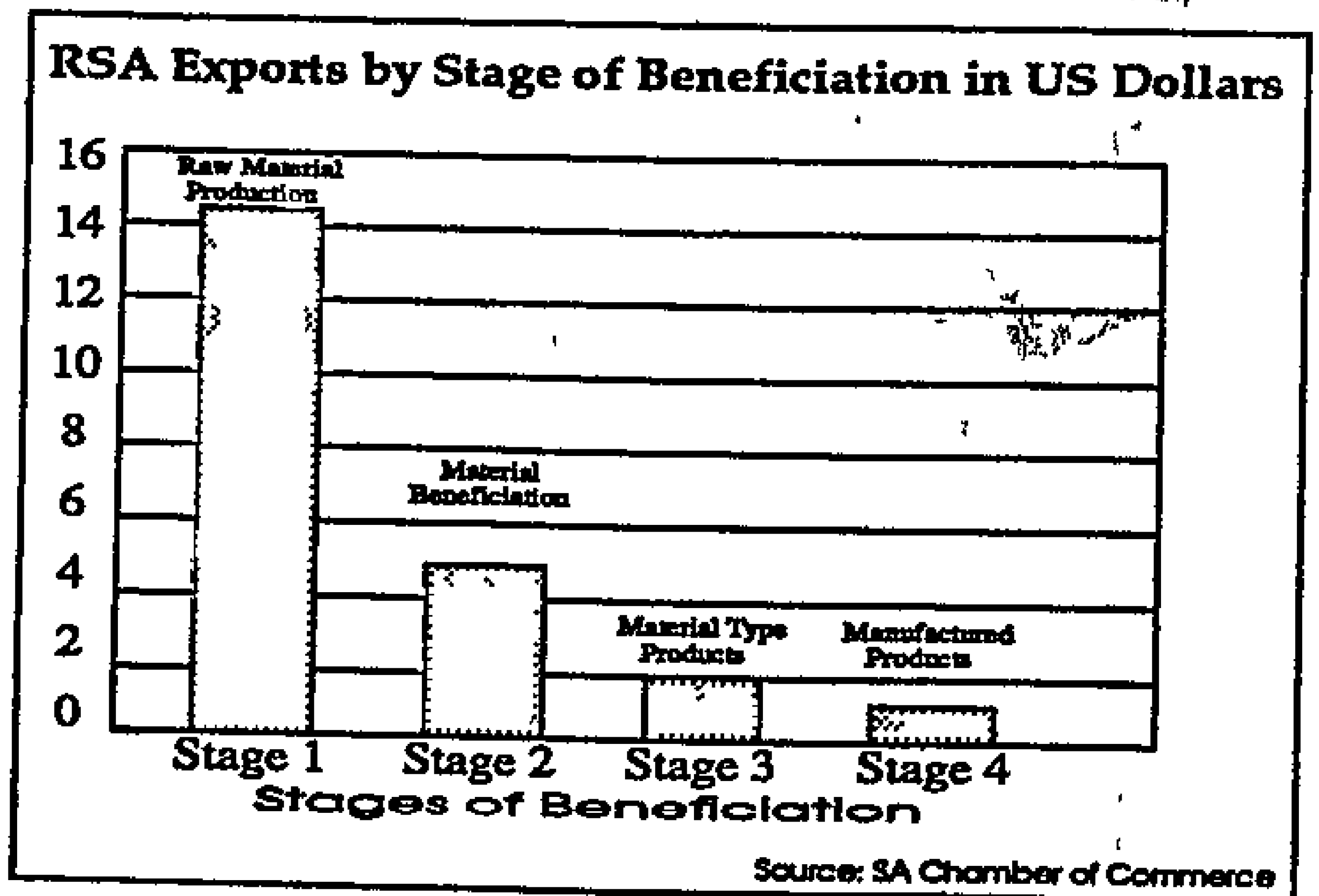
By Clairè Gebhardt (210)

In little more than a decade, from 1980 to 1991, the mining sector's share in South Africa's total GDP has plummeted almost to its 1970 level — from 22 percent to 10,4 percent.

But, according to Unisa's Bureau for Market Research, the industry continues to play an important role in economic growth, with a 29 percent share in total exports in 1991, and as a major consumer of goods and services.

In a recent study on the major income and expenditure items of all the large mines, the bureau says spending on four major items, stores consumed, salaries and wages, dividends and payments to the Government, has undergone major structural change since 1980.

- The share of dividends paid by the mining sector has declined steadily from 21,8 percent in 1980 to 14,1 percent in 1981 to 9,8 percent in 1990.
- The contribution of mining tax as a percentage of the country's total tax has also dropped to its lowest level in 13 years - from 19,3 percent in 1980 to 9,7 percent in 1990;
- Stores consumed increased its share from 37,8 percent in 1980 to 47,5 percent in 1990, but more was spent on working costs or less on capital expenditure;
- The share of total salaries and wages rose from 21,1 percent to 33 percent over the same period — largely as a result of higher wage increases.



Exports by stage of benefielation 1989 (Source Sacob).

The gold mines, which represented 56,6 percent of the total market for stores in 1990, were successful in controlling the escalation of working costs.

"The annual percentage increase in working costs per kilogram of gold produced plummeted from 25 percent in 1987 to 1,6 percent in 1991.

"This, together with the slight increase in the average grade of ore milled from 5,05 grams/ton in 1990 to 5,20 grams/ton in 1991, pushed up working profit per ton by 3 percent between 1990 and 1991."

The report shows that the bulk of SA's exports is in beneficiation stage 1 or raw material production, while the bulk of imports is in stage four — manufactured type products. (See graph).

With the growth potential of the world economy being in manufactured type products, SA "still has a long way to go".

Anglo appeals for relief from tax 'prejudice'

210 MATTHEW CURTIN

ANGLO American has appealed to the Finance Department's Tax Advisory Committee to take action to counteract the unfavourable impact of the new company tax regime The new dual tax system threatens to prejudice Anglo subsidiaries against those with different year-ends, adding millions of rands to their tax bills

The reason for the anomaly is that Anglo companies will fall under both the old tax system and the new one proposed in March in the Budget BDAY 7/5/93.

Anglo believes that without special transitional measures, subsidiaries with year-ends on or before March 31 will be prejudiced by sharply higher total tax rates of 55% or 62%.

In contrast, companies with year-ends from April 1 fall only under the new system of a 40% company tax rate and 15% levy on distributable profit — the secondary tax on companies (STC) — which will equate to a maximum tax rate of 48% if a company distributes all its earnings

An Anglo spokesman said yesterday this placed March year-end companies "at a considerable cost and cashflow disadvantage in relation to companies .. taxed under the old system and allowed to distribute their dividend unaffected by STC, as well as companies with year-ends after March 31, taxed at the lower rate".

He said the authorities had clarified the tax position of Anglo's investment holding companies Anamint, Amgold and New Central Wits However, "the operating subsidiary companies of Anglo are affected by the inequitable transitional measures dealing with companies with financial years ending on or before March 31 1993".

The lower 40% company tax — reduced in the Budget from 48% — takes effect from April 1. Consequently, March year-end companies fall under the old rate

However, Finance Minister Derek Keys said STC would be introduced from March 17, leaving March year-end companies paying the old higher tax rate and STC

The Anglo spokesman said "If the change from the old system to the new were to be implemented in this manner,

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Anglo

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the consequence would be that a full distribution on or after March 17 of earnings of companies taxed at the old 48% tax rate, would be subject to a total tax rate on those earnings of 54,78% compared with the above-mentioned rate of 47,83%. In the case of non-resident shareholders subject to the standard rate of non-resident shareholders' tax the total tax rate rises to 61,56%."

Suggestions that March year-end companies would be compensated by the benefit of improved cash flows ignored the fact that all companies benefited from this.

He said Anglo accepted there had to be a cut-off date for implementing the new tax, but it was possible to design a system, with safeguards against its abuse, which could compensate for the anomaly

● See Page 9

BUSINESS

Anglo queries harsh aspects of new tax

Star 7/5/93

(210)

By Sven Lünsche

Anglo American has asked for aspects of the new Secondary Tax on Companies (STC) to be referred to the Tax Advisory Committee (TAC) for investigation.

The STC was introduced in the Budget as a tax on income distributions, with effect from March 17 this year, to compensate for revenue losses resulting from the lowering of the corporate tax rate from 48 to 40 percent.

However, Anglo said yesterday that serious anomalies arose for companies whose financial year ended in March because the lower tax rate applied only if the year ended after March 31.

Companies could end up paying a total tax rate on earnings of 54,78 percent if their earnings were fully distributed as dividends on or after March 17.

"Companies affected by this transitional anomaly are being taxed simultaneously under two tax systems, there is a period of overlap in terms of which the harshest aspects of the two systems coincide, namely the 48 percent tax rate and STC.

"This places such companies at a considerable cost-and-cash-flow disadvantage in relation to companies taxed under the old system, as well as companies whose year ends after March 31."

Anglo's tax consultant Marius van Blerck said the group had received sufficient clarification to declare dividends on its investment companies, Anamint, Amgold and New Central Wits.

Cut dividend

Anamint has cut its total dividend to 312c (382c) for the year to end-March on equity-accounted earnings of 667c (857c) a share.

New Central Wits reduced its total dividend to 139c (196c) as net income plunged from R8,1 million to R2,6 million.

However, the operating companies Amcoal and Ampros are affected by the inequitable transitional measures under STC.

It is not expected that Amcoal will delay its dividend declaration, although it will make a provision for STC.

But Amcoal will have to decide whether to absorb the higher effective tax rate, reduce the dividend or both.

Clyde's foray beyond mining pays off

EDWARD WEST

CLYDE Industrial Corporation maintained earnings for the year to end-February 1993 at 10,8c a share by expanding its activities outside the mining industry.

Chairman Gordon Wilson described the results as "very satisfactory". He said the expansion into fencing was paying off at a time when margins from its steel products for the gold mining industry were shrinking.

Turnover climbed 24% to R102,2m from R82,7m in 1992 and operating profit was up by a similar percentage to R5,5m (R4,5m). Interest paid was slightly higher at R1,1m (R1m). Tax fell to R1,3m (R1,6m).

Attributable income was 67% higher at R3,1m (R1,8m). The full-year dividend of 3,25c was maintained in line with that of 1992.

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COMPANIES

Anamint cuts its final dividend

JONO WATERS

ANGLO American Investment Trust (Anamint) cut its final dividend to 240c (310c) a share for the year ended March 1993 as a result of the depressed state of the diamond market. The company's major asset is a stake in De Beers

Anamint paid out all its earnings in the total dividend of 312c (382c) a share It held the interim dividend at 72c a share

Total income before tax fell 19% to R313m (R385m) as a result of a fall in income from the company's listed investments Anamint's only listed asset is 98,2-million De Beers/Centenary linked units This amounts to a 25,8% stake in De Beers Consolidated and 23,4% holding in De Beers Centenary AG

Tax was fractionally higher at R1,1m (R900 000) reducing after-tax profit to R312m (R384m)

Preference dividends payouts were unchanged at R300 000 resulting in attributable earnings of R312m (R384m)

Net asset value a share fell 14% to 7 648c (8 888c) a share Anamint shares closed 150c down on the JSE yesterday at R83,50

□ Anglo American's gold exploration and investment company, New Central Witwatersrand (New Central Wits), declared a final dividend of 67c a share, bringing the total dividend for the year ended March 1993 to 139c a share.

There was no comparable year-end as the company had reported previously in the 18 months ended March 1992

Net income in the period amounted to R2,56m, equivalent to 139c a share.

The company announced at the release of its interim results that gold exploration on the Gerhardminnebron farm near Potchefstroom had been suspended

The market value of investments at the end of the period was lower at R68,5m (R75,6m) 210

Net asset value fell to 3 915c (4 362c) a share.

The company's shares closed unchanged at R36 yesterday on the JSE.

Barprop changes hands in R100m deal

ANDY DUFFY

13/10/93

BARLOW RAND has sold its property arm (Barprop) to its 56%-controlled subsidiary Rand Mine Properties (RMP) in a cash and paper deal worth nearly R100m

Under the terms of the deal, RMP will take 78% of Barprop in exchange for R71,5m cash and 3,2-million RMP ordinary shares, totalling altogether R96m

The deal, effective from April 1, gives RMP a steady income flow and land development and national property investment operations

"This will provide focus to the new property development activities and added value to RMP in the future," said RMP CE and Barprop chairman Colin Steyn in a statement yesterday

On listed value, however, RMP has paid generously for such gains.

Interim figures show Barprop's net asset value at R94m, suggesting RMP has paid more than R20m over book value RMP added, however, that it was gaining quality

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Barprop

☐ From Page 1

assets and lease covenants.

The acquisition was likely to have only a "small positive effect" on projected earnings for the year to September On 1992 earnings it represented a 2,5% dilution

Discussions between the two Barlow Rand companies have been under way since earlier this year

RMP has relied heavily on its property porfolio since 1989, after the steady decline in its gold earnings, related to low bullion prices and rising costs, which have hit its small gold retreatment operations

In the year to September 1992, while gold contributed operating losses of R3,9m, RMP property turned in operating earnings of R22,5m However in the six months to March, operating profits were just R1,6m

Barprop turned in net earnings of R6m for the six months to March, up 8% on the 1992 figure because of a falling tax rate. Before-tax profit dropped 8%

The release of 3,2-million new shares would increase RMP shares in issue by more than a quarter

RMP added that Barlow Rand had undertaken to renounce sufficient of the additional shares to enable current shareholders to "substantially maintain" their percentage shareholdings RMP would also apply to the JSE to transfer its listing from mining to property

Gencor leads the way out of SA's corporate laager

BDM 14/5/93.

(210)

JIM JONES

GENCOR's unbundling leap of faith will be analysed microscopically, by protagonists who believe the decision is necessary to release entrepreneurial talent, and by antagonists who fear that dismantling a business empire will affect their own status and security

I make no apology for the implicit subjectivity of this opening paragraph It is intended to be contentious and to initiate a debate which is becoming increasingly relevant

Conglomerates and corporate monoliths here are no different from those abroad and no more immune by virtue of their size from the changing zeitgeist — the spirit of the times

In a statement published yesterday in Business Day, Anglo American stoutly declared that it was not a conglomerate with a pyramid structure designed purely for holding purposes It also claimed that its size and strength facilitated the undertaking of big, long-term and capital intensive projects True But the claim begs the question of whether an introverted approach to capital raising is more efficient or more appropriate than an approach which mobilises capital from other sources

Anglo claims with some justification that it has brought new projects on stream — the Moab gold development and the Namakwa beach sands ventures are often mentioned But critics counter that Moab is not so much a new venture as simply a replacement for production being lost at neighbouring Vaal Reefs

Anglo believes that, without the group structure, some projects might be too costly or risky to undertake. A counter-argument is that a group structure does not reduce the risk of individual projects — risk is inherent in each project as the Rand Mines catastrophes clearly proved

But the question the Gencor unbundling has raised is whether monolithic corporate structures constructed to provide impregnability from takeovers are better able to deal with the country's present economic and social challenges.

The mismanagement, waste of resources and collapse of Rand Mines is local proof that the group system is not infallible. The Barlow Rand group might have believed it could mobilise the skills and capital needed to sustain a dynamic and growing business But, as the Rand Mines shambles showed, management was living in a fool's paradise.

Rand Mines' parentage made it easier for its management to raise the cash which poured into the financial failures of ERPM, Barbrook and Crocodile River The security which association with Barlow Rand implied meant that management could be less rigorous in its planning than would have been the case with independent ventures.

SA is not unique Around the world there are innumerable examples of how successful, large companies can become corporate dinosaurs General Motors, Eastman Kodak and IBM spring to mind in the US alone. Success, as Fortune magazine put it recently, breeds the potentially ruinous problems of size and complacency, the usual encumbrances of success — among them arrogance and bureaucracy.

Arch-delegator Derek Keys believed this when he headed Gencor He carried the idea into the Cabinet and is putting his ideas into place in an attempt to get SA's moribund economy off its backside.

Apprehensive critics of unbundling are already claiming that unbundling has not released value as Gencor's executives claim Rather, share prices of the parts of the group that are to be set free have tumbled That, proponents believe, was inevitable Rationalisation has to include a settling-in period as investors think about restructuring their portfolios.

Share price reductions are not necessarily a bad thing. It can be argued that the price drops of Engen and the others express their cost of capital more realistically, and that this will help management make more rational decisions on new ventures

The tax incentives to unbundling and investment which Keys introduced in this year's Budget helped lead the economic horse to water. Now comes the question of how it will be persuaded to drink.

Gencor is already sipping Unbundling will peel away the layers of bureaucracy which had hindered decision-making When final decisions have to be taken by a mahogany row remote from market realities, they run the risk of turning sour Remote executive coteries which jealously guard the power which exclusivity provides run the risk of taking decisions based on inadequate information. They also risk taking decisions on information that has been carefully screened and packaged by lower-level managers pushing pet projects to speed their progress up the corporate ladder, rather than because of any entrepreneurial drive.

Keys's encouragement of unbundling is founded on a belief that it releases entrepreneurial energy because managers become responsible to the marketplace rather than to a head office functionary. Corporate bureaucracies established as part of no corporate plan stifle initiative. Acquisition is favoured over business creation How can you make an entrepreneur or venture capitalist out of a corporate man who is preoccupied with pension benefits or the status of his position in the hierarchy?

Independent companies can tap the equity and debt markets on the merits of their own ventures, while those in centrally controlled groups have to stand in line while an investment committee decides between competing capital demands from within the group In addition, an independent management is more likely to be more free to choose how its firm's profits are to be divided between reinvestment and dividends, than a firm which has to pay its profit tithe to the group

Keys's secondary tax on companies encourages operating firms to reinvest their profits Extended to the dividends of holding companies, it could change group managers' attitudes towards pyramid cash flows

As Fortune put it referring to the bureaucracy which was the downfall of IBM "The processes of how decisions were made became all-consuming" What was decided became less important. That, with the benefit of hindsight, was clear from the fact that IBM's management, secure in the power it believed was conferred by size, fought tooth and nail for years in the anti-trust courts against the unbundling which it now admits is essential for survival

Unbundling is the logical means of developing the decentralised management needed to take decisions based on closeness to the market Perhaps more to the point, decentralised management is almost certainly more aware than mahogany row and its sycophants of the political realities of a changing SA Reaction time is becoming all-important

As one observer puts it, SA's mining and industrial groups have their roots in the laager mentality and in coporate inferiority complexes They facilitate the wasteful protection of the inefficient Size is believed necessary by executives frightened of hostile takeovers Energies are expended building protectionist barriers rather than on the fundamentals of generating the sound profits and market ratings which would deter trivial takeover attempts.

Our post-war history has distorted our corporate culture The groups themselves have grown through acquisition, but by paying prices which reflected the scarcity of takeover targets rather than intrinsic investment worth. Perhaps our form of corporate development was needed in an increasingly hostile world. But the world is no longer politically hostile and the old structures are becoming less appropriate

Rand Mines profits slide

210 CT 12/5/93

Own Correspondent

JOHANNESBURG. — Rand Mines, now the holding company of Randcoal following its restructuring last October, declared an unchanged interim dividend of 100c a share for the six months ended March 1993

The figures have been restated for comparative purposes

Rand Mines was broken up into four separate entities — Randgold & Exploration, PGM Investments, Rand Mines Properties and Randcoal with effect from October 1

The group's only investment now is a 71% stake in Randcoal.

Turnover in the period amounted to R791m compared with the restated figure of R766m for the six months ended March 1992.

Operating income before interest fell to R101m (R120m) and finance charges were lower at R16,3m (R38,3m), leaving operating income of R84,8m (R81,3m).

Interest bearing debt had decreased to R92,6m (R129m).

Investment income fell to R10m (R21,8m), and pre-tax profit was lower at R94,8m (R103m)

Tax payment of R4,5m (R2,4m) included R3,9m for the payment of the Secondary Tax on Companies.

After-tax profit fell to R90,3m (R101m) and R20,4m (R22,5m) was paid to outside shareholders Preference dividends were lower at R2m (R2,2m).

Attributable income dropped to R67,9m (R76m) or 510c (455c) a share.

Chairman John Hall said the international coal market was depressed and prices and demand were weak because of the world recession.

Inland coal sales were 13% lower but Eskom demand had grown

Profits from the Eskom-tied collieries were expected to remain at current levels for the second half of the year.

Gencor gears up towards growth in the new SA

BIDM 12/5/93.

MATTHEW CURTIN 210

IN A dizzying series of announcements in the past year, Gencor has taken huge steps towards meeting the extraordinary demands of sustaining the group's growth as a major mining group in a recession-hit post-apartheid SA.

If unbundling and the launch of the multibillion-rand Alusaf and Columbus projects go far in meeting the demands of the local business environment, then the proposed multimillion-dollar purchase of Royal Dutch Shell's minerals businesses may establish the mining house as a leading international natural resources group

Chairman Brian Gilbertson says that should the Shell deal come off, Gencor is looking at "very significant growth as an international mineral resources group".

Gencor has systematically confronted the forces which were impairing or likely to impair its performance once the headache of competing internationally for investment and markets with sanctions in place eased in 1990

First, the group tied up the best of few major resource projects still available in SA and gave the green light to billions of rands worth of capital spending at its existing operations. In so doing, Gencor diversified its commodities portfolio, moved towards value-added mineral production, maximised its capacity to raise finance from shareholders and the share market, and pushed to the limit its ability to achieve domestically driven earnings growth.

Ferro-alloys subsidiary Samancor and Anglo American's Highveld Steel and Vanadium had long eyed the prospect of establishing a local stainless steel project. With sanctions in place, the task proved too difficult — a potential Taiwanese partner fell away in 1990. But the parties seized on Barlow Rand's decision to sell its erratically performing ferrochrome and steel interests in 1991 They became the base for the Columbus stainless steel expansion project which took off late last year.

Similarly, plans to expand smelter capacity at Alusaf were facilitated to a large degree by the negotiation

KEYS

of favourable alumina-supply contracts from overseas minerals groups Alcan and, ironically, Billiton — Shell's mining and minerals division which Gencor now wants to buy.

With these projects in place — in addition to the expansion of the Genref oil refinery, the new Oryx gold mine, Sappi's Saiccor pulp mill expansion, multiple but now deferred expansion projects at Impala Platinum among others — there was little more Gencor could do in SA.

Yet, a second obstacle remained.

The group was still tied to the commodity export business at a time of a trough in world prices. Local markets it served were blighted by the domestic recession. With no chance of significant local market growth and steadily climbing operating costs, the only room to manoeuvre would be to increase export capacity in an attempt to win overseas market share, always at the risk of inducing lower prices.

This scenario left the mining house facing earnings growth unlikely to come close to matching the rate of inflation at many of its businesses, and with others dependent on the next, illusory commodities boom. It was vital to acquire offshore assets to sustain long-term growth.

This was certainly the thinking which motivated Sappi's purchase of German paper producer Hannover Papier in mid-1992, and Trans-Natal's abortive attempt to buy Australian colliery Oakbridge Coal.

The Oakbridge deal was scuppered by a Finance Ministry directive to the Reserve Bank insisting that companies wishing to finance offshore deals through the finrand had to show the acquisitions were of immediate benefit to SA and funded with offshore borrowings. The beauty of Gencor's approach to Shell to buy Billiton is that the deal will circumvent all exchange control obstacles linked to the neurotic perform-

GILBERTSON

ance of the finrand.

Gencor executive director Colin Officer says the deal will allow the group to gain full benefit of its offshore assets which complement Billiton's existing operations and Shell's main oil business. Gencor has stakes in Latin American and Australian base metal operations and the Alba oil and gas field in the North Sea, likely to be a key part of any deal, as assets on which overseas borrowings can be raised or traded to Shell.

SA exchange control precludes companies from servicing offshore debt in rands, but in buying Billiton Gencor would immediately own operations with significant cash-flows to manage its borrowings.

Officer says Gencor would ideally like another overseas partner to join the deal, injecting equity, which would ease Gencor's burden in bringing the venture off.

However, perhaps the real benefit of a deal with Billiton is the way in which it complements Gencor's current unbundling exercise.

When Finance Minister Derek Keys first mooted the idea of unbundling when he was still Gencor chairman, the primary motivation may have been political, before fears of nationalisation subsided, but soon the economic argument took over.

He asked how Gencor could realise the full value of its underlying assets when the group's market value remained persistently below net asset value of its operating assets.

Gilbertson is confident the exercise will work, now that Keys as Finance Minister has paved the way. But he says the risks of the deal were debated in full during tough talks at the Gencor and Gencor Beherend boards early this week. There was, he says, "a full and frank exchange of views".

Gencor has invariably thrown up comparisons with its overseas competitors — Rio Tinto Zinc and BHP — at investor presentations, and Gilbertson laments that a streamlined Gencor, reduced to its mining assets, is significantly reduced in scale More seriously, he says it is vital the group can sustain the critical mass to put together projects like Alusaf and Columbus.

Not only does unbundling reduce Gencor's mass, but it strips it of the contracyclical support afforded by Malbak's wide-ranging industrial interests and Engen's oil and fuels businesses.

Billiton offers no contracyclical cushion but Officer stresses that its wide range of mining and mineral businesses are among the low-cost operations worldwide, particularly its bauxite and nickel mines.

Most importantly, Gencor will have little to worry about critical mass with Billiton under its belt.

Anglo determined not to unbundle

ANDY DUFFY

ANGLO American Corporation has stamped on any suggestion that it will follow in Gencor's footsteps and break up its corporate empire. BDM

The group, which with main shareholder De Beers accounts for about 20% of the JSE, said that despite Gencor's arguments in favour of unbundling, the rationale for retaining Anglo's structure remained

Without Anglo's size and business spread, major capital expenditure — such as the Columbus scheme — could be cut back, while shareholders could be exposed to sharp falls in individual markets

Anglo also said there were no "compelling" political reasons to change. The economic arguments in favour of unbundling were still debatable 13/5/93

In announcing Gencor's unbundling plans, chairman Brian Gilbertson said the "tide of economic development and growth is against concentrations of power and control structures", and that unbundling would release the value of its underlying assets (210)

Some analysts said similar arguments could be applied to Anglo, which had traded at an average discount of 28% to underlying assets Ivor Jones, Roy mining financial analyst Doug Brooking said it could be asked "If it's right for Gencor, why shouldn't it be right for Anglo?"

Gencor's move might also strengthen the hand of political forces in favour of unbundling The ANC said yesterday it was

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Anglo

BDM 13/5/93 (210)

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sure "other companies would take their cue from Gencor".

Although Anglo holds stakes in much of the JSE, it said 80% of these companies had been greenfield ventures. "We don't feel inclined to apologise for creating new companies," a spokesman said.

Other analysts added that Anglo could boost performance through its current programme under which certain areas of the business, such as Amic, were rationalised.

"Anglo believes in a different strategy (to Gencor), and there are pros and cons for both," Frankel, Pollak, Vinderine analyst Peter Davey said. "One could argue this is nibbling at the edges. But for Gencor it's a very bold step."

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Gencor wins initial approval

(210)

GENCOR has won a favourable initial response from the investment community for its decision to go ahead with unbundling, coupled with an approach to buy the mineral businesses of international oil group Shell

However, generally good reaction was tempered by uncertainty over what exactly the new Gencor would look like — depending on the outcome of talks with Shell and the success of other ventures — and a small drop in Gencor's share price in heavy trade on the JSE yesterday The stock shed 15c to close at R11,80, after falling as low as R11,40 as nearly R4m worth of shares changed hands in 82 deals

Analysts noted that although unbundling would rekindle the debate over financial restructuring in SA, what was good for Gencor was not necessarily good for other mining houses and conglomerates

Martin & Co analyst Richard Stuart said Gencor's decision was "a milestone in corporate development in SA" It was significant that Gencor had taken an unequivocal decision to go ahead with the exercise "Gencor has developed what may become the model for corporate governance in the new SA "

Unbundling also reflected growing awareness since 1990 at Sanlam that absolute control of companies was not necessary given that smaller shareholdings could still leave institutional shareholders

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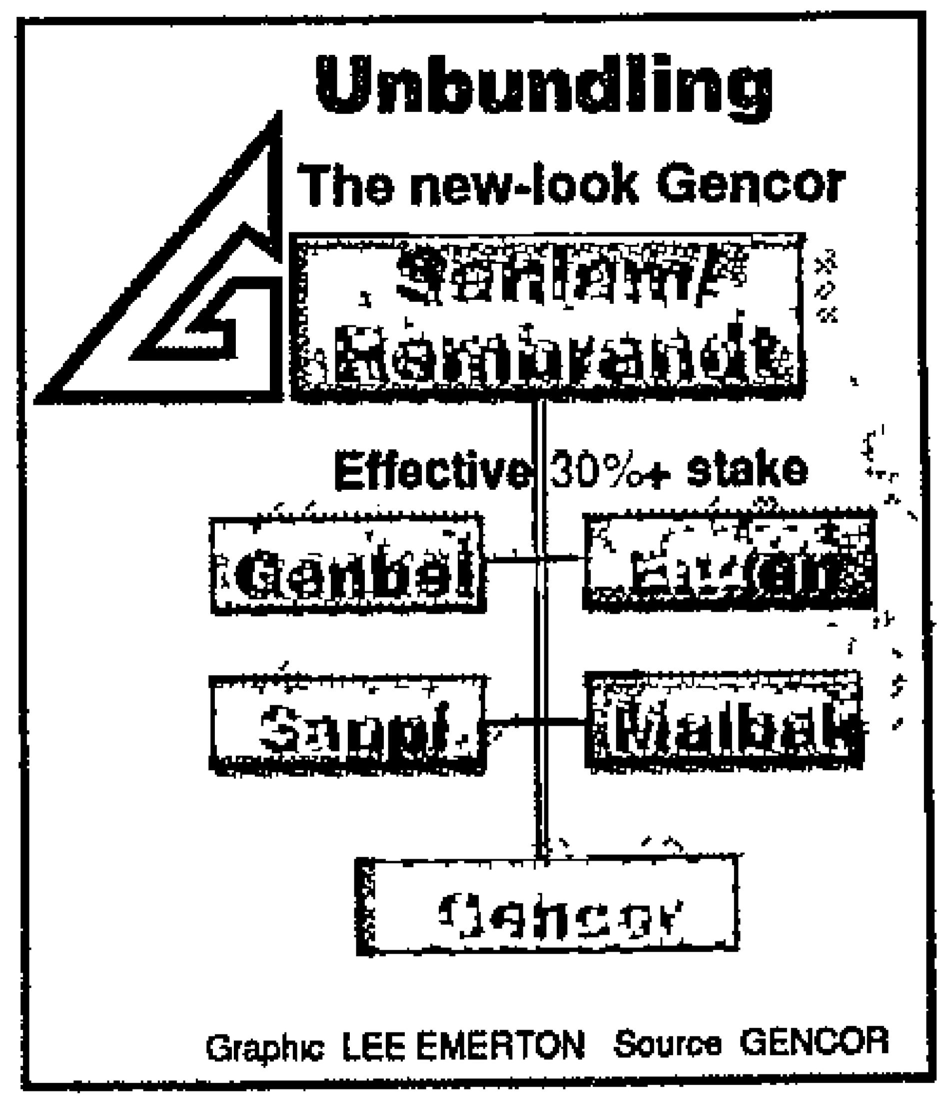
13/5/93



Graphic LEE EMERTON Source GENCOR

Gencor

13/5/93.

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with significant influence

Gencor also deserved credit for being in a position to make an offer to Shell for Billiton The acquisition would complement Gencor's moves towards mineral beneficiation in SA It would also give access to Billiton's diversified resource base, management and trading operations, which would be crucial in strengthening Gencor's resistance to the commodities cycle, once shorn of its non-mining assets.

Financing the deal remained a challenge, given that it would be done entirely offshore. Stuart said Gencor would contribute assets and look to raise a mixture of debt and equity, preferably with a wide spread of international institutions, to invest in the new Gencor/Billiton international mining business.

In contrast to raising equity from overseas investors in an SA company, the group would be selling equity in international assets at the bottom of the commodities cycle, but backed by strong management resources

Davis Borkum Hare senior partner Max Borkum said control still rested firmly with major shareholders Sanlam and Rembrandt. The issue of a special dividend to distribute Gencor shares in its non-mining assets to shareholders, and the placing of excess shares in Sappi, Engen and the other subsidiaries on the market, would prove a welcome boost to liquidity on the JSE.

Analyst Mannie Pohl said the biggest headache for Gencor in securing a deal with Billiton — which had been on the market for some time — would be agreeing on a price.

Frankel, Pollak, Vinderine analyst Peter Davey said unbundling was likely to make decision-making easier for the new Gencor board, but it was too early to judge the efficacy of the process.

Market sources welcomed chairman Brian Gilbertson's comments that he foresaw Gencor moving in line with the UK's Cadbury report recommendations for more diverse and independent representation in company boardrooms Gilbertson said the Gencor board would consist of an important representation from management, through executive directorships, outnumbered slightly by a body of independent non-executive directors. Together they should outnumber the significant representation of shareholders.

Anglo American sees no need to unbundle

BDM 13/5/93.

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After Gencor's announcement of its unbundling plan, ANGLO AMERICAN yesterday explained its views on the subject

IT IS important to understand that the major groups in SA have very different structures. While there may be some where major unbundling may make sense (provided the desired efficiency and shareholder value gains are realised), Anglo American does not believe that its current structure, which has served shareholder and national interests well both locally and internationally, requires such steps.

Anglo is not a conglomerate — a term which refers to a single firm, with a single set of shareholders, engaged in a plethora of unrelated lines of economic activity. It is a mining finance group with different levels of holding and operating companies, many of which are listed, with separate though overlapping shareholders.

Anglo has neither a controlling company nor any pyramid structures designed purely for holding purposes, and there is already an excellent market in both Anglo and De Beers shares, in both cases well over 50% being held publicly, including substantial foreign investment.

Thus the corporation continues to believe that the rationale of mining finance house has validity. At all levels in mining, industrial and commercial operations, skilled management is brought to bear, supported by specialist technical and financial inputs from the centre.

This also facilitates the provision of risk capital at acceptable rates. The combination, in sum, amounts to expert support for entrepreneurial management.

Equally, the size and strength of the group facilitates the undertaking of big, long-term and capital-intensive projects which are export oriented, add value to primary commodities and earn large amounts of essential foreign exchange.

Without the existence of the group structure, the risks and costs of such projects might be too great and some might not be undertaken. The size, strength and diverse interests of the corporation are also attractive features for overseas companies considering joint ventures and technology transfers.

The wider geographical and product diversity of the corporation, so carefully built up over the years, is calculated to lessen the effects of volatile commodity price cycles, to the long-term benefit of the shareholders, and is a marked strength when compared with the vulnerability of more narrowly focused companies to sharp falls in the prices of individual commodities.

Although large in the SA context, Anglo American is proud of the fact that it and associated companies have built or created from scratch companies whose present market capitalisation represents almost a fifth of that of all the companies listed on the JSE.

And investors have a wide choice of level and degree of business focus within the group. For example, an investor wishing to target gold could invest in Vaal Reefs, Amgold or Anglo itself, and in the industrial sector investments could be made in Highveld, Amic or Anglo.

Adjustments can and will continue to be made to the Anglo structure when circumstances alter and new opportunities arise. That such changes, for example, are being contemplated to the structure of Amic and the holding companies of Freegold is public knowledge.

Anglo American chairman Julian Ogilvie Thompson

LETTERS

May 14 1993

Gencor may pay premium to Shell

Bday 14/5/93.

(210)

MATTHEW CURTIN

GENCOR may be willing to pay over the odds for Billiton, Shell's mining and minerals division, which has a book value of $1,8bn, reports from London say.

Gencor shares rose a meagre 20c in heavy trade on the JSE yesterday, in contrast with the gold-inspired rally in leading mining stock, as the market continued to digest news of the group's unbundling and proposed acquisition of Shell's mining interests

The stock closed at R12 as nearly 1,4-million shares changed hands, the most interest investors have shown in the counter for more than a year

Chairman Brian Gilbertson reiterated that it was too early to comment on the possible size of the deal It is understood Gencor and Shell have struck a strict confidentiality agreement regarding negotiations.

The London Financial Times said "Some of the juiciest mining and metals assets which Gencor wants to buy might slip from the SA group's clutches because other companies have pre-emptive rights to them"

Billiton would have to give partners in joint ventures an opportunity to match any terms it was willing to accept from a third party

The report said much would depend on the prices Gencor was ready to offer and the group could be offering more than $1,8bn because "the move is of tremendous strategic importance to the SA group"

The Financial Times said Shell had given Gencor and its adviser London merchant bank S G Warburg 120 days to sort out what, as Gilbertson has already admitted, would be complex financing arrangements given Reserve Bank exchange control policy

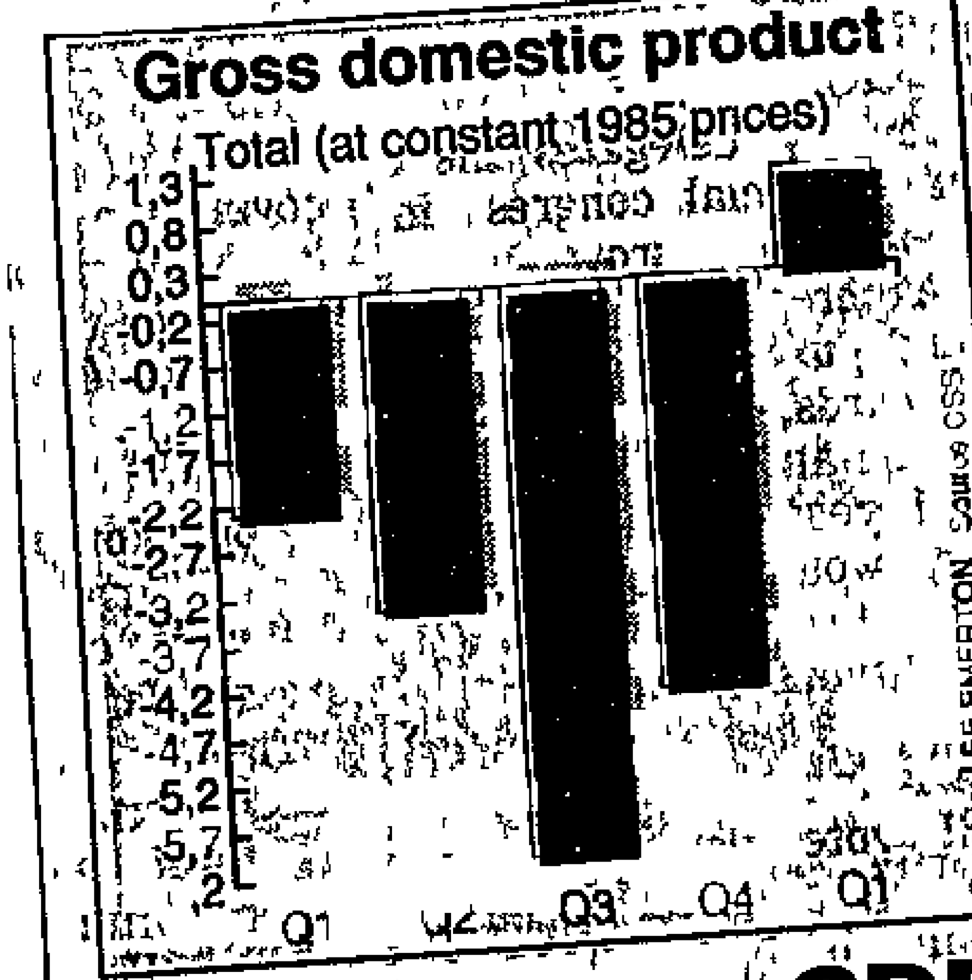
An analyst at London stockbrokers Credit Lyonnais Laing said it was rumoured Gencor could be offering up to $2bn for Billiton "While Shell has stuck with its mining interests long after most oil companies have sold out their metal sides, Billiton is not a slumbering jewel waiting to be unlocked as one could have argued was the case with RTZ and the purchase of BP Minerals"

He said Gencor would have to avoid creating a large vehicle that, "like poor old Minorco (Anglo American's offshore natural resources group), is of little interest to foreign investors and persistently sells at a large net asset value discount".

Billiton's assets include the Boddington gold mine in Western Australia, which produced 352 000oz of gold in 1992, of which it owns 30%, together with US aluminium group Reynolds Metals (40%), Australian mining group Newcrest (20%) and Kobe Aluminium Associates of Japan (10%)

The same shareholders own the associated Worsley Alumina business, while Billiton has 40% and 41,5% stakes in Brazilian aluminium producers Alumar and Valesul

The Collahuasi copper project in Chile is jointly owned by Billiton, Canadian metals group Falconbridge, and a subsidiary of Anglo American South America



First-quarter GDP hints at recovery

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TIM MARSLAND

AGRICULTURE and mining helped the economy to show growth for the first time since the third quarter of 1991, latest government figures show

The Central Statistical Service said yesterday the economy grew a seasonally adjusted real 0,8% in the three months to March, compared with a contraction of 4,3% in the last three months of 1992.

This is also only the second quarter which has shown expansion since 1989

The agriculture sector grew 53,9% as a result of the drought ending In the previous quarter, that sector shrank 64,1%

Mining also put in a stronger performance, growing at 1,1% from 0,5%.

The manufacturing sector showed a surprising turnaround, expanding at 0,3% from a previous decline of 1,2%.

Economists said it was too early to say the recession had been broken A rule of thumb for that definition was two successive quarters of growth

Nedcor Bank chief economist Edward Osborn described the figure as very good and said it pointed to expectations that there could be a degree of recovery in the current year.

BDM 14/5/93

UAL chief economist Dennis Dykes said the expansion was due to technical reasons since it was being compared with the December quarter's low base Taken on a year-on-year basis the economy showed a contraction of about 3%

Rand Merchant Bank chief economist Rudolf Gouws did not expect the performance to be repeated next quarter because higher VAT and taxes would erode real personal spending power. Stayaways would also have an effect.