OWNERSHIP & CONTROL

APRIL 1976 — SEPT. 1977

IN THE MARKETS

FM 30/4/76

Anglo broadens the base

Despite lower bullion and base metal prices, depressed industrial conditions and restricted lines of development capital, Anglo American's annual report for the year to end-December 1975 (published this week) is anything but pessimistic

And it's hats-off to those within the group who have campaigned for greater disclosure For the first time, the schedule of listed and unlisted investments details the actual shareholding in each concern Moreover, as an improvement on last year's corporate structural diagram of inter-group tie-ups, the latest drawing details the percentage relationships, complete with cross holdings

Not withstanding the growth inhibitors listed above, net profits advanced nearly 12% to R84,4m and the total payout was boosted by 4c to 33c Combined interests under the group's control rose to R5 300m (R4 600m), the book value of quoted and unquoted holdings rose by a net R69m to nearly R519m and the combined market and directors' valuation of investments topped R1 233m, producing a net worth of 874c (923c)

It is significant that while the value of gold investments was pared to 41% (59%) during the year, the income from this sector increased to 47% (44%) of total investment income To a lesser extent, diamond, industrial and financial interests — accounting for 41% (30%) of the total value of investments — also proved worthwhile holdings by contributing 43% (39%) of total investment income

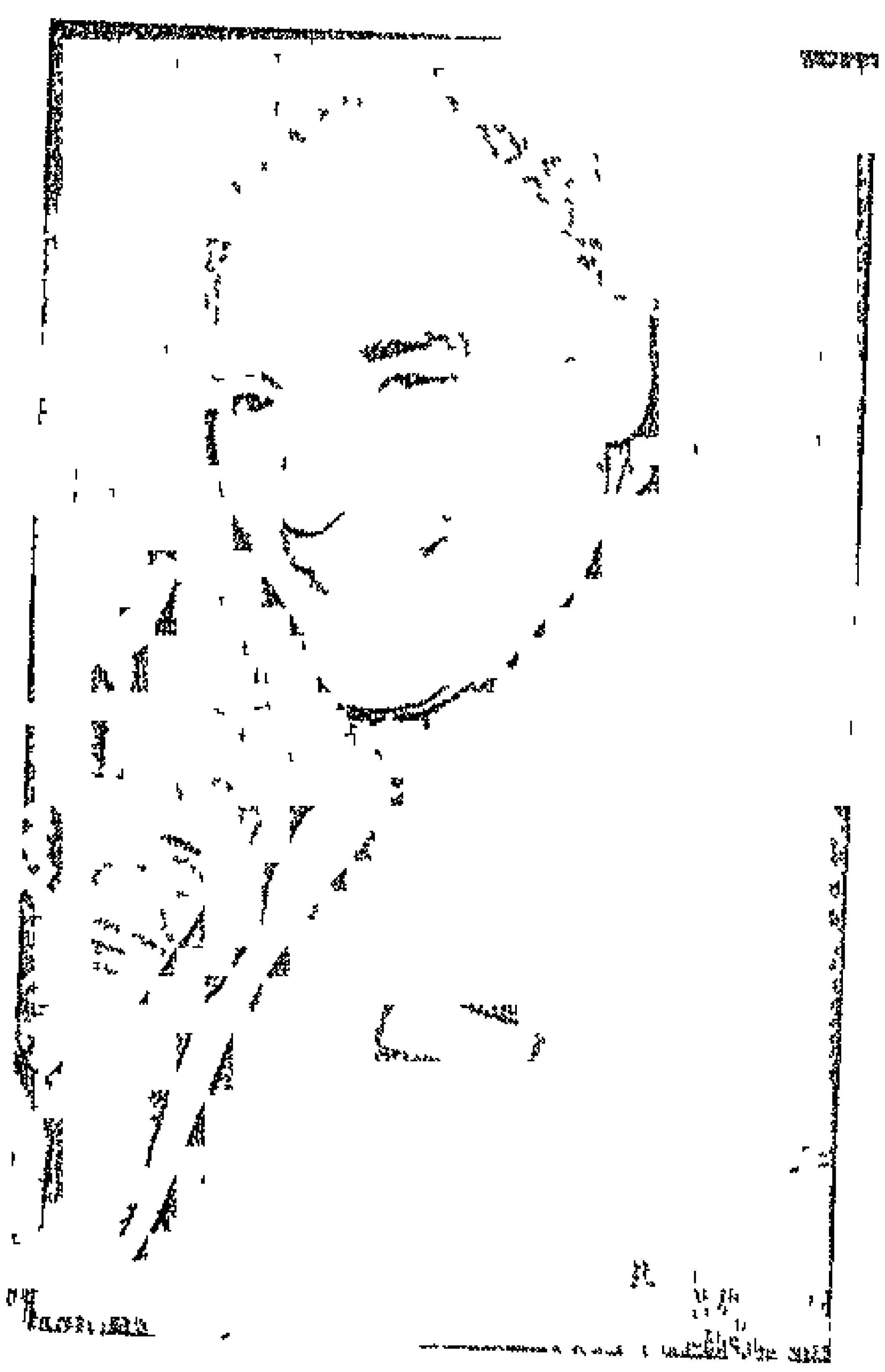
Within certain sectors of group activity there are now positive signs that improved conditions will prevail throughout the current year The directors' report relates that "in 1975, for the first time in five years, jewellery and industrial demand (for gold) showed signs of a strong recovery" And the indications of "industrial demand improving and interest in gold in the Far and Middle East emerging strongly for the first time in years" augurs well for gold's future To the extent that uranium recovery goes hand-in-glove with gold extraction, and that the market for U_3O_8 has shown steady improvement over the past 18 months, there is an added bonsella for certain of the group's bullion producers

Judging by recent base metal market advances, Anglo's copper, nickel, potash, tin, wolfram and zinc interests may prove especially bright spots in the current year For Minorco in particular (in which the group's direct and indirect interest runs to over 40%), an upturn in copper prices could have a dramatic effect not the least being a return to profitability and dividends (complete with externalisation permission) from Zambian copper producers Obviously, an improved metal market is also good for Engelhard (a major Minorco holding) whose fortunes are directly tied to metal demand

By all accounts, the formation late last year of Amcoal — an umbrella under which various group managed coal mines have been gathered — looks to have been well timed International demand for coal having dipped in mid and late 1975, is now showing modest signs of returning to a growth pattern

Diamonds of course continued to play an important role in the group's income picture (see De Beers article) and throughout the balance of the group's range of interests there were meaningful improvements to growth Rand Selection seems to have got over its digestive problems with the old Schlesinger group Amaprop, while it may be a couple of years away from making spectacular profits, appears to have turned the corner, and Highveld Steel looks to be headed for a record year after a long uphill battle

It goes without saying that exploration and research holds the key to future expansion for the group, the sharp rise from R4,4m to R7,3m in prospecting costs for the year must be an indication of things to come Research and drilling programmes already underway in Fiji, New Zealand, Rhodesia, South and South West Africa will continue, while



Harry Oppenheimer . brighter year for Anglo

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A BETTER LOOKING ANIMAL TO SELL TO THE PUBLIC

Ownership Control

Federale Volksbeleggings

Champions 100%

Federale Beleggingskorporasie 100%

Federale Nywerhede 100%

Industrial Management Portfolio

Business Categories A. B. C. Representing approximately 85% of total group assets & income

	% held		% held
* Asmar Beleggings	66,6	FVB Centre Bftn	100,0
Avis Rent-a-Car	50,1	Lambons	100,0
Bechmalt	100,0	Landom Holdings	100,0
Cape Lime	100,0	* Massey-Ferguson	30,1
Continental China	71,0	* Marine Products	49,8
* Federale Mynbou	11,9	* Phil Morkel	47,1
Federale Chemies	69,4	Raylite Holdings	19,6
*Federale Kunsmis 34,4		Sentrabou	100,0
*Sentrachem 20,0		Siemens	16,5
Fedmar	100,0	* Trek Beleggings	22,8
Federale & Volkskas Makelaars	50,0	* Trust Bank	23,9
		* Veka	26,4
Fedics Food Services	33,3	W Woods	64,1

**quoted*

Share Portfolio Investments

Business Category D Representing approximately 10% of total group assets

	% of total portfolio
Sundry gold	13,0
De Beers	5,6
Pep Stores	5,0
Anglo Alpha Cement	4,8
Rembrandt Controlling	4,6
Barlows	4,1
Amic	4,0
Calan	3,3
Safmarine	2,8
Premier Milling	2,5
Remgro	2,5
Nedsual	2,4
Protea	2,2
SA Breweries	2,2
Plate Glass	2,2
	57,2
Sundries	42,8
	100,0

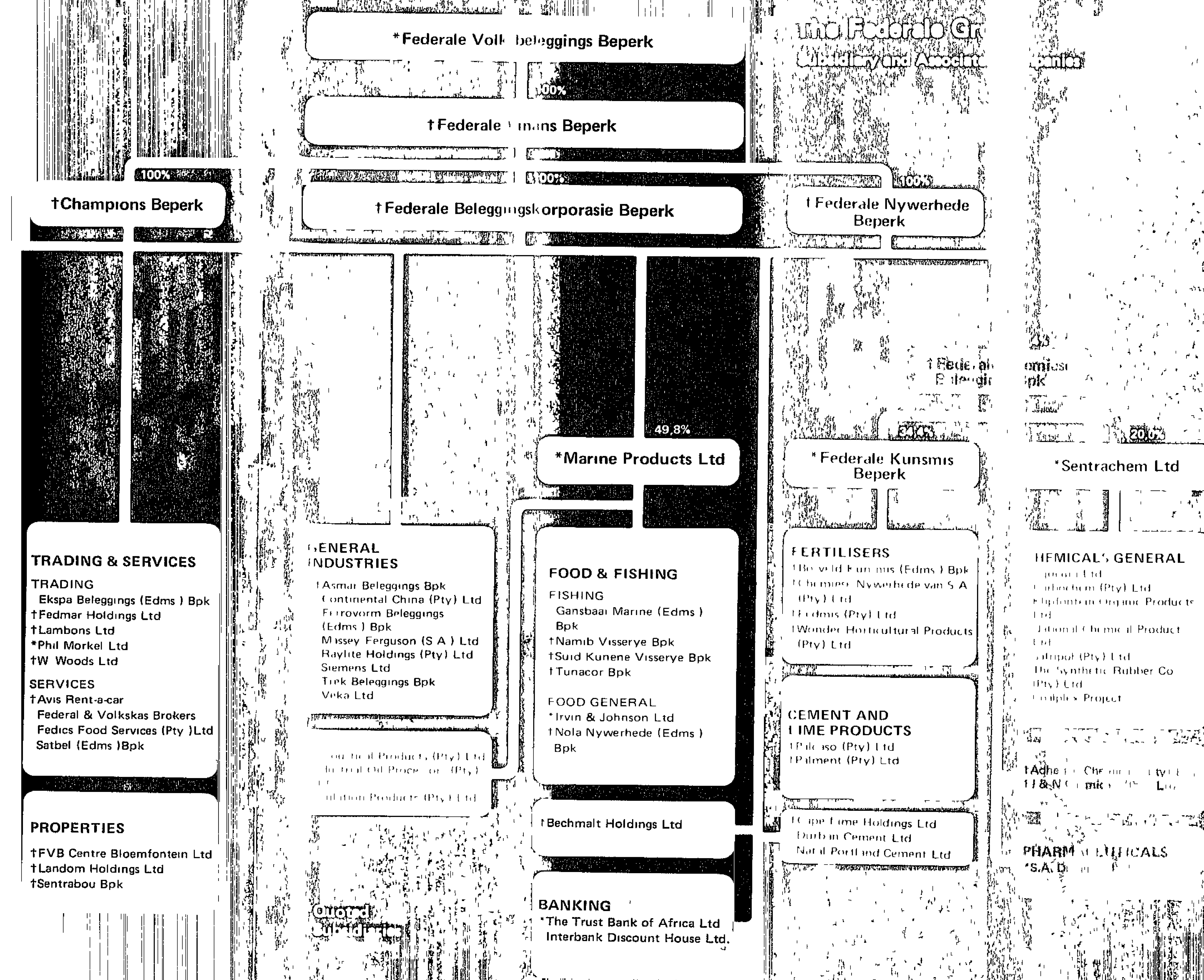
Sundry Investments

Business Category E Representing approximately 5% of total group assets

Fixed assets (including motor vehicles, furniture & fittings & office equipment)

Sundry loans, shares & debentures

Current assets (including debtors, loan levy & pre-payments)


*Federale Volk beleggings Beperk
100%
†Federale ` mans Beperk
100%
†Champions Beperk
100%
†Federale Beleggingskorporasie Beperk
100%
†Federale Nywerhede Beperk
49,8%
*Marine Products Ltd
*Federale Kunsmis Beperk
*Sentrachem Ltd
20,0%
TRADING & SERVICES
TRADING
Ekspa Beleggings (Edms) Bpk
†Fedmar Holdings Ltd
†Lambons Ltd
*Phil Morkel Ltd
†W Woods Ltd
SERVICES
†Avis Rent-a-car
Federal & Volkskas Brokers
Fedics Food Services (Pty)Ltd
Satbel (Edms)Bpk
PROPERTIES
†FVB Centre Bloemfontein Ltd
†Landom Holdings Ltd
†Sentrabou Bpk
GENERAL INDUSTRIES
†Asmar Beleggings Bpk
Continental China (Pty) Ltd
Ferrovorm Beleggings (Edms) Bpk
Massey Ferguson (S A) Ltd
Raylite Holdings (Pty) Ltd
Siemens Ltd
Tink Beleggings Bpk
Veka Ltd
FOOD & FISHING
FISHING
Gansbaai Marine (Edms) Bpk
†Namib Visserye Bpk
†Suid Kunene Visserye Bpk
†Tunacor Bpk
FOOD GENERAL
*Irvin & Johnson Ltd
†Nola Nywerhede (Edms) Bpk
†Bechmalt Holdings Ltd
BANKING
*The Trust Bank of Africa Ltd
Interbank Discount House Ltd.
FERTILISERS
†Wonder Horticultural Products (Pty) Ltd
CEMENT AND LIME PRODUCTS
†Pilment (Pty) Ltd
Cape Lime Holdings Ltd
Durban Cement Ltd
Natal Portland Cement Ltd
CHEMICALS GENERAL
The Synthetic Rubber Co (Pty) Ltd

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Barlow Rand

FIN MAIL 19/11/76

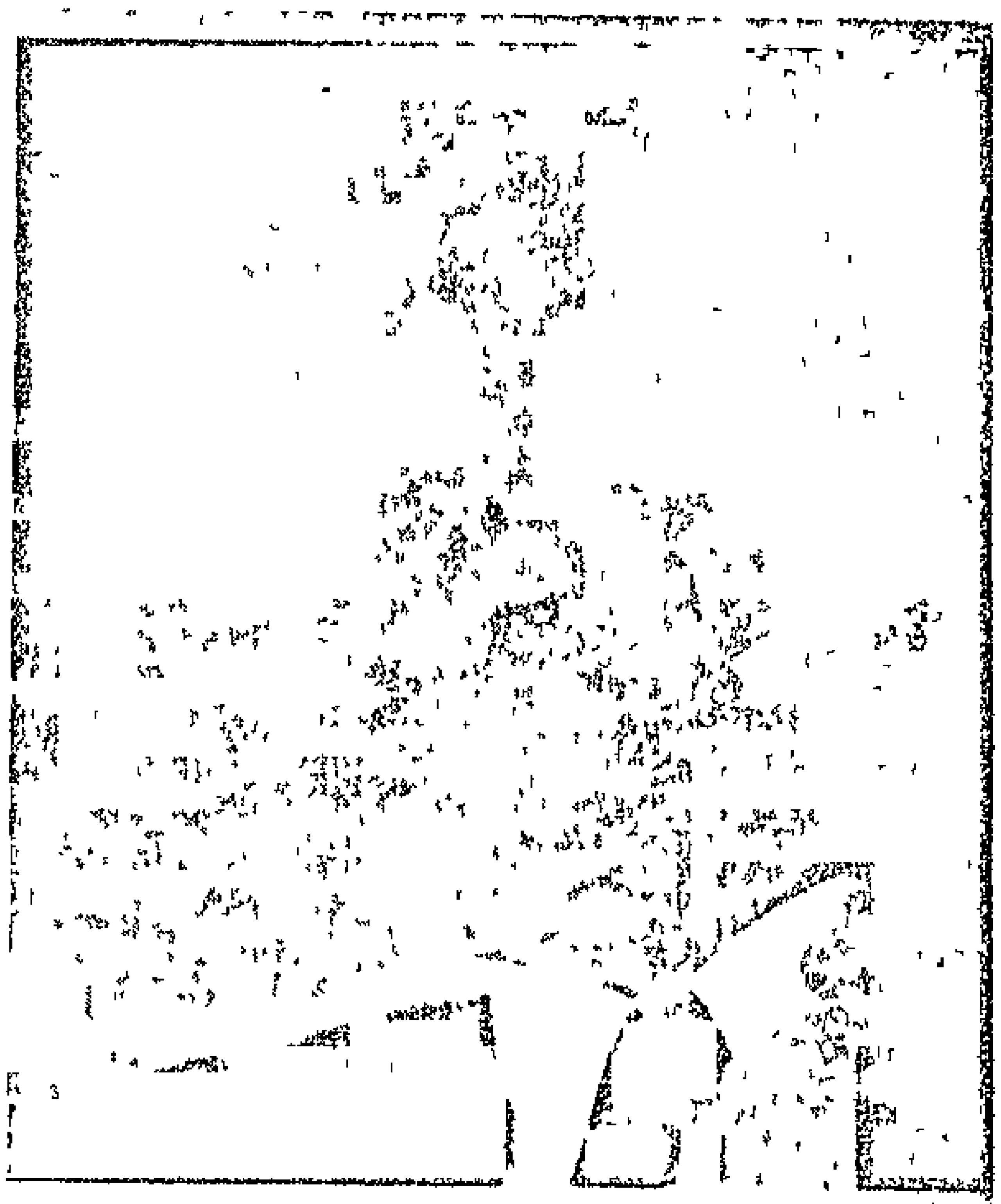
The Barlow Rand preliminary results showing an 11% growth in earnings to 72c have on the whole been favourably received. Management has demonstrated that, despite tough trading conditions, it has been able to increase both profits and margins across its widely diversified interests.

By deconsolidating the 59% subsidiary, TC Land, a clearer view of the trading operations can be obtained. Here, an 18% increase at the pre-tax level on a 13% turnover rise translates into 0,5% increase in margins to 11,5%. Though this might look small, it is significant in a group with a turnover of R1 000m.

No doubt the concentration on asset and cash management has made an important contribution to keeping costs in check and I expect the balance sheet, due in early December, to show Barlow to be in good financial shape.

However, the rate of growth of non-mining profits appears to have slowed somewhat in the second half, despite a strong export performance by Middelburg Steel and three boom months of television sales. Steel distribution (Robor) and building materials (Federated Timbers) must have felt the pinch in the second half.

At the group pre-tax level, a strong performance by TC Land helped push profits up 26% to R141m. The group is fortunate in these times to have a major area of investment from which it can expect extremely rapid growth. In the past year, TC Land contributed approximately 11% of the net attributable profits and in the current year this could increase to 18%.



Barlow's Barlow . . . counting on coal this year

Although TC Land posted a 34% increase in earnings over the past year, the big push should come through in the current year as its 70% subsidiary Witbank Colls will reap the benefits of the coal price rise for a full year. Witbank should generate profit in the region of R30m in the current year compared to R13,6m in the year ended September 30.

FIN. MAIL 21/1/77 (236)

Anglo on the march

Anglo's HFO .. big is better and brighter

The proposed merger of Anglo American and Rand Selection on a two-for-one share basis heralds an important simplification of the complex control superstructure of the Anglo group As a consequence of the deal, the lines of control between De Beers and Anglo will be simplified, with each effectively controlling the other. De Beers and Anglo will now be twin supporting pillars and the importance of the erstwhile third leg, Charter, will be diminished.

Anamint, which holds 26% of De Beers, will become a subsidiary of the enlarged Anglo, while De Beers will have a direct holding back into Anglo of at least 24%, though this figure could escalate as high as 28%, depending on the outcome of the contemplated rights issue in Rand Selection The proposal is for De Beers to underwrite a 25-for-100 rights issue at 800c a share, the level to which the market price was run up to, prior to the suspension

As Anglo is likely to pass on its rights to the 17% of RSL it already owns, De Beers is in for 60% of the rights issue already. This means that De Beers' minimum new cash investment in the enlarged Anglo will be R48m, while it is theoretically liable for the maximum of R80m

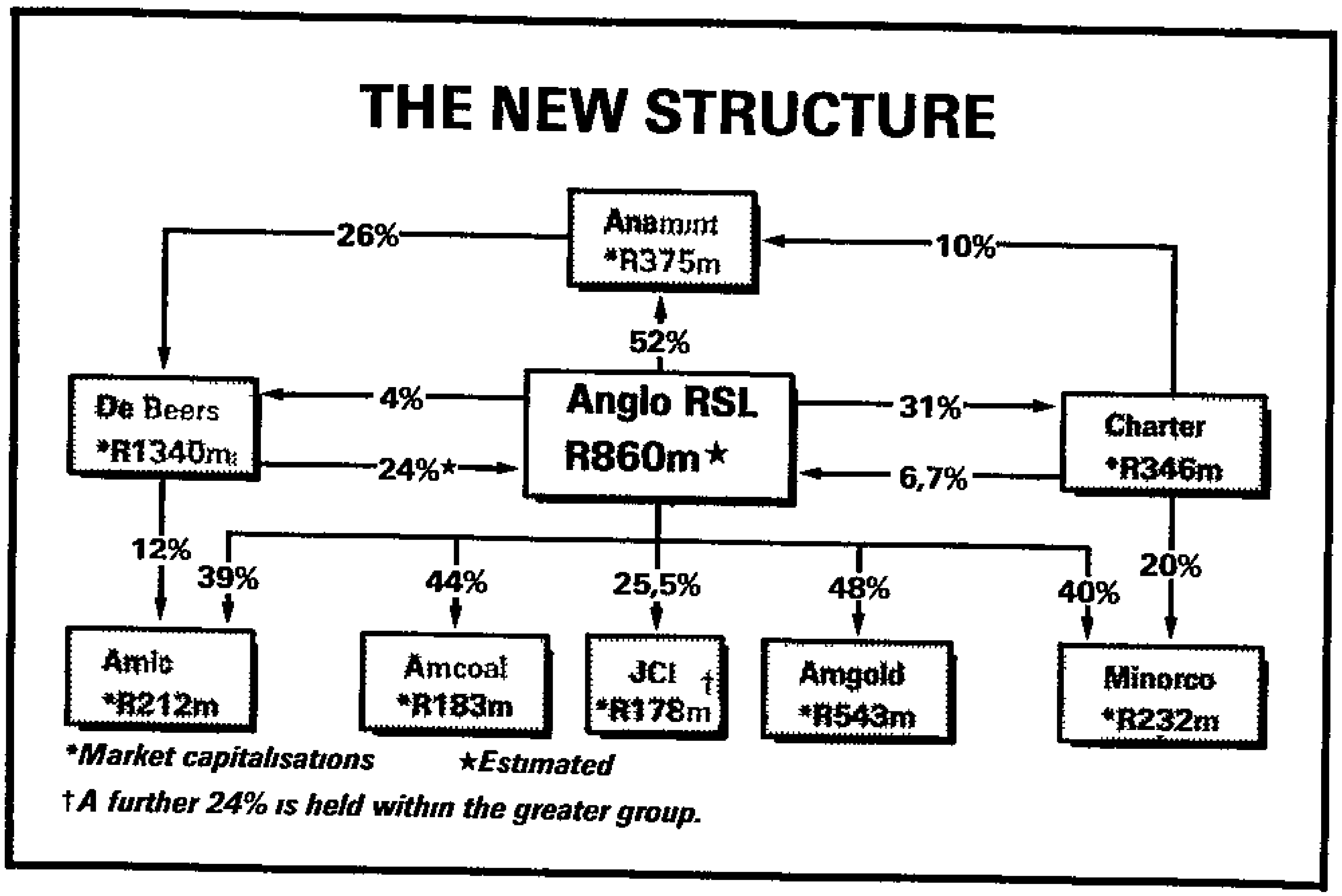
Assuming that the existing cross-holdings between Anglo and RSL are eliminated after the acquisition, the enlarged Anglo should have approximately 212m shares in issue and net assets of around R1 700m. The actual physical size of the group is seen by Harry Oppenheimer as a real benefit, particularly in enhancing its ability to compete with other international giants.

Few, I think, will lament the passing of RSL. The attempt to establish for itself a separate identity by the acquisition of the Schlesinger Group, rather than the rather pale mirror image that it presented up until then, misfired badly Anglo is insisting though, that RSL raise R80m of new money to repay its short-term borrowings to it, redeem its own R30m of preference shares and provide for its envisaged commitments. Though it might be considered academic whether the rights issue is held before or after the merger, existing Anglo shareholders are spared the prospect of investing new money

Short of money, mainly as a result of its inherited property commitments, RSL would have found it difficult to exercise its participation rights to a third of new business that Anglo retained for itself. One of the original purposes behind the participation companies was to allow Anglo to increase the size of the capital base at its disposal for new ventures. Now the wheel has turned full circle, in that it is now more beneficial to have a larger asset platform in Anglo itself

This argument can also be advanced to promote a merger of the group's international holding companies into a separate entity, for it is in the international arena where size really is of prime importance However, putting Minorco, Charter and perhaps Amcan, together could be severely complicated by Charter's UK base, and though this scenario has more than crossed Anglo's mind, the practical problems seem insurmountable at this stage

The merging of Anglo and RSL will bring together numerous parallel holdings, the most important of which are outined in the chart Beside having Anamint as a subsidiary, Charter, Amic, Minorco, Amcoal and Amgold (in ascending order of percentage holdings)



**Market capitalisations* ★*Estimated*
†*A further 24% is held within the greater group.*

will become 30%-plus associates, and the time cannot be far off when Anglo will be considering equity accounting these associates.

The African Eagle Life company will become a 75% subsidiary of the top company and, though it might complicate the balance sheet, Oppenheimer believes that this is logically the right place for it Long range, he still believes it a very desirable thing to have a life assurance company and it would not surprise me if SA Eagle's minority interest were also absorbed at some stage.

The rights issue in RSL at 800c a share is hardly calculated to entice shareholders to follow their rights. However, I would advise them to look on the rights, in effect, as buying Anglo shares at 400c. The onus as to whether RSL shareholders will suffer a dilution of their investment is on them, not on Anglo shareholders — for the new RSL shares are being issued at roughly half asset value.

This also explains why De Beers is quite happy to underwrite the issue For in one easy move it is able to invest at least R50m of its ample cash reserves to consolidate its "control" over the most desirable asset in the country, at approximately half its disclosed asset value and on a 8,3% dividend yield.

An initial assessment of the deals' merits as far as shareholders are concerned, is that even though Anglo is not making it painless for RSL shareholders, it is by no means being ungenerous On assets and dividend considerations the ratio looks fair

Although the Anglo share market might suffer from temporary indigestion, the sharper profile that the group will present, and the feeling that the group is once again on the move, should counterbalance this, and I expect an active market to develop in RSL rights once they are listed *Richard Stuart*

Randfontein's U

Randfontein's formal uranium supply contracts, announced this week, decisively dispose of the suggestion a month ago (also see *Fox*, December 31) that the company was unable to pin down its customers But the agreements now reached have been so well signalled that despite its obviously bullish implications, the news had little impact on the share price, which opened a shade harder on Wednesday at 4 000c before fading back to the overnight price of 3 925c

The uranium customer has agreed to finance part of the R145m expansion programme with an interest-free loan of R90m, "repayable over an extended period" Though the announcement doesn't say so, the repayment basis is believed to be through free deliveries of uranium oxide for 20% of the contract, which has been the case with other contracts. With the base price probably around \$35 per lb, this translates into an effective price of about \$28/lb

Randfontein is to build up to annual output of 900 t (just under 2m lbs) so on this basis uranium revenue would be about \$70m (R60,8m) and about R12,2m per year would be available for loan redemption The profit margin on uranium sales would then be up to R20/lb, or R40m per year

What the gold grade will be when Randfontein's capacity reaches 250 000 tpm is anyone's guess at this stage, but the latest indications are that the grade around key No 2 shaft could be nearer 8-9 g/t than the 6 g/t originally expected In the latest quarter, grade has been held at 18,5 g/t despite rumours that a much higher figure could be expected

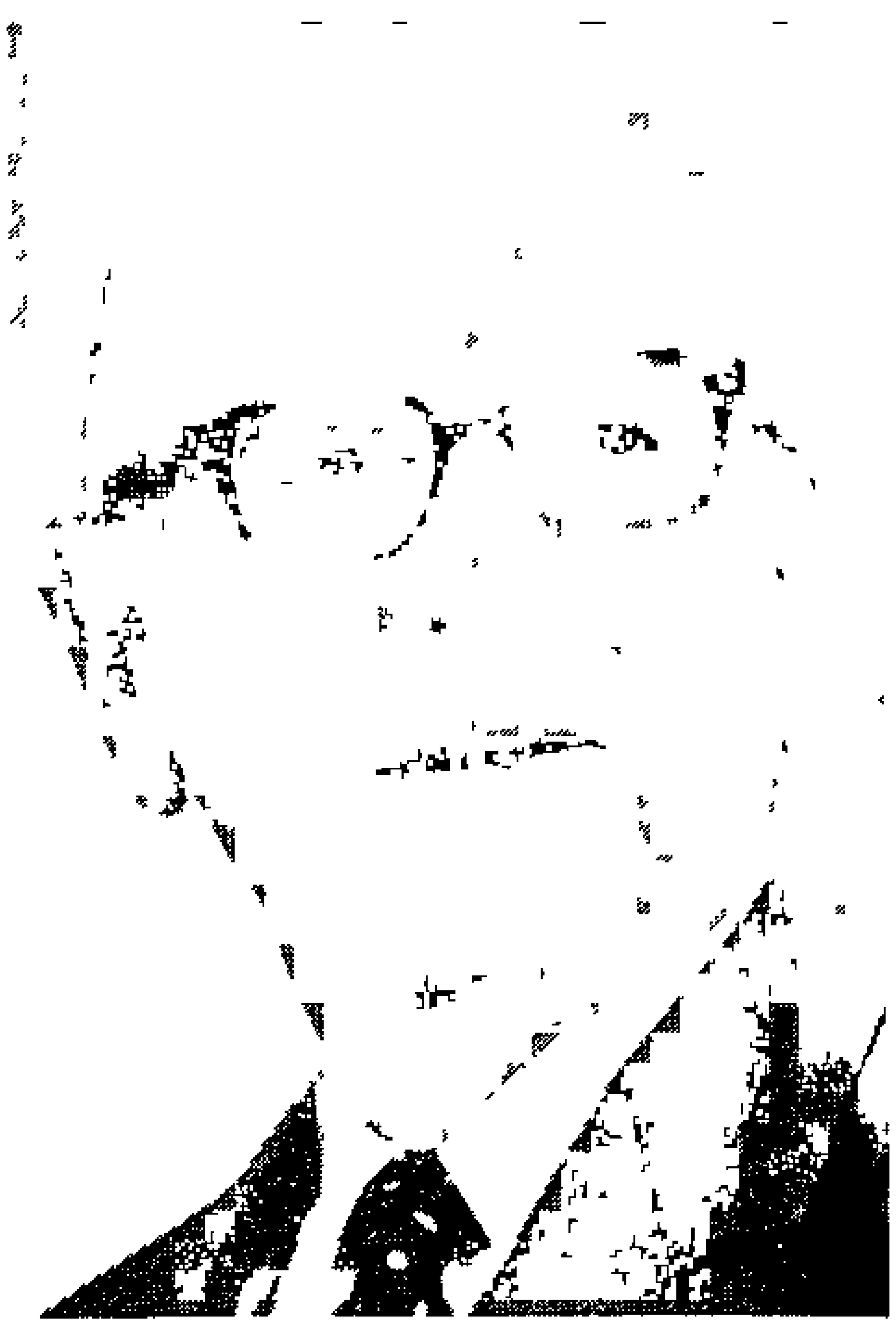
It would not be surprising if the gold grade does improve during the next two years when capital commitments are at their peak and Randfontein has to finance the balance of R55m needed for its expansion programme

This possibility may be behind the interesting sentence in this week's announcement, which records that "profit retentions are not expected to have an unduly inhibiting effect on dividend distributions during the expansion period"

Richard Rolfe

Everite

Late 1977 was the date put by the company last September in its annual report for a revival in the building trade on which it so heavily relies Conditions in the building industry have since, of course, worsened, and there are few, if any, optimists around, even for a revival towards the end of this year



Everite's Schmidheiny waiting for the building tide to turn

And Everite shows the scars of a rough and tough inflationary period in its half-time figures to end-December. Money-turnover is down by 3,8% to R25,4m (R26,4m), despite an earlier price rise in asbestos-cement products granted by the Price Controller, so that the admitted downturn in volume becomes even more significant As it is, pre-tax profits have dropped by about 25% on the half-year to only 15,8% (20,4%) of turnover and, with the tax bill this time, for the six months, at 46,4% compared with a previous 44,4%, and 45,6% for 1975-1976, the company has not made any headway, despite its efficiency

The big "saving", however, came from a massive fall on the half-year to a mere R30 000 (R505 000) in the currency loss provision, so that equity earnings were left at 13,1c, down by just under 15% on the previous similar period

Everite's board expects that the remainder of the year will follow a similar pattern to the first half, so that a 15% fall in last year's overall earnings would produce earnings of around 28c-29c a share — enough to repeat last year's total 15c via a final of 9,5c, though the cover will inevitably be reduced

The shares now 165c to yield a prospective 9,1%, are widely held, with SA

TEAL/GALLO

It would seem apt in the last chapters of the saga of Gallo's take-over of Teal to mention both the details leading up to the deal, and how the new amalgamated company will work

The deal originated in the early part of last year, when Teal's franchise with RCA had expired and, instead of renewing it, RCA indicated its desire to form its own company in SA to buy out the music interests from Lonrho Teal chairman Gerald McGrath would have joined the new company The deal had virtually been tied up when the outbreak of the riots upset the apple cart and RCA decided to defer its proposed investment in SA

With the rapidly changing face of the music business, Lonrho was obviously interested in selling the part of its holding in Teal which did not fit in with its industrial and mining interests. At this stage, Gallo heard of the proposed deal between RCA and McGrath, and deduced that Lonrho would probably be interested in an offer, as indeed Lonrho was

Contrary to current rumours, McGrath was aware that the future of Teal looked uncertain but did not know of Gallo's bid, so the story that McGrath and Gallo got together and then approached Lonrho is totally incorrect, say both Barry Sinclair, Gallo's financial director, and McGrath

It was only when Gallo had completed its deal with Lonrho that Gallo and McGrath came to their separate arrangement, whereby Gallo arranged to sell half of Teal to McGrath for half the R1,2m it had paid Lonrho This way both McGrath and Gallo are happy with the deal Others, however, wonder that it was not conducted at arms length

Gallo is acquiring McGrath's expertise, as well as on-going franchises with guarantees of valuable throughput throughout its infrastructure

Lonrho, for its part, is being generous to Teal's minority shareholders in buying them out at 125c (they were suspended at 75c), although net asset value even covered the 7,5c dividend Lonrho, in being left with the foreign earnings, is locked into both Rhodesia and Zambia

SUNDAY TIMES, Business Times, January 30, 1977.

HOLLARD STREET

Small clue helps trace Anglo's interests

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By IAN MORGAN

FERMAIN, Petard, Taurus, Resident, Dido and Security are names unknown to the general public and to the investing public. They are, nevertheless, six of the largest nominee companies in South Africa and are the lynchpins in the complex network of Anglo American shareholdings.

The companies are the means by which Anglo, at present the second-largest company in terms of the Sunday Times' listing of total assets (R1 030 597 000 versus De Beers' R1 217 849 000), will become the largest company after it completes its Rand Selection takeover, and the means by which it could become larger still

Tracing Anglo's interests in different public companies is complicate by the vast number of nominee and holding companies that the group uses An Anglo spokesman last week said of these companies "There must be thousands", although this is perhaps overstating the case

Most of the nominee companies have one thing in common — the address, PO Box 61587 Marshalltown The remainder and most of the Oppenheimer holding companies, use Anglo's city address, 44 Main Street

Without this clue, searching Anglo American interests from share registers would be practically impossible, and the table setting out the group's interests in public companies listed on the JSE would have been much harder to compile As it is, only the main nominee companies — Fermain, Petard, Taurus, Resident, Dido and Security — are listed together with Anglo itself All of the companies are public companies, all are based at Anglo and are used as nominees

Edited by

Jeremy Woods

There are two overseas connections through which the Anglo group controls a shares The first stems from an address in London, 40 Holburn Viaduct, which is the headquarters of Anglo's overseas operations The second,— the French (or Rothschild) connection, is based at 52 Avenue Champs Elysees, Paris

Anglo also uses Standard Bank Nominees as a means of holding scrip and to a lesser extent Volkskas Gernominees The difficulty in tracing shareholdings Randsel would probably be the first and last

The market still thinks differently, both in Johannesburg and London, where rumours of a bid for De Beers were stimulating turnover in the stock During December quarter De Beers was the most actively traded stock both in terms of volume and value, with 1 995 000 shares changing hands worth R6 445 000

Anglo shares were themselves heavily traded during the quarter, rating fourth in terms of value (R2 294 000) and tenth in terms of volume (597 000 shares) Unlike De Beers, Anglo managed to gain in price over the period, with a 7,1 per cent increase

After the Randsel takeover, the combined Anglo-Randsel, with assets totalling R1 974 026 000, will be bigger than De Beers by more than a third, and more than twice as large as Breweries,

The net effect of the Randsel takeover and rights issue will be up to R80- pitched very close to the market price, there is little doubt that the underwriters, De Beers, will be called upon to take up a large proportion, if not all, of the issue

This should substantially dent the R187-million that De Beers had in cash reserves at the date of its last balance sheet

A look at a chart of Anglo's interests shows that, there are a number of other "mirrors" that could be consolidated, among them Charter Consolidated, African and European Investment Co and Anglo American Investment Trust The far-flung Anglo industrial and commercial holdings are also in need of tidying up, especially since Anglo's move into Sigma and the car manufacturing industry This in itself could provide the stimulus for change, with two possible candidates for consolidation being Anglo American Industrial Corporation and First Union General Investment Trust.

Sunday Times
30/1/77

through this connection is that a vast number of other institutions also prefer to make use of the the anonymity that the banks' services provide

There is little doubt that the market's sudden interest in the Anglo group — brought about by the Randsel takeover an announcement — will continue for the remainder of this quarter As was mooted in last week's Business Times, JCI is still a prime takeover, albeit long term through Randsel, and another candidate almost equally as large has emerged in SA Breweries

By gaining control of Randsel, Anglo will also obtain Randsel's 4,2-million share stake in Breweries (out of a total issued capital of 33 309 604 shares). During the last quarter, according to Sunday Times figures just released, Breweries was the second most actively traded stock in terms of volume (1 957 000 shares), and the sixth most active in terms of value (R1 682 000)

Whether Anglo will respond to the market's expectations is a different matter. According to an Anglo spokesman who cited the chairman's comment that Anglo would only take over companies that were a mirror of itself, there would not be a spate of takeovers — million in free cash from De Beers will shift into Anglo as permanent capital, while De Beers will emerge as a significantly stronger holder of Anglo American.

The R80-million that Rand Selection receives will cover R50-million that Anglo has advanced it in short-term loans, plus R30-million worth of preference shares that are outstanding These are held by Anglo group companies

Because the rights issue will be most unattractive in that the chairman of Anglo, Harry Oppenheimer, has indicated that the price will be

Anglo has demonstrated its "consolidation thinking" in the past with the formation of Amgold and Amcoal. The market has responded favourably to these two groups with Amgold recording a 19 per cent price increase in the December quarter, and Amcoal achieving a 13,4 per cent gain

Two other industries that could come in for this group treatment are platinum — the Randsel takeover will increase Anglo's interest in the metal considerably — and uranium, now that the product has found sudden profitability

Company	Issued share capital	PERCENTAGE OWNERSHIP Anglo	Fermain	Petard	Taurus	Resident	Dido	Security	Total
1 AE & CI	86 686 000		1,15			1,47			2,62
2 Afrik Lease	2 200 000					9,1			9,1
3 Amal Coll	3 110 000	68,2				2,06	1,42		71,68
4 Anglo Am Corp	131 630 000		6,88	1,82		8,63		3,68	21,01
5 A A Gold Inv	21 952 000		5,67	8,79	2,95	2,49			19,9
6 A A Ind Corp	24 632 000	6,20	8,16	7,06	9,13	10,60	8,97		50,12
7 A A Inv Trust	10 000 000	32,54	2,72		0,58	0,57			36,41
8 A A Props	20 792 000		14,70	9,96	9,96	17,90	9,96		62,48
9 Apex Mines	1 950 000		0,91			10,16			11,07
10 Barlow Rand	98 520 000		3,22	1,20		2,53			6,95
11 Botsw Rst Ltd	17 979 000		8,34	8,34	7,80	5,32			29,80
12 Bracken Mines	14 000 000		2,50						2,50
13 Buffelsf GM	11 000 000		9,25	8,83		10,9			28,98
14 Charter Cons	40 123 000		27,00			27,53	26,70	12,50	93,73
15 Chem Hold	1 684 000		6,94			10,60			17,54
16 De Beers Cons	356 860 000		0,85			2,86		0,86	4,57
17 De Beers Ind	11 000 000		9,09	9,09		4,39	8,94		31,51
18 Deelkraal GM	28 000 000		5,36	0,20		1,66			7,22
19 Doornfontein	9 828 000		2,68			1,51			4,19
20 East Dagga	13 500 000		6,71			3,67			10,38
21 East Drie	50 576 000		3,05	5,98		4,87			13,90
22 Elsburg GM	30 203 000		3,17			8,72			11,89
23 First Union	62 100 000		5,60	5,02		6,17			16,79
24 FS Geduld	10 000 000		4,46			6,19			10,62
25 FS Saaiplaas	28 100 000		7,68	7,82	8,64	10,55			58,83
26 GFSA	16 208 000					3,38			3,38
27 Harmony GM	26 884 000		2,53						2,53
28 Hartebeestf	11 200 000		1,53	1,43	1,74	2,62			7,32
29 Hiveld	56 877 000	6,00	9,40	9,80	11,000	9,70	9,70		55,60
30 Huletts C Ltd	30 600 000					1,57			1,57
31 JCI	7 105 500		1,41	10,70		34,80			46,91
32 Kloof GM	30 024 000					8,83			8,83
33 LTA	5 321 000	10,7							10,70
34 Leslie GM	12 800 000		2,80						2,80
35 Libanon GM	7 937 000		0,93			1,02			1,95
36 Loraine GM	16 066 000		8,54	7,41		3,87			19,82
37 Lyd Plat	15 000 000					2,28			2,28
38 McCarthy Rod	14 178 000		7,03	4,64	9,50	6,17			27,34
39 Messina (Tvl)	10 850 000	9,22				2,87			2,87
40 Metals & Mins	6 904 000	0,53				13,81			13,81
41 Mins & Res	31 668 000	12,10			1,14			9,77	23,90
42 Nat Ammonium	734 000		0,68			9,76			10,44
43 Nat Anthracite	4 000 000		2,30		8,50	6,20	2,60		21,90
44 Natal Coal Ex	5 000 000	7,22	6,14			6,95	1,58		21,89
45 Nedb, Syfrets	85 860 000		1,42			1,58			3,00
46 New Cent Wits	1 766 000					14,10	2,38		16,93
47 Pres Brand GM	14 040 000		3,76	4,97	6,60	3,46			18,79
48 Pres Steyn GM	15 000 000		8,77	6,93		8,24	1,51		24,91
49 Rand Selection	41 744 000	3,00	8,24	9,57	9,30	9,73	8,10		47,94
50 Ropes & Matt	9 701 000					9,04			9,04
51 St Helena GM	9 625 000		6,60			1,08			7,68
52 Sea Diam Corp	14 310 000					76,83			76,83
53 SA Land & Exp	3 300 000	6,33				8,32			14,65
54 SA T'ships	4 800 000	2,83	2,63			17,00			22,52
55 Southvaal	26 000 000		8,84	7,15	7,42	10,41	8,67		51,33
56 Stannic	33 291 000					1,68			1,68
57 Stew & Lloyds	22 510 000					11,5			11,5
58 TV & Electrical	12 960 000					4,78			4,78
59 Tongaat Group	16 287 000		4,01	1,26	6,83	7,08			19,18
60 Toyota	4 321 250	1,55							1,55
61 UC Investments	19 500 000					4,15			4,15
62 Union Plat	45 700 000			8,80	3,69	4,07	9,00		25,66
63 Union Steel	29 090 000		6,86			6,51			13,37
64 Vereeniging Est	2 750 000		7,81			6,43	0,67		14,93
65 Vierf Colliery	4 000 000						0,89		0,89
66 Vryheid Cor	9 632 000		0,65			2,75	1,28		4,68
67 Waterval Plat	37 120 000					6,63			6,63
68 Welkom GM	13 500 000			7,09	2,23	0,70	0,62		10,64
69 Western Areas	40 306 000		4,05			2,00			6,05
70 Western Deep	25 000 000		9,46	9,45	9,84	9,37	2,34	0,43	0,89
71 Western Hldgs	7 496 000	2,16	7,70		4,83	3,90			18,59
72 Winkelhaak	12 000 000		7,80						7,80
73 Witbank Coll	1 540 000		3,81			2,76			3,57
74 Wits Deep	1 400 000					2,17			2,17
75 Zandpan GM	13 020 000		6,27			3,22			9,49
76 Zanguin Coll						52,77			52,77

F.IN. MAIL 1/4/77

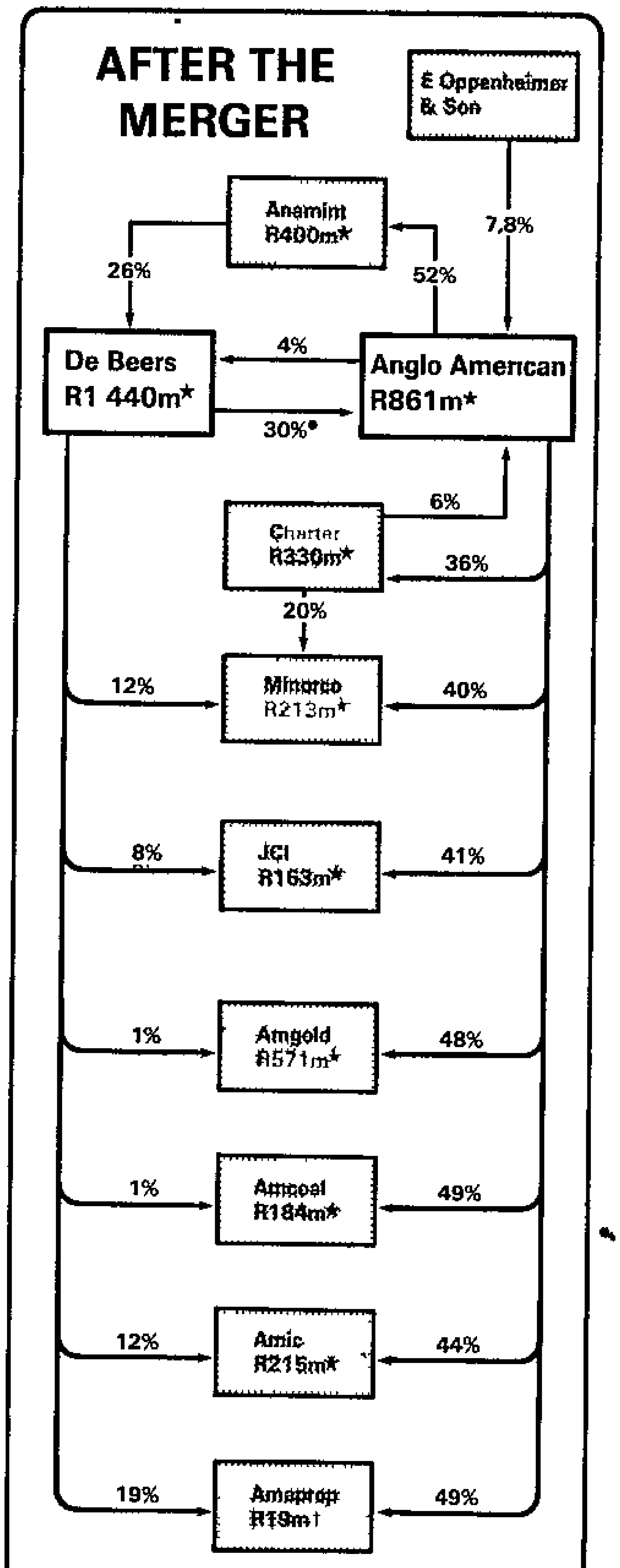
(236)

fox

Anglo-RSL deal: hullo, Johnnies!

An important new dimension to the Anglo-Rand Selection (RSL) merger has been revealed in the full documents, issued this week Instead of cancelling the 11,3m shares that RSL would have owned in its parent, Anglo American, these shares are now to be swopped with the family company E Oppenheimer & Son, for its 5m Charter, and with De Beers for a package of Charter and JCI shares that it already owned

This swop serves four very useful purposes It brings the group's shareholding in JCI out of the twilight, offsets some of the dilution of the family's holding in Anglo, tightens De Beers' grip on Anglo and increases the total size of the combined group



• *Maximum holding could be 33,5%*

**Market capitalisations*

† *Market value of voting capital*

Up until now, the group has never officially owned up to having more than 25,5% of JCI though it has been widely known that its total interest has been only a fraction under 50% The missing shares have been tucked away in De Beers all these years and never been disclosed as one of its major investments

De Beers has now swopped all its Charter plus 870 000 JCI for 7,3m extra Anglo shares As can be seen from the chart, the effect of these realignments of group holdings is that JCI becomes 41% owned by Anglo, with a further 8% still in De Beers' hands, while Charter becomes 36% owned by Anglo

E Oppenheimer & Son owned 13,3m shares in Anglo pre-merger and stood to see its percentage holding diluted from 10% to 6% The effect of switching its Charter for Anglo is that the family's holding will now only be diluted to 7,8% — their 17,3m shares of the total 223m that will be in issue are currently worth R69m in market terms (see also following story)

As far as De Beers is concerned, by concentrating its Charter and JCI shares into Anglos, it strengthens its hold on Anglo to at least 30% This could rise by as much as another 3% depending on the outcome of the rights issue which it is underwriting for a fee of 1,5% (against Anglo's usual 2,5%) on the full R80m involved

One of the prime objects of the merger has been to establish a large asset base From its present 132m share capital, Anglo will issue a total of 91m new shares, 21m of which are to accommodate the RSL rights issue This will leave the new Anglo with 223m shares in issue, each with a net worth of 787c

An interesting aspect that has emerged from this document is that prior to the merger De Beers owned 49% of RSL as against the last published figure of 40% This indicates that De Beers bought the bulk of the Schlesinger family shareholding in RSL when connections between the parties were severed last year

There can be little doubt that RSL shareholders are getting a very fair deal Their asset values and dividends remain virtually unchanged, while Anglo shareholders are going to have to accept an initial 11% dilution in earnings from 65c to 58c Thus historically the group would have earned at least R129m in 1976 But with the year-end to be extended to March 31 next, which will confuse matters in this initial 15-month period, no forecast for 1977 is provided

The dividend payments are to be rescheduled and the group intends paying an interim of 12c in November and a final dividend of at least 21c in March next year To compensate for the three month delay, present Anglo (but not

Harry Oppenheimer . . . putting it all together

RSL) shareholders will receive an additional 8,25c (one quarter of the annual payout)

After being out of line with each other for most of the time since the merger was originally mooted, the shares have now moved close to the proposed ratio of two to one With Anglo at 388c cum 8,25c dividend, there is little point in RSL shareholders following their rights at an effective price of 400c It is cheaper to buy Anglos direct as long as they remain below 390c

Richard Stuart

NEW BREAKDOWN

	Investment value %	Investment income %
By prime source —		
Mining —		
gold and uranium	36	41
diamonds	13	17
copper	3	2
platinum	4	2
coal	6	4
other	5	3
Industrial	22	19
Property	2	1
Financial	9	11
	100	100

FM. 6/5/77 (236)

One big blemish

The Mouton Commission's report on monopolies contains a lot of commonsense. But its major recommendation is fraught with danger

The key proposal of the Mouton Commission of Inquiry into Monopolistic Conditions could — if accepted by government — give sleepless nights to many businessmen contemplating expansion by takeover

The Commission ominously recommends that any intended merger, takeover or acquisition, "which can clearly have a serious impact on competition and the economy generally", will be subject to vetting by a new quasi judicial body the Mergers Tribunal Should the Tribunal consider the proposed move against the public interest, it will be able to prevent the deal going through, or to permit it only subject to certain conditions. It would be able to break up any amalgamation already completed

This proposal is a radical departure from SA's existing anti-monopoly laws which assume that economic concentration is undesirable only when abused In other words, the Commission is suggesting that, instead of being judged on their merits, mergers should now be scrutinised in the context of their architects' perceived, or even assumed, intentions

The Tribunal's deliberations will be secret, there will be no appeal against its decisions, no time limit will be set for the lodging of complaints. And the only criterion by which it may judge a proposed deal is the extent to which it conforms to the public interest

On the face of it, the "public interest" yardstick is unexceptionable It is the criterion used in our existing anti-monopoly legislation and is more flexible than the specific yardsticks (such as market share or total assets) by which amalgamations are judged in some other countries However, it is also more subjective than are specific restrictions

Dawid Mouton making life tough for monopolists

It is difficult enough to determine whether *existing* business practices serve the public interest To expect a tribunal to comment objectively on businessmen's *intentions* is downright dangerous, particularly in SA's politically charged business climate

How, for instance, will the Tribunal decide whether a mining house bid for a bank is in the public interest? What will the Tribunal say to a proposed newspaper merger? What will its attitude be if a Minister opposes a merger because he considers the sector concerned to be strategic?

The effect of one misguided decision could be more harmful to business confidence than the deals which are condemned before they have had a chance to prove themselves

Admittedly much will depend on how the Tribunal operates The Mouton Commission has made a number of proposals which could go some way towards inspiring confidence in the Tribunal's work

It will be presided over by a judge "or some other independent person", assisted by at least two outside experts As in the US and Britain, the body charged with implementing competition policy (under which the Mergers Tribunal would fall) "must be responsible for publishing guidelines and such other information on merger policy as may be considered necessary" It will "advise" prospective merger candidates whether a deal is likely to be acceptable

The Tribunal will have to complete its investigation within three months of a case being referred to it, while the Minister of Economic Affairs (who may reject or amend its orders) must inform the parties of his decision within two weeks of receiving the Tribunal's report

Finally, the Commission, somewhat

THE BIG BATTALIONS

The attention devoted by the Mouton Commission to merger and takeover proposals stems from its concern at "the exceptionally high degree of concentration of economic power" in SA business, and the growing tendency abroad for governments to control firms wielding dominant power

In no fewer than 58 of SA's 181 manufacturing industries, three or fewer firms account for at least 70% of total turnover In 37 groups, the share of the biggest single firm exceeds half of total turnover

Similarly, in the distribution, construction and transport sectors, one tenth of the firms control 77%, 74,6% and 81,5% respectively of total sales

Amongst the manufacturing sectors where one or two firms have an 80% plus share of turnover are dried fruit packing whale oil macaroni and spaghetti, fibre working textile dyeing and bleaching, cigarettes brewing flavouring essences rope and cable industries, coffins, wattle bark grinding, fertilisers matches inks polishes explosives sheet and plate glass, precious metal refining, tractors, dry cell batteries and electric bulbs

Concludes the report Without in any way denying the major contribution of large economic concentrations to the country's economic development or disputing the fact that the large enterprise has become a feature of the modern world the Commission believes that any danger to the country's free enterprise system inherent in its already high degree of economic concentration necessitates government surveillance of the behavioural as well as the structural aspects of the economy optimistically, "envisages that per se rules and *a priori* assumptions that concentrations and amalgamations are fundamentally undesirable will be avoided"

Outside this major area of controversy, there's a great deal of common sense in the rest of the report. Major proposals concern the setting up of a Monopolies Board, a far-reaching change in the initiation of investigations into restrictive trade practices and less red tape

The Commission stresses that the Board of Trade & Industries (which at present handles investigations) is not the ideal anti monopoly watchdog. "It is considered unfair to expect the BOT to be an impartial judge and to fulfil the role of policeman in regard to firms and/or industries with whose establishment it had been closely linked and whose growth and well being had been its major task for many years"

Instead, it calls for the establishment of a five-man Monopolies Board charged with "the general supervision and implementation of the government's competition policy"

Wisely, the Commission urges that members be neither civil servants nor representatives of sectional interests, such as FCI or Assocom. The Board's status should be equal to that of government departments concerned with the shaping of economic policy and it should be represented on the PM's Economic Advisory Council

Perhaps the most welcome feature of the report is its concern that the public sector should play to the same anti-monopoly rules as private enterprise. "The Commission believes very strongly that State enterprises and undertakings should be subject to the same monopoly control as the private sector"

Indeed, it goes so far as to say it will not be worthwhile even setting up the Monopolies Board unless it can scrutinise "the activity of government in many fields"

It is this concern to put public sector monopolies under the microscope which has prompted the Commission's suggestion that the Monopolies Board be authorised to initiate investigations into restrictive trade practices

At present, only the Minister may order such inquiries. But evidence was that "it is unrealistic to expect any Minister to order an investigation into the economic activities of bodies under his own control, or the control of his colleagues in the Cabinet"

As for procedures, the report several times notes the need to speed up anti-monopoly inquiries. Not surprising when one remembers that the BOT's investigations since 1955 have lasted over two years on average

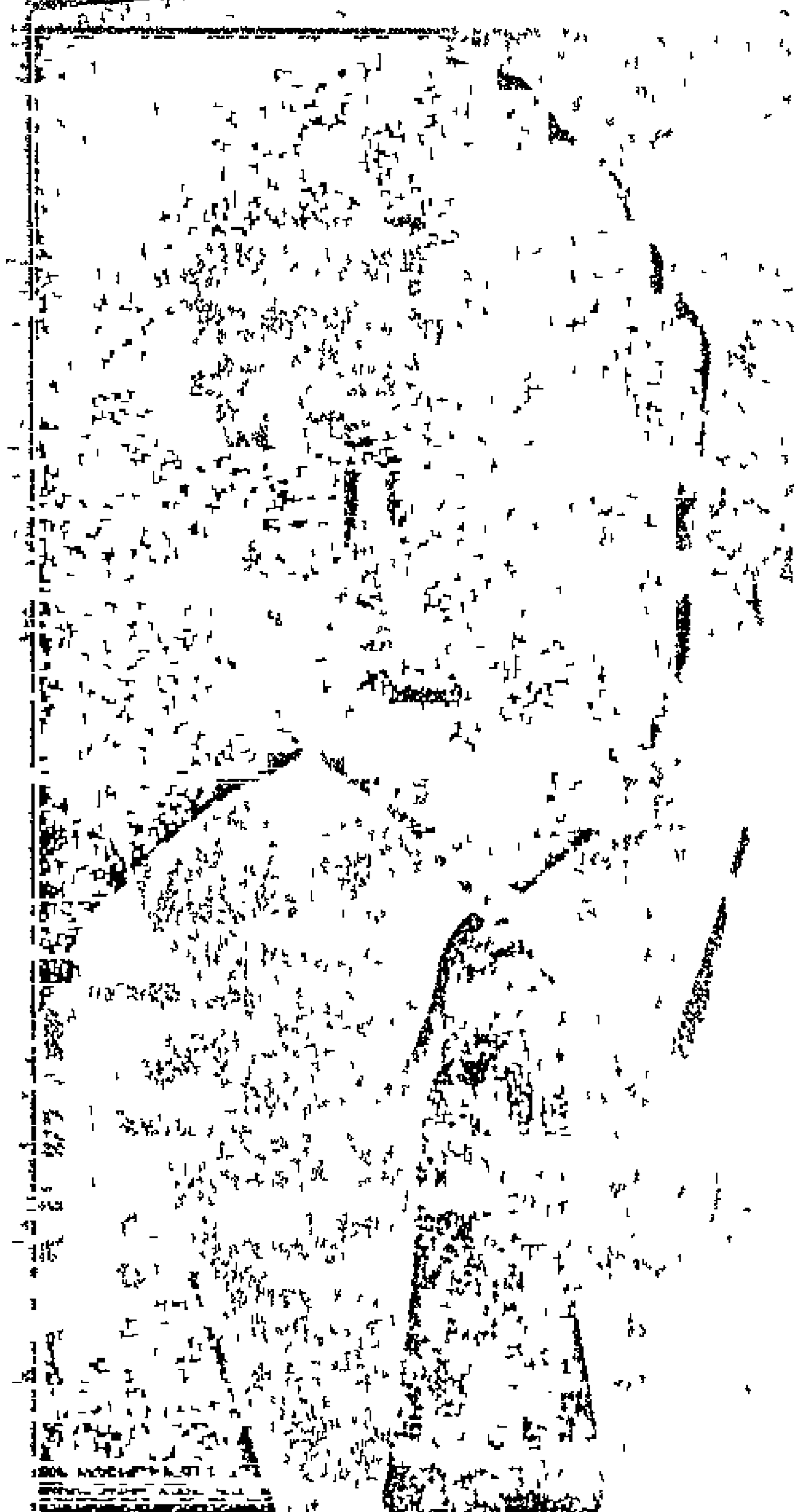
It proposes, for instance, that negotiations between the Monopolies Board and the parties involved to remove undesirable effects of a monopolistic practice should be conducted at any stage after announcement of the investigation — these can now be pursued only after the BOT report has been handed to the Minister

The Commission supports a hefty increase in the maximum fine — now fixed at a mere R20 000 — for infringements of anti-monopoly orders

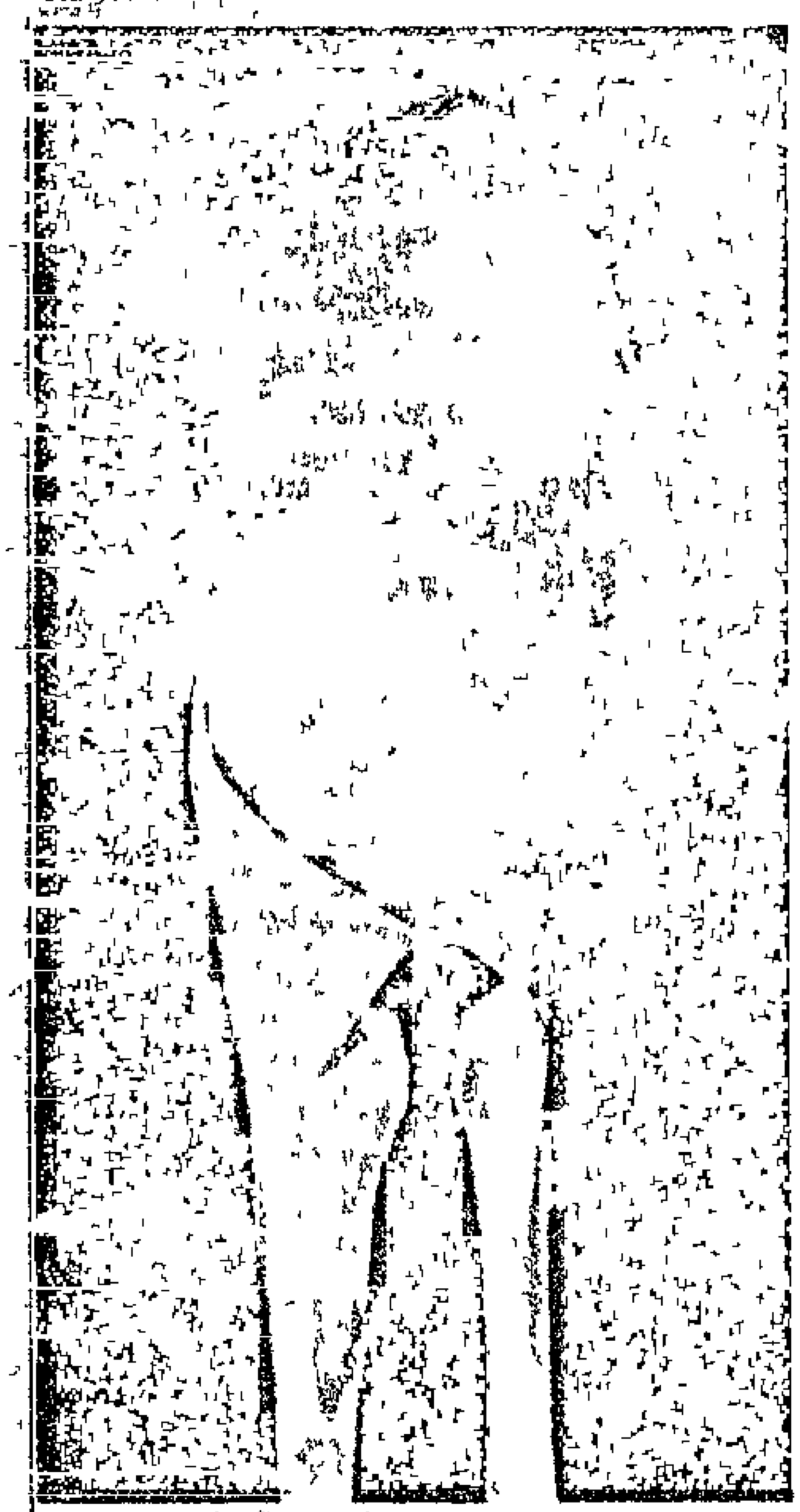
With the exception of the dangerous merger proposals, the Mouton Commission's recommendations should go a long way towards a more vigilant and effective competition policy.

FIN. MAIL 13/5/77 (236)

Abercom goes for Protea



Abercom's Lurie . . . making a grab for Protea



Protea's Beard . . . get your paws off!

Abercom surprised both the market and Protea Holdings by slapping in its all share bid of 33 Abercom for 100 Protea. What the likely chances of success are is hard to gauge at this stage, but the Protea board has hit back with an outright rejection.

Abercom has been looking at Protea for some time, with Protea down to 61c early this week, the ratio between it and the Abercom share price of 223c was attractive enough to prompt Abercom into action. But what probably surprised the financial community was Abercom's willingness to go in where others have feared to tread. Protea, being an open (that is, not controlled) situation, has effectively been up for sale for years. But surprisingly nobody has made any attempt to take it over or even build up a strategic stake.

Protea's rejection of the terms offered came as no surprise to the bidder. For indeed it would have been strange if it had welcomed the bid as this could only have been construed that Protea was delighted to have found a bidder at any price.

Whether Protea will be able to line up a counter-bid, or mount an effective defence, is problematic given the lack of suitors in the past. As both companies are freely traded stocks, it looks as if the decision will be left up to market forces. The immediate reaction was to mark down Abercom from 221c overnight to as low as 207c before a recovery to 217c bid at Wednesday's close. Protea moved ahead from 62c to 73c at the close, at which level it is slightly, but significantly, ahead of the indicated offer price.

It is interesting to consider what Abercom finds attractive about Protea. Most important to Abercom was the chance of increasing its asset value by around 30%. Abercom's asset value at last balance sheet date was 263c while Protea's was 145c. Thus for every share it is offering for Protea, Abercom was hoping to buy 435c of Protea assets. Put together on the proposed terms, Abercom's asset value would go up from 263c to 338c.

Protea is uncomfortably geared at the moment and Abercom would have to substantially degear Protea if it gets its hands on it, and this would presumably be done by selling off assets or dismembering. Perhaps dismembering is a kinder word than stripping, but that must be the prime attraction.

On earnings criteria, Protea can't provide Abercom with any immediate attractions unless its own earnings are going to come under pressure. For if Protea earns 20c a share, which is about the top end of expectations, each Abercom issued for Protea will bring in only 60c of earnings. Abercom earned that much last year and, judging from its interim report when earnings were up 16%, it must be hoping for 70c for the year. So the acquisition of Protea would dilute earnings in the short term.

Abercom's David Lurie sees some attractions in sheer size and strength in today's climate. But one of the by-products of this size will be that Abercom would have to increase its issued share capital from 14m shares to 24m. Although many funds have already sold their Protea shares, many still hold substantial amounts of Abercom.

An assessment of the Abercom market is that funds are currently keener to sell Abercom than to buy it. Faced with a possible increase in their new holdings of Abercom, I would expect a steady stream of stock to be fed out on the local market.

Whatever eventually transpires, Lurie has supplied the market with some excitement and for this, at least, he gets our congratulations. And as the outcome of the bid is likely to be decided by pure market forces, it provides a welcome opportunity for the market mechanism to play its role.

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Old Mutual: getting Tiger by the tail

Old Mutual, almost unnoticed, has walked through the front door at Tiger Oats and sewn up a dominant shareholding in the company. As a direct consequence of the R31m financing package that UAL has put together to fund the acquisitions of Stein Brothers, 51% of the Pretoria-based Ruto milling group and various smaller commitments, Old Mutual emerges with by far the largest single shareholding in Tiger owning close to 22% of the voting capital.

The major elements of the financing package consist of R12m (upgraded from the original R10m requested) of 12,5% redeemable prefs and R15,9m of compulsory convertible prefs. Tiger arranged for Old Mutual to buy all these compulsory convertibles from the vendors of Stein and Ruto. These carry an initial coupon of 10,5%, which escalates from 1979 onwards at 0,5% per annum, and will yield 14,5% by the time they must be converted at 860c a share in 1986.

The compulsory convertibles should in fact be viewed as a special class of ordinaries, and as such they carry voting rights. In total, 1,85m of these shares are being taken up by Old Mutual, which, when added to its existing holding of close to 1m Tiger ordinaries, gives it the dominant 22% voting position.

For Old Mutual, it seems to be a very comfortable way of tightening its grip on the food industry (it already has a dominant shareholding in ICS) and illustrates the value of being in a position to provide big lines of finance when urgently required.

But whether existing Tiger shareholders will view the new share issue with equanimity is another question. It is arguable that because of the convertibility factor, the shares should have been offered by way of rights to existing shareholders first. Old Mutual could then have underwritten the issue. UAL, in extenuation, says that it was essential to tie up the finance firmly in advance.

In fact, the argument goes deeper. Why didn't Tiger raise the money by way of an ordinary rights issue, rather than the compulsory convertibles? These latter were issued at 860c, or a small premium to Tiger's market price of 800c when the terms were negotiated. Although Old Mutual was willing to underwrite a rights issue, the possibility of such a proposal appearing a failure, as it possibly would have judging from the decline in the Tiger share price to 735c currently, was enough to dissuade Tiger from following that route.

Also, I suspect that Tiger's chairman Rudi Frankel (aged 68) was keen to tie in the Mutual as the dominant shareholder of what up until now has been effectively a non controlled company, thus ensuring the continued independence of the group.

However one looks at the compulsory covertibles, they are very expensive money, but according to UAL the cheapest option available. The striking price of 860c is well below current net worth of

Tiger's Frankel ... favourable terms for the Mutual

1 108c and by 1986, when they will be converted, they could cause a significant dilution to ordinary shareholders' assets and earnings.

If one assumes a 10% growth rate in earnings over the nine year period, and a continued 30% dividend payout, the net worth of Tiger from retained earnings alone will grow to near R40 a share and will have earnings of around 400c. The 860c convertible price at that time might look very costly to ordinary shareholders. UAL feels that if ordinary shares had been used the dilution effect would have been immediate and greater.

The initial effect of the new acquisitions, however, and the financing proposals, won't have a beneficial impact on Tiger's earnings per share. In fact, it appears that the initial average cost of the funding will be about 11% after tax and based on historical figures the after tax return on the funds invested will be closer to 10%.

The Mutual's tie up with Tiger allows for interesting speculation on some closer co operation between Tiger and ICS. Tiger already owns 14% of ICS, while the Mutual has 18% and its influenced investment company The Common Fund, another 14%. While the Mutual would not attempt to impose its will directly, it would appear to me that these existing holdings provide the scope for a further shuffling of shareholdings.

Richard Stuart

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DUNSWART

FIN. MAIL 13/5/77

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Profitability problem

Executives at Dunswart Iron & Steel and General Mining are tearing their hair out over Dunswart's massive R18 8m financing problem

Dunswart was unable itself to repay a 15m Swiss Franc (R5,4m) loan on March 1 1977 and had to borrow the money from General Mining, which lent R7m at 14% Meanwhile the Dunswart mill has become run down and increasingly unprofitable It badly needs revamping and R3m in borrowings had been spent on this by December 31 1976 Another R7,5m is required for "unavoidable renovation and reconstruction", while a further R3,1m will be needed "in the reasonably near future" for air pollution control and additional rail facilities

These cash requirements are "in addition to normal replacement capital, which will be financed from depreciation cash flows" The report says R2,5m is "necessary immediately" and General Mining has been approached for this sum The rest Dunswart has undertaken to raise itself before the end of this year

It seems Dunswart has under-depreciated over the years It has been selling a price controlled product and earnings have not been adequate to allow sorely needed modernisation and expansion Total capital invested has risen a meagre 3,5% from R19,8m in 1974 to R20,5m last year Crude steel production actually declined from 307 000 tons in 1973 to 273 000 tons last year. The sponge iron plant, which has absorbed the major portion of investment funds available recently, last year turned out 98 000 tons.

Taxed profits, excluding the steadily rising dividend income from Standard Brass, have fallen from R1,9m in 1973, to R835 000 in 1974, R205 000 in 1975 and a R35 000 loss last year. There have been large currency and other extraordinary losses It's a situation similar to Iscor's but Dunswart has not had Iscor's easy access to State and international loan funds.

I'm told the Dunswart plant is out of balance with crude steel capacity exceeding rolling capacity. Much of the money still to be spent on the plant will go towards increasing rolling capacity, for rolled steel is more profitable than crude.

Two particular questions are worth pursuing: why has Dunswart steadfastly paid dividends, when it could not afford to modernise and expand, and why, since it has been quite moderately geared in the past, did it not borrow years ago, when this was still possible?

It's been an open secret that Dr Fred Zoellner and the General Mining board have not seen eye to eye for years. The precarious position of Dunswart seems to have been the last straw for Gen Min Not only has Zoellner been replaced as chairman of Dunswart — a position he has held for 20 years — but he leaves the Gen Min board on June 2

He has already moved out of Gen Min building and is currently overseas. A far from fullsome tribute in the Gen Min report records that Zoellner "is not available for re-election" and expresses "appreciation" of services rendered

In its own report, too, Gen Min singles out Dunswart for its "serious liquidity problems," as Gen Min's worst industrial headache Gen Min has an effective 35,9% in Dunswart and 24,5% in Standard Brass. Zoellner personally owns 103 500 shares or 2,45% of the equity of Dunswart.

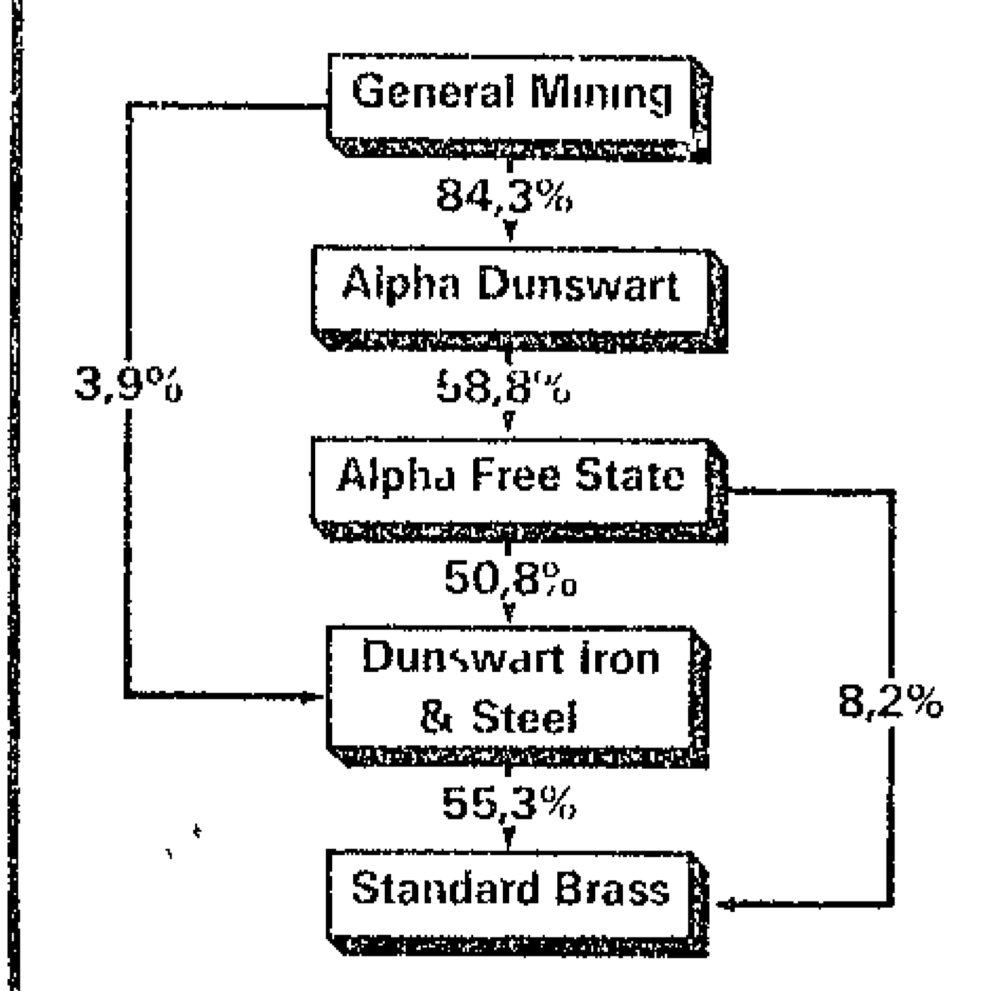
What irks the men at Gen Min is that they have many projects more profitable than Dunswart in which to invest. R18m isn't chicken feed, and there is real doubt that the Dunswart works will be profitable even after the revamping. Apparently an economic revival, and further steel price hikes, are further prerequisites for profits.

The Dunswart dividend for 1977, not to mention 1978 and 1979, looks to be in real danger If, as seems logical, it is passed this year, Alpha Dunswart and Alpha Free State, which, apart from their small holdings in Standard Brass, have few other assets, must surely pass theirs

Dunswart at 130c, yields 15,4%, Alpha Dunswart, 50c, yields 14% Alpha Free State at 150c, yields 16%. If it weren't for the Gen Min and Zoellner's personal holdings, all three would probably be lower.

David Carte

THE GEN MIN-DUNSWART CONNECTION



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SAB/OK FIN MAIL 13/5/77

A tough year

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There's nothing ~~dramatic~~ about the results from SA Breweries and its cohorts OK Bazaars and Afcol, though the figures from each are probably better than those who were prepared to sell SAB at 78c back in March — the 1977 low — had expected

At that price SAB were then yielding, for a blue chip on the JSE, a rather mind-boggling 12,2% on a repeated 9,5c total dividend, and clearly indicating market expectations that that repetition wasn't on the cards

Since then, of course, the price has strengthened as the conviction grew that a cut dividend from SAB was just not on.

So it has turned out, but the group as a whole has only just scraped through Earnings are 21,5c this time against 20,5c, largely thanks to a full year's earnings from consolidated Stellenbosch Wine Trust, and possibly also some minor gain from the recent increase in beer prices, a market which, nevertheless, has become increasingly competitive, and promotionally expensive.

It is clear, as the table shows, that SAB has for some time now been ex-growth, and that a continued long haul lies ahead. That is implicit in the preliminary statement, which looks for little "meaningful growth" in the economy for the financial year ended next March, while hoping for an upturn in SAB's own second halt

It's a sentiment echoed by **OK Bazaars**, 70% owned by SAB It too, fulfilled market expectations by repeating its total dividend at 58c, but cover has slipped fractionally, thanks to the 5,3% drop in earnings to 110,3c (116,5c). The half-time forecast went rather wildly wrong. OK looked for a modest earnings improvement on the year, but as the economic climate deteriorated and customers switched to essentials from the more highly marked-up items it was left with much heavier stocks to finance, despite the fact that its second half-year, which includes Christmas, is normally expected to provide the real profit and earnings gravy.

Thus, the results reflect the classic inflationary squeeze on income. But apart from having to carry higher than expected stocks, OK's expansion/Hyperama programme, plus the refurbishing of existing stores, inevitably takes time to pay off, and will be expensive to fund just as cash flow is under pressure.

At their current price levels the shares look unexciting for prompt improvement, certainly until London sentiment improves — with over 15% of the shares on the London register, SAB is more exposed to the overseas overhang than any other SA industrial.

Don Wilkinson

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1. Financial Mail, 22nd April 1977 and The Argus, 4th May 1977 "Power Tariff to Go Up Again?"
2. Cited in Weekly Bulletin of the Cape Chamber of Industries 23rd May 1977 para 215.1 p 184 and in The Argus, 10th May 1977 "ESCOM, SASOL need extra R 1 000 m" (Finance Section)

Jim Jones

F/M MAIL 27/5/77

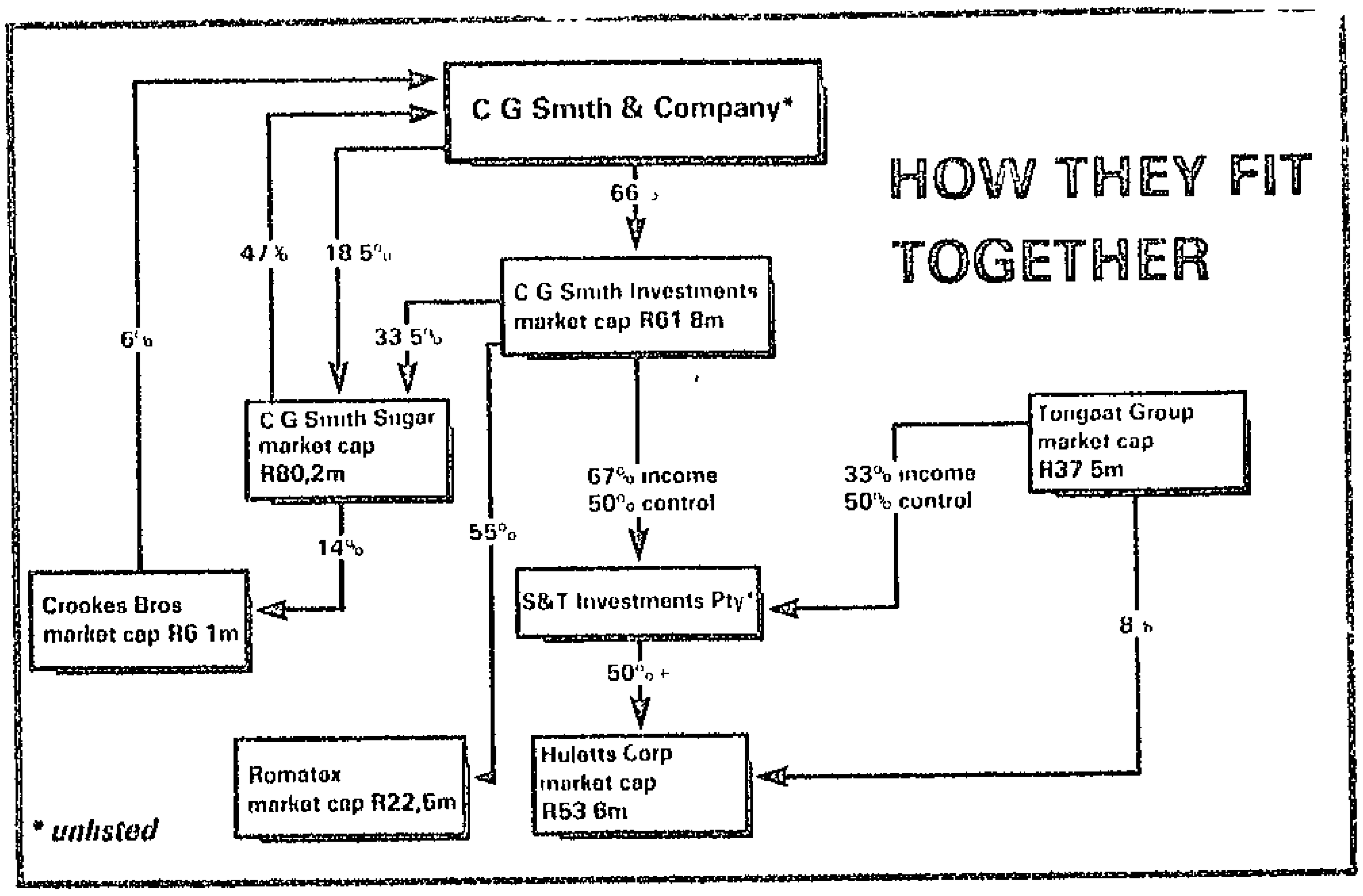
C G SMITH SUGAR

Sweet and sour

236

The 10c hike in C G Smith Sugar's annual dividend from 65c to 75c was better than could possibly have been hoped for and augurs well for the Huletts final, the last of the sugar companies to report. C G Sugar's strong balance sheet and the unacceptable returns available in the sugar industry have no doubt prompted the generous dividend policy.

The effect of bringing in additional capacity in 1977 and the need to absorb 20% of increased costs for the third year in succession is reflected in C G Sugar's results.



As already reported (*Fox*, May 20) sugar production increased to 522 024 t (478 594 t) though, due to Huletts' above average gain, C G Sugar's share of the total market slipped from 26,6% to 25,6% But in the nature of things, optimum recoveries are not obtained from new plant in the first season and, with what appears to have been a difficult start-up for the new plant, recoveries were poorer in 1977, with profit from milling and cane growing dropping to R13,1m (R13,9m)

Profits from other sources (in part from increased deliveries of bagasse and steam to Stanger Pulp & Paper) improved from R3,3m to R4,4m

Partly as a result of last year's increased dividend of 65c (1975 — 45c) the unlisted parent C G Smith & Co was able to increase its own distribution thereby helping to lift C G Sugar's own dividend income Whether or not this presages a further increase in 1978 following this year's 10c hike will depend on how much C G Smith & Co needs to pump into its bagasse and furfural operations this year

This year, C G Smith Investments' results (due out in a couple of weeks) are going to be helped by the increased distribution of 13c (12c) by Romatex Despite reduced sales of carpets and automotive components, improved results from the fabrics division lifted turnover to R162m (R152m) though the old Ropes & Mattings group was only consolidated for 9 months in 1976

At the moment it looks as if Romatex will do well to repeat last year's 13c 1977 second half pre tax profit was 15% down at R5,93m (R6,96m) and with almost identical tax charges in the two halves the profit attributable to ordinary shareholders in the second half ran at R3,52m (R4,58m) And the tough trading conditions of the second half are continuing into the current year

The local sugar industry remains rudderless and completely at the whim of the Minister of Economic Affairs Until he is prepared to put the industry back on a sound footing, which he is morally obliged to do after gambling away the carefully built-up Price Stabilisation Fund, the industry will have to fend for itself The collapse of the sugar price back to pre Geneva levels of £126 does not provide any short term encouragement, and despite the attractions of the 12,7% yield, prospective purchases of C G Sugar should be delayed

Jim Jones

What's Rupert up to?

FIN. MAIL 27/5/77

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Rembrandt seems to be moving away from the concept of expansion through partnership to direct portfolio investment. But whether the move into banking was motivated by a genuine desire to enter this field, or more by the need to broaden the spread of bank shareholdings across a wider spectrum of Afrikaner business, will probably, because of the secret way things are done down at Stellenbosch, never be known

Sanlam and Rembrandt, until the Fed Mynbou deal, maintained a distant relationship. Now Rembrandt has suddenly purchased a 20% interest in Volkskas, effectively from Sanlam, and is negotiating to buy a 20% interest in Bankorp, also from Sanlam.

Sanlam originally owned 28% of Volkskas, which was reduced to under 10% as a result of the unscrambling of the Volkskas-Bankorp connection at the time when Volkskas refused to be pushed into a merger with Trust and left Sanlam to sort out its banking problems on its own

The other 18% was temporarily placed in the hands of "friendly institutions" before being placed with existing Volkskas shareholders, as the bank itself could not buy back its own capital Volkskas has now arranged for it to be built up to a round 20% and at the striking price of 240c, the parcel will cost Rembrandt R10,3m and give a yield of 7,9%

No new shares have been issued by Volkskas, and Rembrandt thus becomes the largest single shareholder but with no board representation In fact Rembrandt's total holding will only confer on it 7 votes in a general meeting while any individual shareholder, whether he has one share or 1m, will have one vote The only way that Rembrandt could exercise any influence over the affairs of the bank would be if the sitting Volkskas board were to invite it in So far it has shown no inclination to do so

Rembrandt's second step, the proposed purchase of 20% of Bankorp, is less explicable Why would Rembrandt want to have a 20% stake in the two rival Afrikaner banking groups?

The Sanlam group is again the potential seller but Rembrandt's exact commitment will have to await the outcome of Bankorp's stand by offer for Trust

Rembrandt's outlay in Bankorp will be a minimum of R6,6m up to a maximum of R9m. Acceptance of Bankorp's terms by Trust shareholders now looks like being at a higher percentage than originally contemplated so Rembrandt will probably be spending a total of close to R18m on its entry into the banking field

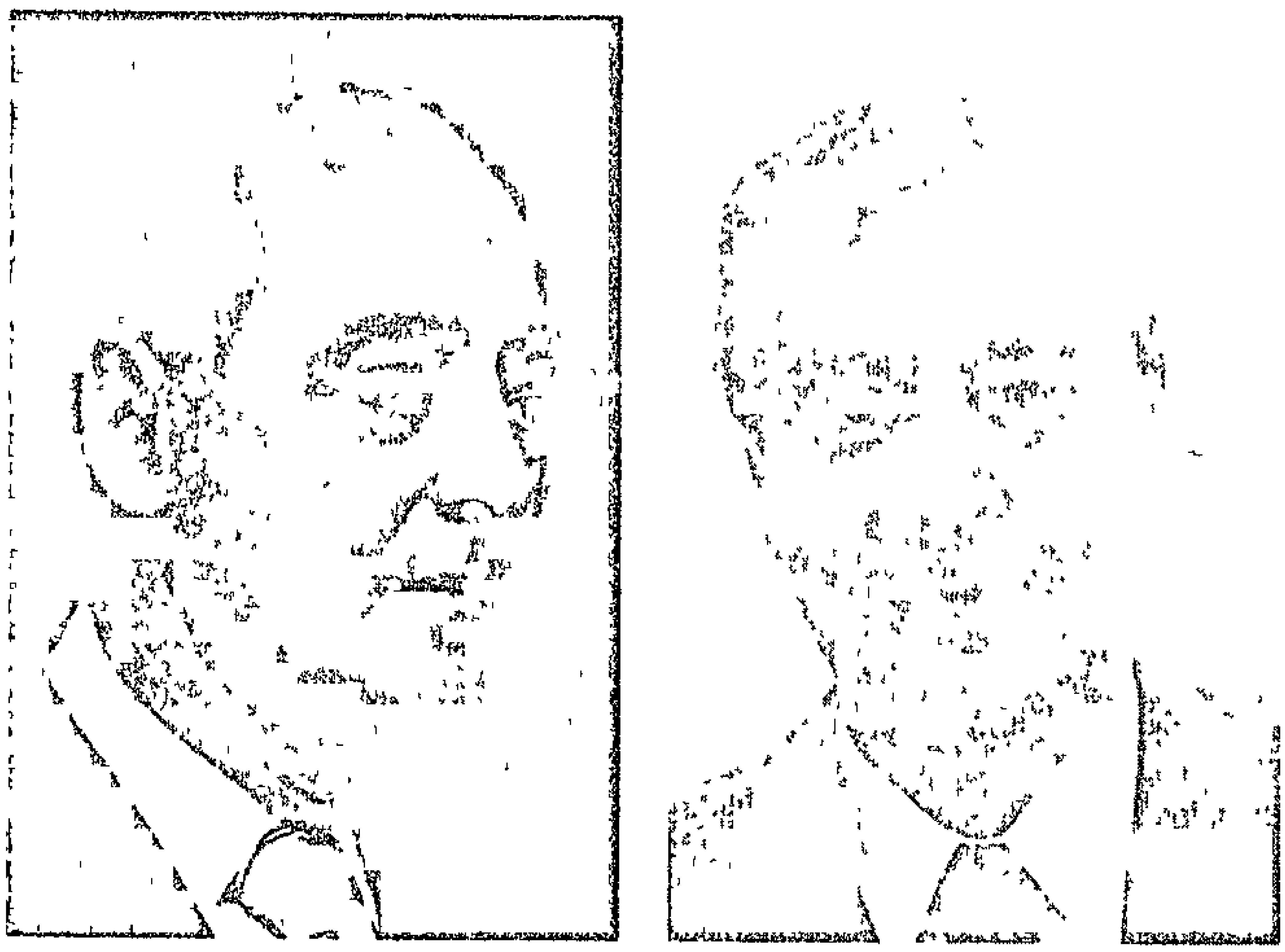
That Rembrandt is proposing to take stakes of exactly 20% is significant Last year Rembrandt equity accounted everything that was between 25% and 50% owned, which included Fed Mynbou, Gen Min and Union Corp as well This could easily be adjusted downwards to accommodate 20% interests, in line with some overseas practice So bewildered shareholders beware Rembrandt's accounts this year could become even more meaningless than in the past

That Rembrandt is getting a foot in the door of both Afrikaner banking groups seems to belie the fear that Sanlam was prepared to channel its business away from Volkskas into Trust and other associates in retaliation for Volkskas refusing to play ball over Trust In turn, the concept of the new Bankorp, backed by Sanlam's muscle, which is how the Bankorp/Trust deal was originally presented, is now becoming implausible

Volkskas has long standing business associations with Sanlam, while the extensive branch network particularly on the *platteland*, must be invaluable in channelling life assurance business Sanlam's way With Sanlam bringing in Rembrandt as a partner it has to a certain extent distanced itself, and perhaps even defused what was being billed as a North v South banking war in the Afrikaner community

For Rembrandt itself, I doubt whether its purchases will have any beneficial effect on its market rating The profile was indistinct enough without adding banking interests Its chief attraction to investors has been the predominant foreign source of its earnings which has accorded it the premium rating of a 7,7% dividend yield

Richard Stuart



Van Huyssteen, Rupert . . . banking can damage your health

Protea in R4,25m steel deal with Stewarts & Lloyds

Cape Times 28/5/77

By PAUL DOLD
Financial Editor

THE TAKEOVER struggle between Abercom and Protea entered a new phase yesterday with Abercom amending its offer to include a participating pref option and Protea selling certain steel operations to Stewarts and Lloyds with immediate effect for R4,25m.

Stewarts and Lloyds is to acquire certain of the assets of the Steel Service Centre of South Africa, Alers Hankey (expanded metals) (Pty) Ltd, and the shares in, and shareholders' claims against, H Alers Hankey Cape (Pty) Ltd and H Alers Hankey Natal (Pty) Ltd

H Alers Hankey is the holding company of these subsidiaries and is, in turn, wholly owned by Protea.

What Protea has done is to sell these steel operations which were giving a low return, at a discount of around 20 percent At the same time this has removed what would have been an overlap in a merged Abercom-Protea '

Apart from the original 33-for 100 Protea terms which remain Abercom has added the option of 100 (10c dividend) cumulative participating Abercom prefs at 80c a share

Abercom said that in addition to the 10c fixed cumulative dividend a pref shareholder will also be entitled to a participating dividend of 20 percent of the sum by which Abercom ordinary dividends exceed 30c in any financial year

Since the original offer was made both Abercom and Protea's share prices have dropped, Abercom from 215c to 203c at Thursday's close and Protea from 73c to 66c (Thursday). Thus, at that stage the original offer was worth 67c a Protea as against 73c on May 4

Both shares improved in the market yesterday with Protea spurting to 74c following the offer (some 103 000 changed hands) and Abercom up to 205c.

Abercom's amended offer was announced soon after lunchtime yesterday and prompted sources close to Protea to allege that by making the alternative offer of prefs Abercom was merely trying to reinstate the value of the original bid on May 4.

The sources claimed that in terms of any accepted basis of valuation, and particularly as regards capital cover, the pref shares could not have a value of 80c and the value should be about 71c per Protea share This was no improvement on the original offer which was equal to 72c at May 4

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Mine houses get big boost from stake in manufacturing

29/5/77

SUN. TRIB 29/5/77

THE STEADY growth of mining house investment in manufacturing industry has been accelerated in the last two years Industrial editor TONY KOENDERMAN examines the trend in a series of articles, the first one of which is on Union Corporation's industrial interests

THE CONTRIBUTION of manufacturing industry to the earnings of many major mining houses has risen sharply in the past year or two.

In some cases, mining groups have taken advantage of depressed conditions in industry to pick up companies at bargain prices, or have increased their holdings in associated companies

In others, the performance of the industrial sector has held up well while declining output and prices of metals such as gold or platinum has reduced the contribution of those sectors

The biggest proportionate increase last year was at Union Corporation, where the industrial division's contribution to after-tax income rose from R5-million (14 per cent of the total) in 1975 to R15-million (38 per cent) As a result, General Mining, which now controls Union Corporation, also experienced an increase in the contribution to income of its commercial and industrial interests, from 15 per cent to 28 per cent

However, among companies administered by General Mining, the policy of rationalisation and consolidation involved the disposal of some investments

While total turnover rose from R180-million to R210-million, results were mixed

Trek Beleggings was among those which did well, although Dunswart Iron & Steel is experiencing severe liquidity problems.

At Johannesburg Consolidated Investment, the industrial investments contributed R8-million to total earnings, up from 21 per cent the year before to nearly 25 per cent.

The contribution of the mining and mineral processing activities, however, fell from R19,6-million to R18,2-million (55 per cent)

A fifth of the industrial investments were managed by the company, and the performance here (major companies· Lenning Holdings and Steelbrite) was good Big portfolio investments are SA Breweries and Johnson Matthey

Anglo American Industrial Corporation increased the book value of its investments from R90-million to R110-million last year, and despite a 13 per cent drop in turnover to R318-million managed to improve earnings 5 per cent to R43-million

The major expansion of the year was the merger between Anglo's motor-making subsidiary, Illings, with Chrysler, to create Sigma Motor Corporation, with assets of R100-million.

AMIC has a 38 per cent stake in the enlarged motor company

Anglovaal's industrial investment and finance company, Anglo-Transvaal Industries, turned over R394-million in 1976, an increase of 14 per cent

But the profits of the industrial sections, as a proportion of consolidated profits, stayed firm at 51 per cent, though there was some shifting of the balance between the sub-groups

Thus the contribution of food and packaging industries rose from 10 to 24 per cent, building was unchanged at 3 per cent, engineering dropped from 10 to 9 per cent, and other industrial interests fell from 20 to 15 per cent.

Irvin & Johnson, T W Beckett and James Brown & Hamer are among Anglovaal subsidiaries.

Gold Fields of South Africa has relatively small investments in industry and commerce, amounting last year to 4,9 per cent of group assets.

But the contribution to profits of the industrial and commercial interests rose from 9 per cent in 1975 to 16 per cent last year.

(1) 236

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BIGGER MONOPOLY FINES

Watchdog on mergers 'needed'

NATAL MERCURY 3/6/77

(249)

ORMANDE POLLOK
Political Correspondent

CAPE TOWN — A "merger tribunal" to scrutinise business take-overs and mergers has been recommended by the commission of inquiry into monopolistic conditions.

It has also recommended increasing the existing maximum fines of R20 000 in terms of the Monopolies Act.

The report, published yesterday, said the commission did not favour an elaborate system of scrutiny but suggested a "quasi judicial" body presided over by a judge or some other qualified independent person and two others.

It would have the power to forbid take-overs or even break up already completed mergers and would be able to put a time limit on negotiations.

Secrecy

"Legal rules of evidence would not apply and proceedings would be in camera to ensure the utmost secrecy," said the report.

"The tribunal would have power to forbid a proposed take-over and to recommend the dissolution or break-up of any completed take-over. In the event of a compulsory break-up there would be no tax consequences.

"Time limits will be imposed within which the proceedings regarding take-overs have to be completed by the relevant bodies and the minister."

The report said matters for consideration by the tribunal would be referred to it by the minister or the Board of Trade and Industries. The minister would have the power to issue an interim or "stand still order" on every proposed take-over referred to the merger tribunal for investigation.

The report said it was the commission's duty to decide if the State should exercise some control over economic concentrations to ensure the dangers do not outweigh the advantages.

Danger

While accepting the major contribution of large economic concentrations to the economy, the commission said any danger to the free enterprise system inherent in the already high degree of economic concentration necessitated Government surveillance.

It said also that where firms, or groups of firms, had extensive market power, "they are under no pressure to either maintain or increase their efficiency or to follow a policy whereby the benefits of their favourable position reach the customers and eventually the public in the form of better prices and values."

"Secondly, a highly concentrated market structure inhibits competition by creating an environment conducive to non-competitive behaviour," said the report.

The commission also recommended the formation of a separate, autonomous "monopolies board" which would relieve pressure in this field on the Board of Trade and Industries.

State bodies fall under Act

Parliamentary Correspondent

CAPE TOWN — The Railways, the Post Office, State or semi State corporations could be investigated under the present monopolies law, the Commission of Inquiry into the Regulation of Monopolistic Conditions Act says in its report released in Parliament yesterday.

It said strong representations had been received to extend the Act to cover the entrepreneurial activities of the State.

The Railways Administration, the Department of Posts and Telecommunications as well as various State and semi-State corporations such as Iscor, Foscor, the Industrial Development Corporation, the SABC and Sasol, had been mentioned as enterprises competing with the private sector which should also be subject to the provisions of the Act.

"In this regard it should be pointed out, however, that the activities of these enterprises are not excluded from the provisions of the Act," the commission said.

"If the principle of the indivisibility of the economy is accepted and competition policy regarded as embracing the total economy, that is the public as well as the private sector, and the monopoly body also be allowed to initiate investigations, it may then undertake such investigations if deemed necessary," the report added.

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ABERCOM/PROTEA

Not entirely convincing

Though it is still early days in the Abercom/Protea saga, with a little bit of luck Abercom might not bring the reluctant bride home An air of *deja vu* has settled over the scene and Abercom is having difficulty maintaining, convincingly, that its intentions are serious Certainly the credibility of the all-share offer has melted with the decline in the Abercom price to 203c, which values Protea at only 67c, or well below its current price of 73c.

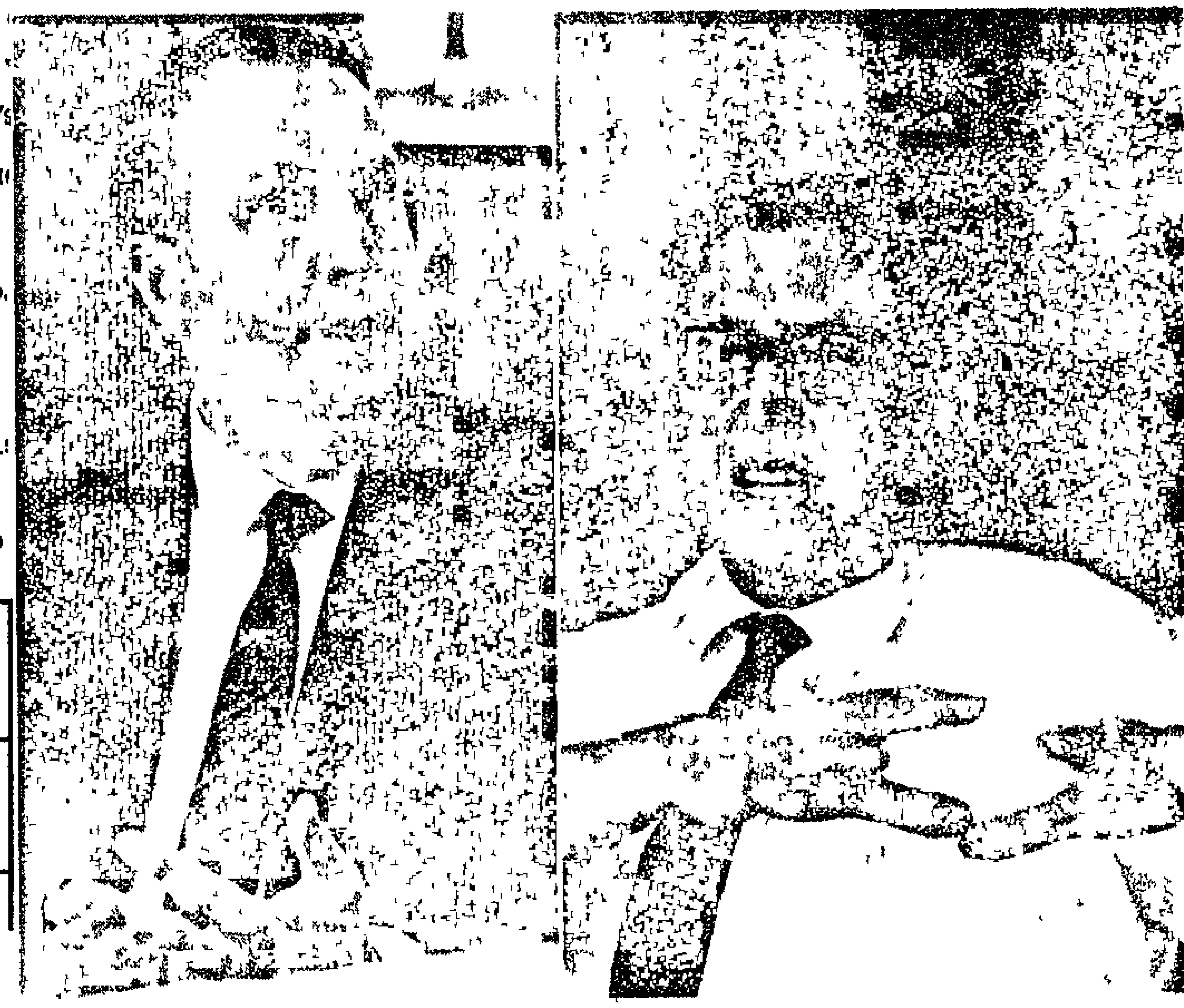
The alternative of participating prefs announced last week restored some sort of order but could also be partially responsible for the slide in the Abercom price from 212c over the week. Protea holders can opt to take prefs for all their shares and as things stand at the moment, this would be the obvious course to follow For if the new prefs can maintain par, they value each Protea at 80c They are being offered at a 12,5% yield plus participation to the extent of 20% of the excess of the Abercom dividend above 30c (currently 29c)

I see no reason why the prefs should not maintain par, expecially as Protea's own prefs are yielding 12,3% I would regard the Protea board's summary assessment of their value at 71c as the sort of tactics to be expected in this situation The problem for Abercom's share price, is that, although the prefs potentially gear up the earnings and asset effect of the proposed acquisition, they also significantly increase the gearing on the Abercom ordinaries. On full acceptance of the pref offer, the enlarged Abercom would have R24m of prefs against a market capitalisation of R28m for the ordinaries though net asset value would still be over R60m

However, it is a rather extreme scenario to expect Protea holders to go all out for the prefs. But taking a half and half mix of ordinaries and prefs, the bid would value Protea at 73c, or exactly the current price.

So Protea does not have to pull off many tricks to stay out of the tepid Abercom embrace. The sale of certain of the Alers Hankey assets for R4,25m, a discount of 20% on net asset value, seems to have pre-empted Abercom's own designs for this division. Protea in fact is being forced into a slow strip in public, and though Alers Hankey was no doubt an important item of its attire, the sale promised more than it actually revealed For there is still over R6m of assets left behind consisting of debtors, properties and certain stocks that Stewarts & Lloyds did not want

In effect Protea is shedding the garments itself that Abercom had hoped to have the pleasure of removing, which is an unconventional, but in this case effective, method of repelling the advances of a suitor But if the participants had been playing under the rules of London's City Takeover code, it is doubtful if this



Protea's Beard and Abercom's Lurie . . . not exactly seeing eye-to-eye

S Sun Times
Business Times 5/6/77

Anglo the growing force in industry

ANGLO AMERICAN Corporation, one of the world's greatest mining houses, is also a major — and growing — power in South African industry.

Group investments in industry and commerce rose by nearly R100-million last year to R847-million, with interests taking in iron, steel alloys, chemicals and explosives, civil engineering and construction, drilling tools, clay products, textiles, plastics, paper and timber, motor vehicles, rail locomotives and even computers

It's an immensely broad spread, to which the list above fails to do justice

Industry's share of Anglo's total investment and total income has been steadily rising for a number of years, and now accounts for 19 per cent of both

Stategy

"Most mining groups have had a supportive strategy towards industry rather than an investment strategy," says Gavin Relly, newly appointed deputy chairman of Anglo

"Industry represents a vast demand area. With the thrust towards domestic self-sufficiency, and with our long supply lines, it makes sense for this industrial development to be in the hands of mining groups "

Investment in industry satisfies the desire for diversification, and can be a way of mopping up surplus funds, though Mr Relly notes that Anglo "has always had far too many demands on its cash resources for mining purposes to be unduly interested in industry as such "

But more important, in his view, is how industrial investment harnesses resourcefulness — "it is amazing how many hidden talents you discover when you undertake a new enterprise."

The first steps were into mining-related industry, such as explosives and mining equipment, which still comprise the foundation of the industrial division But today there are investments in many other types of activity

However, the balance is not likely to shift much "There is enormous potential for growth within the areas in which we have mainly invested, such as Scaw Metals and Highveld Steel," says Mr Relly. "We have a tremendous reinvestment programme in these industries "

The other cornerstones of future growth, he adds, are exports and productivity improvements

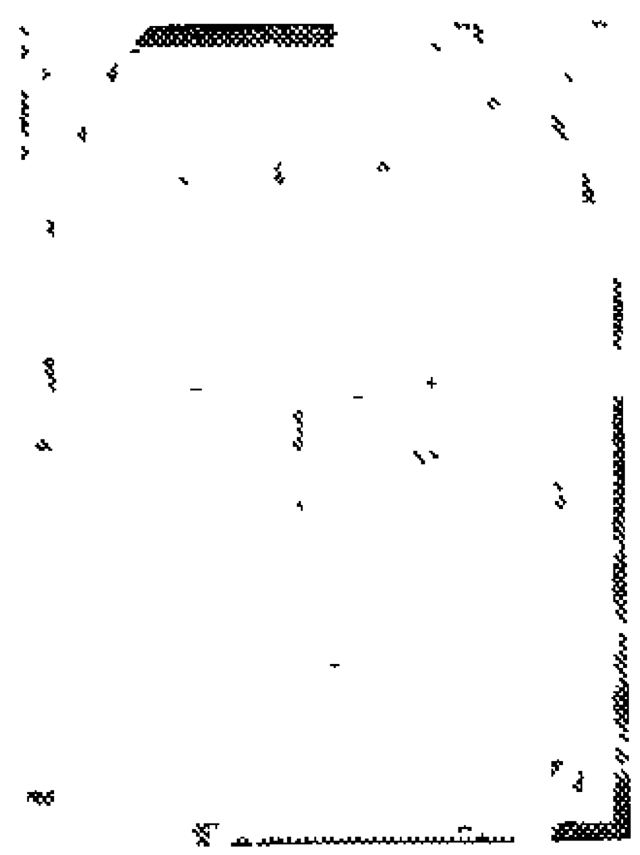
It is the predisposition towards growth rather than takeovers that has built these companies into such sound businesses, says Mr Relly

"We don't rule out any particular sphere of investment, but we like to see the opportunities fall within areas with which we have become familiar.

"For example, I doubt whether we would have set up Sigma Motor Corporation with Chrysler if we did not have a motor industry background through Illings "

Anglo's main, but not the only, vehicle for its industrial interests is Anglo American Industrial Corporation, Amic, of which Mr Relly is chairman

R847m invested outside mining



Gavin Relly . . . "vast demand area."

By TONY KOENDERMAN

The lean head office organisation has Chris Griffith in charge of the industrial and commercial division, Graham Boustred responsible for heavy industry, and Hilton Davies leading Boart International

Amic, emphasises Mr Relly, is not a conglomerate, nor is it monolithic, it's merely an investment vehicle, the executive functions of which are carried out by staff from Anglo American Corporation

Earnings

Its four wholly-owned subsidiaries are Boart (mining tools, equipment and services — 1976 earnings R16,4-million), Scaw Metals (iron, steel and engineering — 1976 earnings R14,5-million), SA Forest Investments (timber — 1976 earnings R2,3-million), and Bruynzeel Plywoods (timber products — 1976 earnings R1,4-million)

Earnings from investments totalled R9,7-million last year

The decision as to whether an investment is channelled through Amic is to some extent based on size

"Amic could not undertake a R500-million investment by itself," says Mr Relly "It would be done in conjunction with Anglo American Corporation, and could eventually be rationalised

"Furthermore, it is only right that Anglo shareholders should participate directly in new industrial business."

In the case of Highveld Steel, for instance, the management and technical resources were located in Anglo, and this is where the innovative thrust came from

Thus Amic has a 8,1 per cent stake in Highveld, while the share of the Anglo group as a whole is over 50 per cent

Is it a good thing for the mining houses to have such huge stakes in industry?

Mr Relly points out that in a country with limited financial resources, the undertaking of many industrial enterprises would simply not have been possible without the financial muscle of the mining groups

But today the matter must be judged solely by the criterion of how efficiently they are run

"It would be bad if we were to have the effect of dampening initiative or enterprise, but I don't think this is the case," says he "On the whole, I think our industrial interests are efficiently run."

The return on capital of Amic's four wholly-owned subsidiaries has been over 26 per cent for the past three years, which is satisfactory by any standards

It compares well with figures from Pretoria University's Bureau of Financial Analysis, which, in a survey of manufacturing companies, found an average return of 15 per cent on capital employed

Statistics Department figures from 781 companies revealed a return of about 10 per cent

Net earnings growth for the four Amic subsidiaries was 37 per cent in 1975 and 9 per cent last year.

A look at Amic's portfolio investments shows a growth in earnings per share between 1974 and 1976 of 31 per cent for Barlows, 55 per cent for Highveld, 67 per cent for LTA, and 36 per cent for Tongaat

Less impressive were Debincor (6 per cent) and Union Steel (8 per cent)

"We have matched the average performance of other mining houses' industrial investments and in some cases outperformed them," Mr Relly says.

"It has never been our ambition to create a go-go image for Amic This is paying off now when go-go companies are starting to reduce their dividends "

But there is no escaping a "very tough economic regime" in the immediate future

Mr Relly is confident in the country's long-term future, but is adamant that political solutions must be found

Problems

"Were it not for political problems, the economy would probably have started turning round towards the end of last year," he says.

"An up-turn in the world economy would help, too It could be that the energy crisis was far more harmful to the Western economy than has been assessed

"A decade of slower growth, such as followed the depression of the thirties, seems likely People were once optimistic that if they followed certain simple classic formulae, the results would be classical too They are uncertain of this today."

He points out, however, that Southern Africa retains all the extraordinary potential which is plain to see in its resources and infrastructure It has greater human resources than, for example, Australia, on which to rely for massive industrial expansion

But without a political initiative to "get us out of this appalling rut" the potential may never be realised

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ABERCOM/PROTEA

Comedy of errors

There's been a change of heart at Abercom. Originally David Lurie was insistent that he wanted all of Protea or nothing It now looks as if he will be happy to settle for less

As a bid would have required an initial 90% acceptance to make it possible for Protea to become wholly owned, this route was rejected in favour of a scheme of arrangement. But Lurie and his advisers did not reckon on the problems an opposed scheme could throw up With the board of Protea firmly opposed, there was probably little chance of a scheme successfully getting through the courts

Schemes were never designed for takeovers in the first place and the courts are known to be taking a harder line against their use as takeover vehicles. As this would be something of a test case, being the first scheme to come to the courts without recommendation from both boards, it would not require more than a technicality for the judge to throw it out

Then there is the little matter of different classes of shares There would apparently have had to be a separate scheme for the partly paid shares. And as these are all owned by Protea executives, what chance could there have been of acceptance from this quarter?

David Lurie . . . best to bow out?

The revised bid document has now reached the JSE and I expect the final form to emerge as a takeover offer under section 314 of the Companies Act, which Abercom will make conditional on acceptance by at least 50% of Protea shares.

But the value of Abercom's currency is declining steadily. With the price now 180c, the all share portion is now worth only 59c per Protea. The further the Abercom price declines the greater the relative attractions of the part prefs. So now the bid should be viewed purely as an offer of part prefs with a face value worth 80c a Protea.

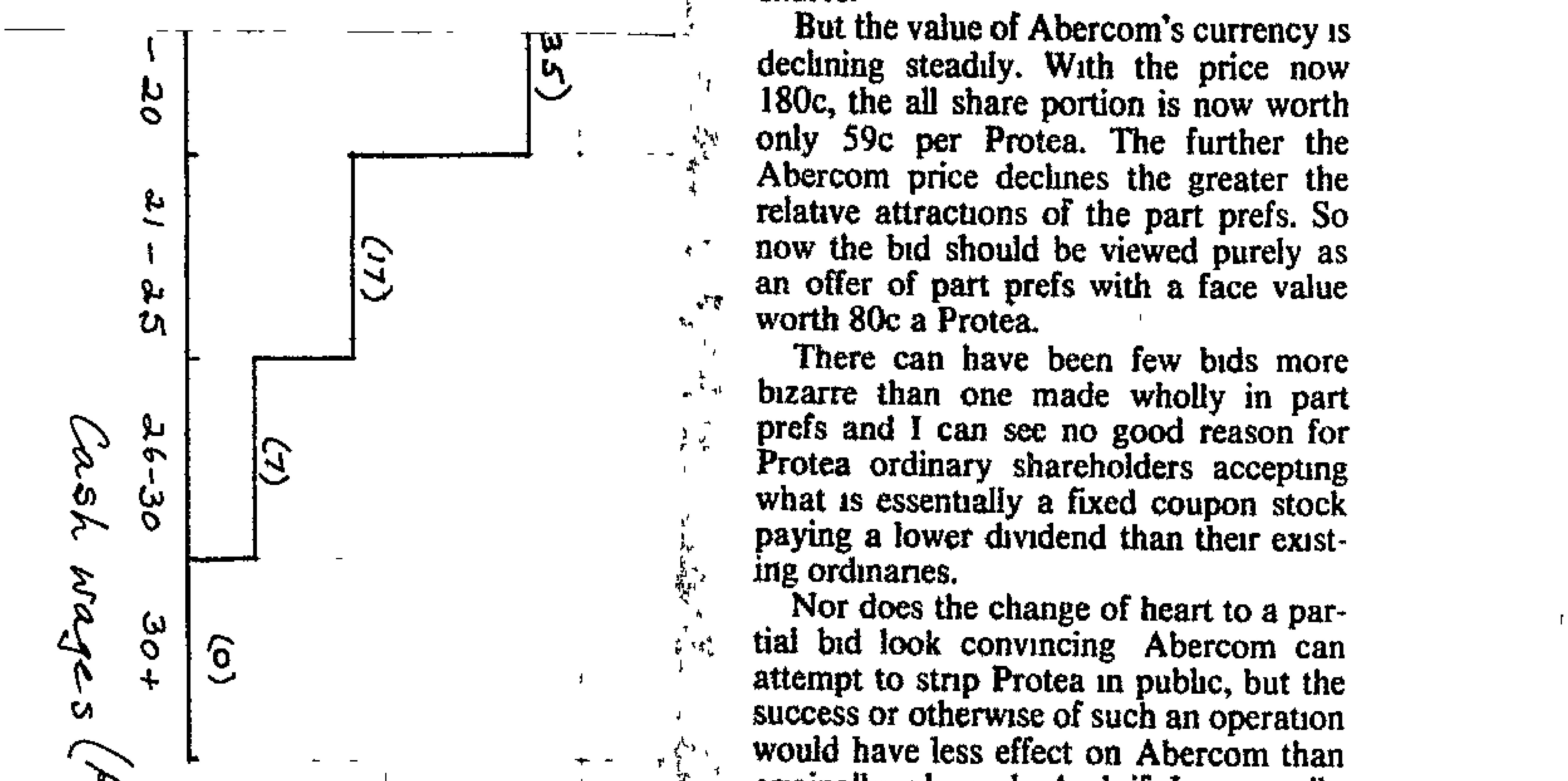
There can have been few bids more bizarre than one made wholly in part prefs and I can see no good reason for Protea ordinary shareholders accepting what is essentially a fixed coupon stock paying a lower dividend than their existing ordinaries.

Nor does the change of heart to a partial bid look convincing Abercom can attempt to strip Protea in public, but the success or otherwise of such an operation would have less effect on Abercom than originally planned. And if Lurie really believes that he can do a better job at Protea than the existing management, what inducement is there for Protea shareholders to accept?

Surely, if Abercom thinks it can increase the value of Protea, the best thing Protea shareholders can do is sit back and make Abercom's management work for them, and thus get the advantage direct that Abercom was hoping to gain for itself.

The way the whole affair has been conducted so far has had a bad rub-off on Abercom, and devalued the mystique of Abercom's superior management. But Lurie appears determined to press on. Otherwise, surely his best course of action would be to call on Aidan Beard and put out a joint statement calling off the whole exercise "because of changed circumstances", or some other standard phrase.

Richard Stuart



MONTHLY CASH WAGES: permanent labour, 1973

299 farms in the Eastern Cape

Piet Liebenberg se plan met Concorde

SAKE - RAPPORT 19.6.77

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Deur VIC DE KLERK

FINANSBANK het dalk 'n paar interessante planne met Concorde-Bank. Die rede waarom Finansbank Messina se belang van 42 persent in Concorde-Bank wil koop, is waarskynlik nie net omdié manier 'n notering vir Finansbank te verkry nie.

Uit 'n toespraak wat mnr Piet Liebenberg, voorsitter van Finansbank, voor die Ekonomiese Vereniging van Suid-Afrika Vrydagaand op Potchefstroom gehou het, is dit duidelik dat hy baie planne en ideale vir die banksektor in Suid-Afrika het.

Hy voel onder meer dat die land net drie soorte en nie soos tans die geval, ses soorte banke nodig het nie. Behalwe handelsbanke vir tjekrekenings en diskontohuise vir die groothandelgeldmark kan 'n algemene bank al die ander bankdienste hanteer wat nou deur aksepbanke, spaarbanke en huurkoopbanke gelewer word.

Concorde is 'n geregistreerde algemene bank en Finansbank 'n aksepbank. As mnr. Liebenberg se gedagtes deurgevoer word, moet daar dus ruimte vir rasionalisasie tussen dié twee banke bestaan.

In sy toespraak verwys hy ook na die wenslikheid om nywerheidsbanke vir Suid-Afrika te stig. Hy sê „die las om nywerheidskapitaal te voorsien kan nie, en behoort miskien ook nie, net deur die verskillende ontwikkelingskorporasies van die staat verskaf te word nie."

Dit gee dalk 'n aanduiding van die rigting waarin die groter Finansbank/Concorde dalk kan ontwikkel. Finansbank moet immers op die oomblik ruimte hê om dit te doen. Hy is immers op die oomblik van die min banke in die land wat nie reeds 'n „eiendomsbank" is nie.

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US firm takes back seat

Altech gets control of STC

RDM
23/6/77

Deputy Financial Editor

ALLIED Technologies acquisition yesterday of Standard Telephones & Cables (SA) represents a dramatic rise to prominence and power by a modest shell of a company created less than two years ago.

Altech, formed out of the shell of the Uniewinkels quotation, will become a South African-controlled electronics and electrical group with sales of more than R46-million and attributable profits of more than R3-million when it absorbs STC and its own former parent, Allied Electric (Pty). And in closing the STC deal, Altech has pipped its more illustrious competitor in the race, Abercom.

Altech made a profit of R68 000 in its first year as a listed company, increased that tenfold to more than R600 000 in its second year and aims to make a pre-tax profit of more than R6-million this year.

Acquisitions are, of course, at the heart of this sensational performance. But even more commendable than the rise in the numbers is the manner in which it has been achieved.

Altech's balance sheet has not been stretched by any of its acquisitions and the latest actually improves the share's net worth materially, in addition to the 80% improvement it will mean in earnings to Altech's shareholders.

The deal which Altech has done with STC's owners, the giant American multi-national group, ITT, involves it in the issue of 3 050 354 new ordinary shares and 3 400 000 11% preference shares.

Shareholders will also be asked to approve the issue of 4 757 777 shares for the acquisition of Allied Electric — the private company which has hitherto controlled Altech but, which for reasons of convenience, will become a subsidiary of the listed company.

Once these shares have been issued, Altech will be owned 36,3% by STC of Britain (a 100% subsidiary of ITT) and the rest by South African interests. This will make it by far the largest South African controlled company in the R1 000-million electronics industry.

Minority shareholders, who owned 34% of Altech before this deal, will have their interest reduced to about 18%

The deal seems to have such obvious advantages, however, that its passage through shareholders' meetings should be smooth.

For STC's part, it regards its investment in Altech as permanent. Speculation that ITT was withdrawing from its South African investment in response to pressures on American investors from political pressure groups, was rejected by STC spokesmen yesterday.

They said the partnership with South African interests in what was becoming increasingly a strategic industry made commercial sense. STC has long-term contracts with Government agencies and departments which can only be cemented now that the company is not foreign-controlled.

Altech will be able to draw on the technical expertise of ITT as a result of the association.

Altech's business will be spread among a range of high-technology and strategic operations that will make it the major supplier to the Post Office of microwave systems and of multi-channel carrier open-wire telephone and telegraph equipment.

It will also be the biggest South African-owned manufacturer and distributor of electronics components, such as semi-conductors, capacitators and integrated circuits for the computer, communications and general manufacturing industries.

For Mr Bill Venter, Altech's founder and controlling shareholder, the acquisition of STC must be particularly gratifying. It is only 12 years since this 43-year old entrepreneur resigned from a promising career with STC to set up on his own.

The acquisition of a multi-million rand business which he knows from the inside caps a remarkable two years since he bought the Uniewinkels shell.

The electronics industry, incidentally, is one of South Africa's fastest growing and it would be surprising if Altech were not able to increase its sales by between 20% and 25% annually for the next few years.

The shares, when they are relisted on Monday, will be in demand and are likely to remain so now that Altech has established its credentials.

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Allied Technologies buys Standard Telephones

CAPE TIMES 23/6/77

By PAUL DOLD
Financial Editor

ALLIED TECHNOLOGIES is buying Standard Telephones and Cables (SA) and Allied Electric in a deal which will create a South African controlled electronics group with sales of R46m a year and equity earnings of R3,2m.

Altech is paying for STC and Allied through the issue of shares and will end up being owned 36,3 percent by STC of Britain (wholly owned subsidiary of ITT of the United States) and 63,7 percent by South Africans.

The deal ends weeks of speculation that ITT was negotiating with Abercom and creates the largest South African controlled group in the electronics field.

There had also been speculation that ITT had been seeking to withdraw its investment in South Africa but last night a source close to Altech said that the group had wanted to make a 100 percent cash bid for ITT's local operations but this had been turned down by the US parent.

And it is noteworthy that the ITT announcement issued in New York last night stressed that ITT wanted to stay in South African market.

"ITT in agreeing to the merger with Altech indicated that it is doing so as a means of maintaining a presence in a national market while at the same time substantially increasing local ownership participation."

However in view of STC's large slice of strategic public sector work the authorities are bound to welcome STC becoming South African controlled.

New issue

Altech is to issue 3 050 354 new Altech shares and 3,4m 11pc prefs to pay for STC (SA) and 4 757 777 for Allied.

At Altech's pre-suspension price of R2 this puts a price tag of R19 250 000 on the deal, which rationalizes under a single umbrella three of South Africa's major electronic groups. Clearly, this will have important benefits in competing with major multinationals in both local and export markets.

Altech's business will be spread among a range of high-technology and strategic operations that will make it the major supplier to the Post Office of microwave systems and of multi-channel carrier, open wire telephone and telegraph equipment.

It will also be the largest South African owned manufacturer and distributor of electronics components, such as semi-conductors, capacitors and integrated circuits, for the computer, communications and general manufacturing industries.

Agreements

Altech will hold agency and exclusive licence agreements with leading European and ... electronics groups. ... group has five ... operations, on ... Boksburg plus a ... nesburg and ... Pty, ITT Consumer Products and a significant holding in Maister Directories and African Telephone Cables.

Last night's announcement said that STC in the form being bought by Altech had sales of R31m in the year to December 1976 with net taxed profits of R1,9m. Some 70 percent of STC's business consists of supplying the Post Office with telecommunication equipment.

Electronics

Allied was formed in 1965 by Mr Bill Venter and four associates and last year achieved sales (excluding Altech) of R12,4m and equity earnings reached a record R1,3m.

Allied distributes electronic components to the professional market (as opposed to the domestic market) and claims to hold 40 percent of the market. Its manufacturing companies produce products which include solid state electronics equipment, water treatment equipment, and battery chargers.

Before the deal Allied Electric was Altech's holding company and had a 65,4 pc stake in Altech with the public owning 34,6 percent. After the deal the public's stake in the enlarged Altech will be 17,8 percent.

"This consolidation of Altech and Allied not only gives Altech technical know-how and financial muscle in order to continue building up a major South African electronics industry, but also prevents any possible conflict of interest developing at a later stage between the JSE listed Altech and the privately held Allied."

● Altech will be relisted on June 27. The JSE has agreed to continue the suspension until then to allow for certain formalities to be completed.

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(50%)

FIN MAIL 24/6/77 (236)

NATAL AMMONIUM — ALL OVER

Graham Beck, with the confidence of a man pre-assured of victory, had Natal Ammonium shareholders eating out of his hand by the close of Tuesday's meeting, even answering some of the questions ruled out of order by the chairman For the record, 270 674 shareholders voted to accept the 800c per share offer for Natal Ammonium shares and 56 309 against Working back from the "ayes" figures, the dissenters would have needed 67 669 votes to defeat the scheme. They were short by 11 360

So one cannot claim that any shares which may have been purchased in the market by persons favourable to Beck were critical to the outcome, as the winning margin was too wide All the same, the JSE ought to consider some clearer definition of who is or is not allowed to buy shares subject to an offer, and some system of reporting as in London In addition the role played by Belgium Bunkering in the whole affair seems to be a grey area

Finally, the scope and quality of advice supplied to shareholders by outside consultants needs to be subject to much stricter standards, not least in the interests of the consultants themselves, if they wish to retain credibility in future The question of the mine dumps value persisted to the end Beck told the scheme meeting that "80 000 or 90 000 tons of dump material" had been sold so far this year, at an average profit of R4 per ton With this additional information, it seems even more surprising that no value was placed on the dumps and that the Listings Committee accepted their worthlessness.

Richard Rolfe

SOUTHERN AFRICA LABOUR AND DEVELOPMENT RESEARCH UNIT

RESEARCH DIVISION
SCHOOL OF ECONOMICS,
BEATTIE BUILDING,
UNIVERSITY OF CAPE TOWN,
RONDEBOSCH
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FIN MAIL 1/7/77

OK BAZAARS

Takes two to untangle

What lies behind the appointment of an OK Bazaars joint MD? Is SA Breweries happy with its 70% holding in OK, or should the appointment be seen as an attempt to beef up top management?

Breweries' MD, Dick Goss, asserts his satisfaction with OK. Though it's returning only 9,3% on shareholders' funds against 14,8% for the whole Breweries group, he points out that OK's fixed assets were revalued some three years ago. The only comparison that's meaningful, he argues, is between what OI returned last year against the two pre vious years.

In 1976 it was 10,4% and 10,2% i 1975 "Ultimately, we expect to se improved returns on capital," says Gos 'but in an economic recession you' doing well to hold a position OK h achieved sales growth (at the expense squeezed margins, admittedly, but in tl end result it is cash that counts) ahead the growth in total private consumptic We would only expect a return of 17 20% on capital employed once the ec nomy was growing again at 3%-4% year.

Meanwhile, Breweries investment in OK makes good sense. With its wide spread of consumer goods, OK goes a long way to meeting our investment port folio pol... of matching liquor profits with those from other businesses. More over, OK complements the liquor busi ness particularly well with respect to cash flow. Liquor has an uneven growth pat tern and requires heavy capital invest ment at certain times. We can hold back on retail investment then. When the OK needs capital expansion we can similarly hold back on liquor.

Why, then, the appointment of a second MD — Meyer Kahn, MD of another Breweries subsidiary, furniture retailer Amrel?

Simply, says Goss, because the busi ness had become too big for one man to control. Having realised that, a natural division in OK's activities was sought.

It was found between stores whose strategy and development had already been set (mainly larger versions of OK's traditional outlets) and activities whose future was still undefined — hyperamas, homeland stores, the whole Rhodesian operation and TV servicing.

Kahn was, until he went to Amrel, a highly regarded OK marketing executive. The main expertise of Cyril Atkinson, OK's MD for the past several years, is corporate planning and strategy. It seem ed logical therefore to hand the SA stores over to Kahn, enabling Atkinson to concentrate on planning OK's other activities.

16th June 1977.

... copy of the workshop Report is enclosed. We find it useful.

N.3. ! We would be grateful if you could send us R1,00 cost of producing and printing this report.

Thank you very much - and thank you also for at

Yours sincerely,

Francis Wilson

FRANCIS WILSON

Ons sê . .

DIE gesondheid van 'n land se banksektor is noodsaaklik vir sy algemeen ekonomiese gesondheid. Suid-Afrika kan trots wees op die wyse waarop sy banksektor die afgelope twaalf maande deur waarskynlik sy moeilikste tyd sedert 1930 se depressie gekom het

In dié tydperk is in die bankwese waarskynlik genoeg lesse geleer sodat hy in die nabye toekoms sy rol as eerste aangrypingspunt vir enige stimuleermaatreëls om die ekonomie weer aan die gang te kry, baie goed sal kan vervul

Om dieselfde rede glo ons dat enige mate van verligting wat van owerheidswee ten opsigte van die kredietbeleid kom, gebruik sal word om juis daardie sektore wat werklik 'n bydrae tot die ekonomie lewer, te stimuleer

Die groter rasionalisasie tussen banke sal hopelik ook die doellose gejaag na sake net om groter te wees as buurman — al is hy self maar klein — verminder. Dit was hierdie groeimanie by banke wat heel dikwels gelei het tot die onoordeelkundige toestaan van voorskotte bloot net om ook tussen die grotes te wees

BANK VERTROUE STYG

Sake Rapport 3/7/77 (236)

Rasionalisasie stap verder

Deur VIC DE KLERK

Die volle integrasie tussen Senbank en Trust-Aksepbank wat Vrydag in werking getree het, beteken dat nóg 'n stap in die rasionalisasie van Suid-Afrika se banksektor afgehandel is. Die doelgerigte samevoeging van bankbelange die laaste klompie maande het die vrees vir grootskaalse probleme by die land se banke nou feitlik heeltemal laat verdwyn.

Die suksesvolle oorname van Trust-Bank deur die Bankorp-groep — aannames vir meer as 50 persent van die aanbod is verkry — en daarmee saam die integrasie van Senbank en Trust-Aksepbank was seker die belangriste samevoeging van bankbelange in Suid-Afrika die afgelope 50 jaar.

Maar 'n paar kleinere samevoegings het ook 'n belangrike rol gespeel

● Volkskas se oorname van Bankovs-Aksepbank, waarvan die naam intussen verander is na Volkskas-Aksepbank, het 'n belangrike bydrae gelewer om weer vertroue in die Bankovs-groep te skep Dié bankgroep is veral kwaai geknou deur die likwidasie van S M. van Achterberg Maar noudat die grootste deel van sy voorskotte aan dié eiendomsgroep deur Volkskas oorgeneem is, lyk sake baie beter

● Die verkryging deur UDC-bank van die volle uitgereikte kapitaal van Ryan Nigel het ook verhinder dat daar enige skokke in die sogenaamde grysmark was — veral ná die probleme wat Corporate Acceptances gehad het met sy deposito's by Randbank

Groter vertroue

● Indien Concorde-Bank suksesvol by Finansbank ingeskakel kan word, behoort die bank se probleme wat in groot mate die gevolg is van die ondergang van Burton Construction, ook heelwat kleiner te wees en behoort vertroue ook herstel te word

Hoewel die kritieke noodsaaklikheid van oornames en rasionalisasie tussen die banke vanwee groter vertroue nou gedeeltelik verdwyn het, is daar nogtans heelwat ruimte vir verdere rasionalisasie Die algemene slapte in die ekonomie oor die volgende jaar of wat sal waarskynlik die belangrikste stimulant vir verdere rasionalisasie wees

Afgesien van Rondalia-Bank en Randbank, wat onder kurators geplaas is, het die verdienste per aandeel van 'n hele paar ander banke die afgelope jaar gedaal Hieronder tel van die land se grootste banke

Die verdienste per aandeel van Standard Bank het gedaal van 50c tot 42c en dié van Barclays van 61c tot 53c Ander winsdalings het voorgekom by Hill Samuel, Santambank en Trustbank

Kredietplafon

Totale voorskotte deur die banksektor toegestaan aan die private sektor het vir die twaalf maande tot 31 Maart vanjaar met slegs 4,96 persent gestyg Sedertdien is die tempo van toename nóg stadiger

Al sou die huidige kredietplafon op voorskotte aan die private sektor binnekort opgehef word as eerste stap in die selektiewe stimulering van die ekonomie wat sen. Owen Horwood in gedagte het, kan dit oor die volgende ses tot twaalf maande nog nie veel doen aan nuwe besigheid vir die banke nie

Die swakker ekonomiese klimaat en ook banktoestande word onder andere genoem in die jaarverslae van Volkskas en Boland-Bank wat vandeesweek vrygestel is

Daar is nog heelwat ruimte vir rasionalisasie binne die banksektor, en die doelgerigtheid waarmee Senbank en Trust-Aksepbank saamgevoeg is, voorspel dat daar binne die Bankorp-groep nog heelwat gedoen gaan word

Die volgende op die lys moet seker die nouer samevoeging wees van Trust-Bank self met die Bank van Johannesburg en/of Kredietbank Laasgenoemde het in elk geval probleme met sy naam, terwyl dié van Trust-Bank weer internasionaal bekend is

● PROF FRED DU PLESSIS, voorsitter van Senbank eerste stap in die konsolidasie met smaak afgehandel.

● DR JAN MARAIS voorsitter van Trustbank en nou ook direksielid van Bankorp

MEER BANKE SAAM

● Vervolg van bl. 1

Noudat aksepfinansiering weer goedkoper is as oortrokke rekenings behoort die aksepbanke 'n groter deel van die nuwe besigheid te kry — hoe min dit ook al mag wees

Die bree kategorie van huurkoop, spaar en algemene banke kon oor die afgelope twee jaar hul posisie redelik handhaaf, veral vanwee die uitbreiding in verhuring

Boland-Bank

Hierdie soort finansiering het vir die twaalf maande tot Maart vanjaar met 29 persent gestyg nadat dit die vorige twaalf maande met 54 persent gestyg het Die rentekoers hierop is nie onderhewig aan 'n maksimum nie en was vir hierdie banke dikwels die enigste uitkoms toe depositokoerse baie hoog was.

Onder hierdie banke word daar heelwat gespekuleer oor die moo...

Aksepkrediet

Die aksepbankwese behoort ook in die volgende jaar of wat heelwat veranderinge te ondergaan Volgens die jongste Kwartaalblad van die Reserwebank het dié groep banke se kredietverlening aan die private sektor oor die twaalf maande tot 31 Maart vanjaar met 4,6 persent gedaal

Die feit dat aksepkrediet oor die jaar gemiddeld heelwat duurder was as gewone oortrokke rekenings, het baie bygedra tot die swakker groei van die aksepbanke Maar die gebonde aksepbanke soos dié van Barclays, Nedbank en Standard Bank het veral swak gevaar en in sommige gevalle het die moederbank oor die jaar meer aksepte geskep as die aksepbanke self Die handelsbanke het dus self die aksepbankbesigheid gedoen

● Vervolg op bl. 3, kol. 1

ging van Boland, Bankovs en selfs Santambank. UDC staan ietwat buite hierdie kring, terwyl die Finansbank/Concorde-groep waarskynlik ook op die uitkyk is vir 'n sterker anker.

Maar in sy jongste voorsittersverslag sê mnr Otto de Kock van Boland-Bank vandeesweek dat dit „die direksie se mening is dat Boland-Bank sy individualiteit en identiteit nou meer as ooit tevore moet handhaaf."

Mnr. Piet Liebenberg van Finansbank is ook baie trots op sy bank se slagspreuk as die „onafhanklikes".

Mercabank's property exposure

Mercabank's Ferreira . what me worry?

Mercabank is up to its eyes in property - - and must be feeling the squeeze That's the word in the marketplace, but apparently, it's exaggerated

True, Mercabank does have large property commitments - - just over 30% of its R73m loans and acceptances are in property, which is "more than I would like in this market", admits MD Charles Ferreira But he argues, it's not nearly enough to rock the bank's boat

Ferreira detailed Mercabank's property interests and exposure (see charts) for the *FM* as follows

- The biggest single exposure is R10m in Mosenthals, in which Mercabank has a 50% equity stake But, says Ferreira, the bank has made "in excess of 10%" a year from the operation of the portfolio, and in any case it's not all property
- Mercabank holds R2,3m worth of secured debentures in township company Mondorp It also has "a few" outstanding guarantees for services But, says Ferreira, the townships where these guarantees apply are now all fully serviced, so the burden is virtually nil
- Mercabank's main interest in Nasbou is a part share in a first bond over Ponte, the circular flat block in Johannesburg's Berea Of the R7,2m bond, Mercabank's share is R2 2m The other two bond holders are the Boland and Santam banks

Ponte's letting problems, particularly the shopping element, are legion But, says Ferreira, the bond is being serviced by the Nasbou group, although not from Ponte's own cash flow (Nasbou is putting in TV sets and so on to attract tenants, and this is using up much of the rental cash flow)

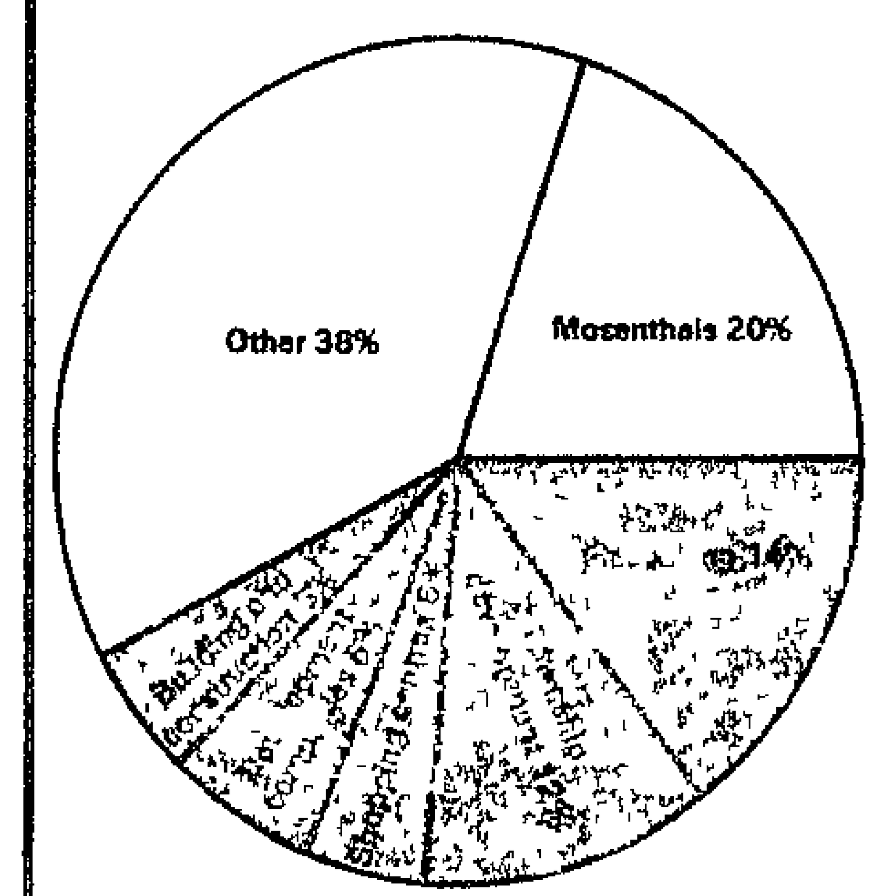
Ferreira feels that Ponte will eventually come right and, even if the banks were forced to take it over he would "rather nurse that through — it won't depreciate with escalating building costs than be stuck with bulldozers lying at the side of the road, depreciating whether they are used or not"

- A secured loan to Volkstrust of R4,5m granted in 1973, now stands at "just under R2m"
- Bendor's total facility is R1,25m, split between bridging finance for services and service guarantees The money is secured by land and debtors
- Mercabank holds R1,2m of secured Curnes Holdings (Pty) debentures and R600 000 in secured loans All service guarantees for Profile/Curnes have been cancelled

But Ferreira admits that Curne's isn't paying interest (amounting to "R60 000 to R70 000 a year") on the loan This, says Ferreira, is Mercabank's only loan on property which isn't being serviced

- On four blocks of flats in Johannesburg owned by Ben Mouton's Bodendom — Dunkeld Square, Devon Place, Killarney Hills and Knightsbridge — Mercabank holds first bonds totalling R1,6m All four blocks have sectional registers open and individual flats are being sold, with transfers going through "reasonably well"

Ferreira admits that Mercabank did make a loss on Bodendom "in the past"



although he declines to quantify it. That loss has been written off over a number of years.

- Mercabank took over an L K Jacobs loan account when it obtained 26% of the equity This now stands at R218 000

Ferreira reckons his well secured and well spread property interests "can t be dangerous"

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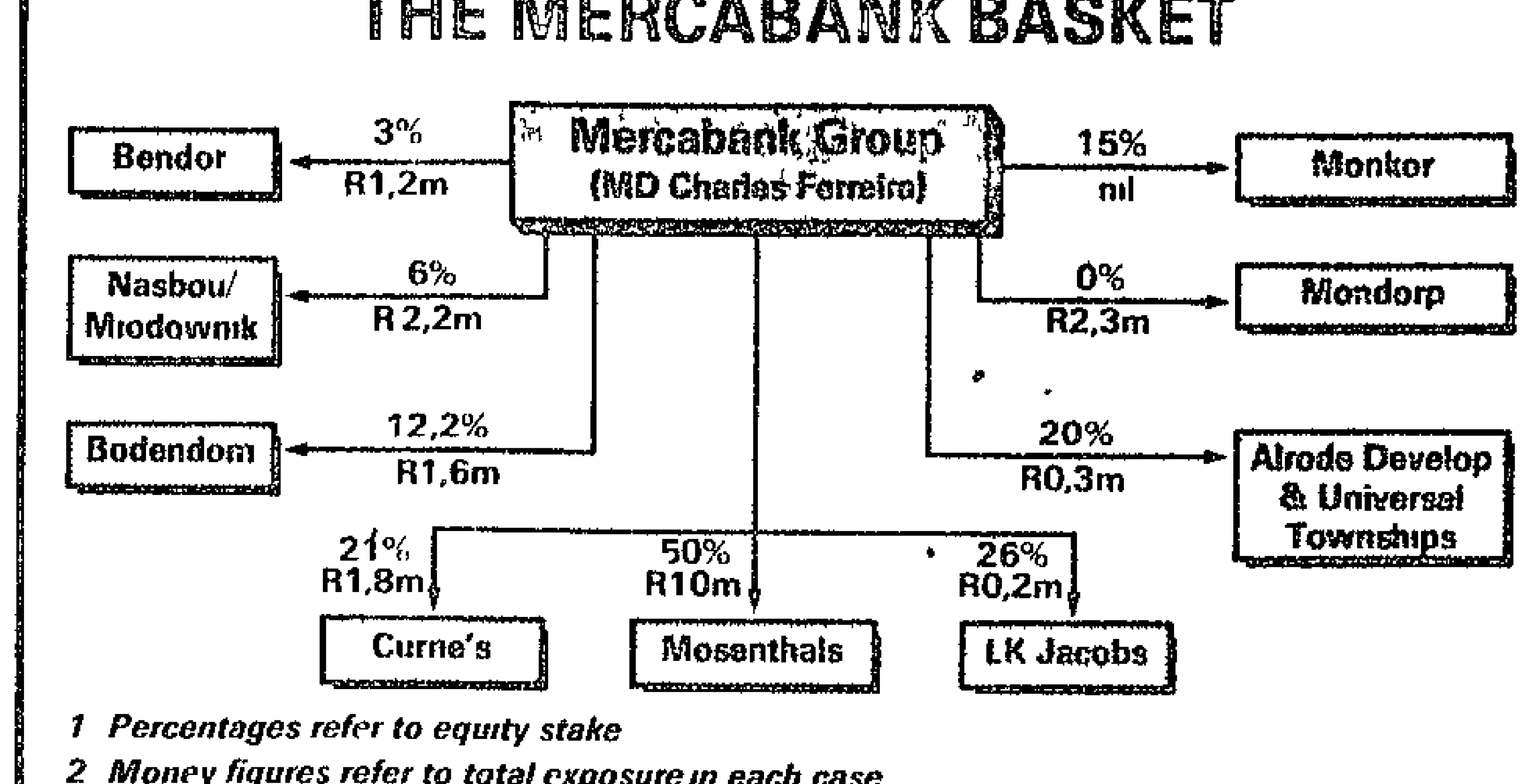

FIN. MAIL 8/7/77

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ABERCOM-PROTEA

Positive aspects

Stuck up a one way street, Abercom had no option but to put its pride in its pocket and beat a retreat The Protea bid was ill timed and badly executed, a bad dream that Abercom would like to forget But that said, it was not "technical difficulties" in the end that forced the deal to be aborted For the document that finally got to the JSE was a straightforward bid under Section 314 In the final analysis, it was the currency that failed to stand up to the pressure

Protea s Aidan Beard . . nothing like a bit of shock therapy

The market had the final say It couldn't understand the logic of the bid, and above all it was fearful of the prospect of another 10m Abercom ordinary shares floating around It would have made for a weak market in the shares far into the future As the price collapsed and the alternative part prefs became more attractive, the prospect of uncomfortably high gearing in the income statement helped the shares on their downhill path

But ironically, with the bid out of the way, and I think that it can be safely assumed that Abercom's professed on going serious intentions are no more than a face saving device, both shares could recover appreciably

Abercom should go up purely as a reflex action to the bid being called off At 205c it is already 25c off the bottom, and I expect further recovery to the pre bid level of around 220c The results next week should at least be up to expectations, so they could even go higher

Protea has been holding 70c more on its own merits than on underpinning by the Abercom offer Protea has been trying to do the right thing for the past year, but the shock therapy of the past two months has instilled a new urgency into the group I expect that more disposals could be revealed in the preliminary report due in the first week of August It would be a good idea to incorporate an unaudited balance sheet in this report, for shareholders would like to know as soon as possible how the disposal of Alers Hankey, and tighter discipline on stocks and debtors, have effected the ratios Protea shareholders could be pleasantly surprised by the results

But the most bullish factor is that the final dividend could well be maintained at 10c No decision on the matter has as yet been made, but if it is held, I would expect a run up to around 90c This view can be supported by the fact that earnings at the halfway stage were slightly ahead of expectations and unless there has been a severe deterioration in the past three months, I would not be surprised by an annual figure around 22c

If so, I am sure Protea would be very loath to spoil its record of never having cut its dividend over the past 17 years Of course it will depend whether any major problems are anticipated in the coming year, but the feeling I get is that there are no such worries at the moment and the full effect of the Alers Hankey disposal should provide a significant boost to earnings on an annual basis

The lessons learnt, and the ripples caused, in the end probably outweigh the apparent futility of the whole exercise It has highlighted the urgent need for a set of rules such as London's Takeover Code, so that all participants have a clear understanding of exactly what is permissible in bid situations The JSE should give this matter urgent attention. Then the merchant bankers have learnt that a contested scheme just won't work David Lurie is probably a wiser man today And Protea shareholders could find themselves owners of a rejuvenated company

Richard Stuart

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Gemmin could be Samancor buyer

236

RDM 13/7/77

By DON ROBERTSON
Mining Editor

SOUTH African Manganese Amcor (Samancor) was suspended from the Johannesburg Stock Exchange lists yesterday amid speculation that a change of control was imminent

Market sources, which became aware of some important development before the share was suspended, believe that Iscor, which is reported to have an interest of 45% in Samancor, is about to sell out this stake

Samancor, usually a quiet share, was busy on Monday with 43 500 shares changing hands Yesterday, the price moved up from 750c overnight to 780c before it was suspended

Some brokers believe that Iscor, strapped for cash, has negotiated to sell its interest and that General Mining might be the buyer

While Samancor's operations would fit in with those of General Mining, it is unlikely that Genmin has the ready cash for such a deal which would involve substantial finance

Nobody at Genmin was available for comment last night Dr J P Kearney, managing director of Samancor, was not able to add anything further

The chairman of Samancor Mr Fred Bamford, said in his last annual report that the slack international steel industry would affect profits in the current year, but he expected dividends to be maintained The interim report is due this month

Ref :7PG/Student No. /Course:

Dear

Thank you for your application for admission to the University in 1978 to study for the above course (see Ref.). The Faculty of Arts will be pleased to accept you provided you qualify in terms of its entrance qualifications which are set out below:

1. Master of Arts

A candidate may, with the permission of the Senate, proceed to the M.A. degree if he is either

(a) (i) an Honours graduate in Arts of the University; or
(ii) a graduate in any other faculty of the University who has completed courses in a subject [illegible] by Senate as equivalent to those re[illegible] Honours degree of the University;

(b) a graduate of any university recognised [illegible] who has completed courses in a subject o[illegible] Senate as [illegible]valent to those required f[illegible] of the Univ[illegible]

2. B.A. (Honours)

A candidate may, [illegible] if he is:

(a) a graduat[illegible] degree wi[illegible] Honours a[illegible] which would have enabled him to be [illegible] subject as a major subject, and ha[illegible] as departmental regulations may re[illegible]

(b) a graduate in any other faculty in [illegible] courses and fulfilled conditions a[illegible] equivalent to those required under [illegible]

(c) a graduate of any other university [illegible] purpose who has completed courses [illegible] accepted by Senate as equivalent t[illegible]

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SAMANCOR FM 15/7/77

Suspense is killing (236)

Iscor is prepared to shed its stake in private enterprises — Dr Tom Muller, February 10

So you thought Dr Muller was talking about Metkor? The suspension of Samancor shares (after a big trade on Monday) suggests that Iscor is willing to off-load its holding in Samancor to as yet unspecified interests

The strongest rumour is an offer by General Mining/Federale Mynbou and Sanlam But it would be no use to Iscor to take paper in exchange for its Samancor shares It needs cash to continue with the Grootgeluk blend coking coal project, its high grade Vendaland coking coal will be developed by outsiders

General Mining looks like the front-runner and there is even the suggestion that its interests in Dunswart might be included as part of the deal If it acquired Samancor, taken with its existing stake in ferro-chrome and electrolytic manganese it would have a dominant position in a wide range of alloy markets

Iscor will want the best possible deal for itself and the public So presumably all parties will be given the opportunity to bid for whatever Samancor shares are for sale It's safest line could be to put its Samancor holding out to tender That way everything will be in the open and the public can be assured that its interests are being well looked after Would anything less be satisfactory?

Jim Jones

Admen link

Sunday Times (Business Times)

to form

17/7/77

R8m agency

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TWO SMALLER advertising agencies, Mortimer Tiley and Hyams Robinson, have merged

Combined annual billings of the new agency, to be known as Hyams, Mortimer, Tiley, is about R8-million a year, probably putting it among the top 12 agencies in the country.

Explaining the reasons for the tie-up, new executive chairman Harry Hyams said, "The big agencies are getting bigger, and our clients will now get the benefit of broader agency services in greater depth."

Both agencies are wholly South African owned.

The merger is taking place immediately, and the new agency will be situated in Mortimer, Tiley's premises.

Roy Mortimer of Mortimer, Tiley will be deputy chairman of the new agency.

SAKE-RAPPORT SONDAG, 17 Julie 1977

OU VRIENDE NOG DAAR

Genmin nie alleen

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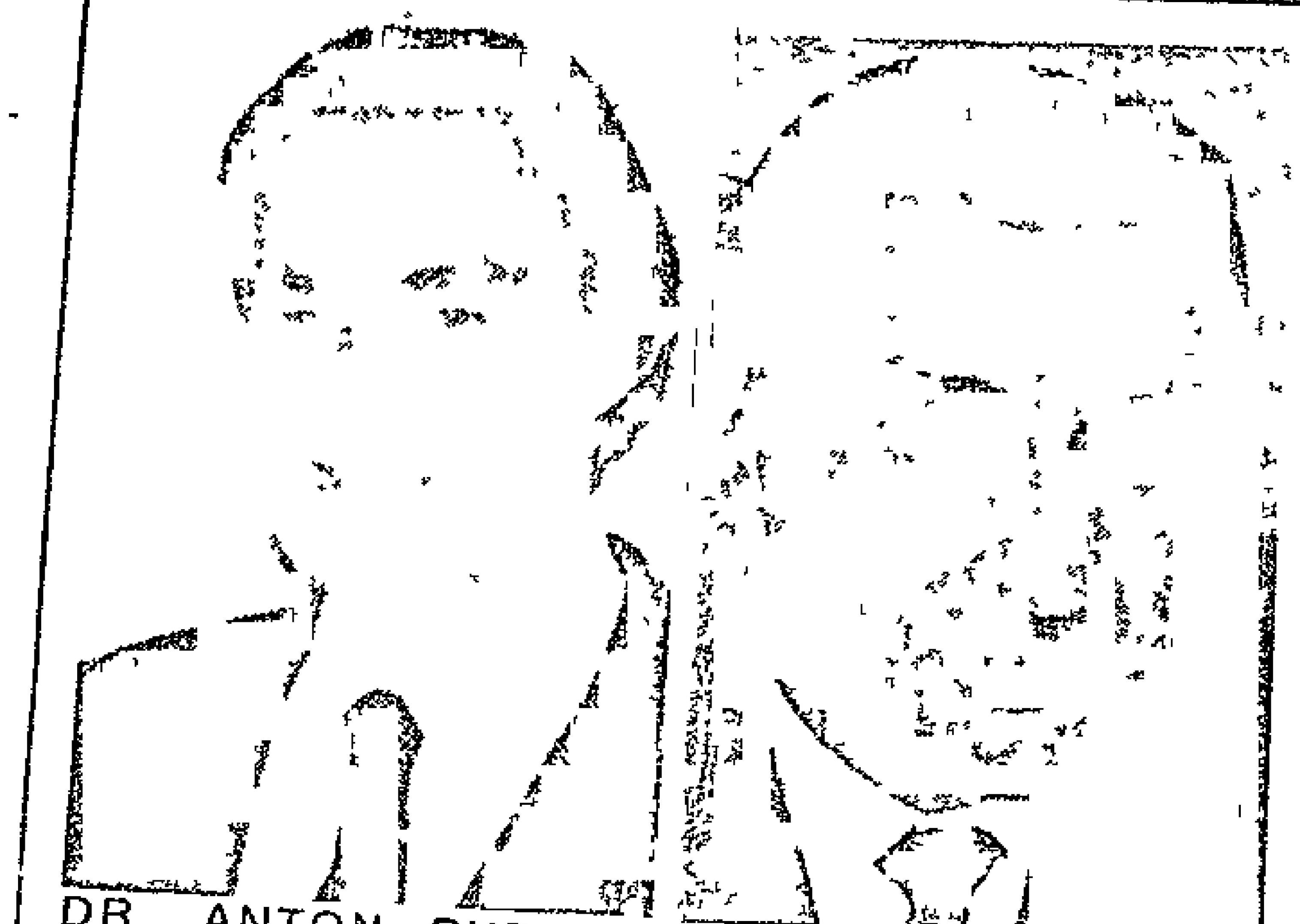

DR ANTON RUPERT voorsitter van Rembrand gerugte loop sterk dat sy groep kan help om die knoop deur te hak

TOM MULLER voorsitter van Yskor het aandele ter waarde van ... miljoen om te verkoop

Deur VIC DE KLERK

GENERAL Mining is beslis besig met onderhandelinge om beheer oor Suid-Afrika se grootste mangaangroep, Samancor, te verkry. Die kanse is ook baie goed dat hy die knoop hier kan deurhak. Maar dan sal hy dit nie alleen kan doen nie en hy het die hulp van sy „vriende" baie nodig.

Hierdie feite is vandeesweek deur Sake-RAPPORT vasgestel ná die opskorting van die aandele van Samancor se bevestiging dat Yskor daarin belang stel om van sy belang in Samancor ontslae te raak

Daar is egter 'n groot geheimhouding oor wie saam met General Mining in die transaksie is Die moontlikheid van 'n sterk Amerikaanse vennoot word genoem Terselfdertyd is daar ook kenners wat glo dat die „vriende' wat gehelp het met die oorname van Union Corporation weer hierby betrokke kan wees

Die naam van dr Anton Rupert se Rembrand word genoem en daar word gesê dat die Samancor-transaksie 'n voortsetting is van die plan van dr Rupert om 'n groter vastrapplek in die mynbou te kry Dit het begin met die groot belang wat Rembrandt in Federale Mynbou gekry het vir kontant transaksie doen, maar dié mynhuis het 'n duidelike voorkeur vir goudmyne en dit is onwaarskynlik dat hy met so 'n groot sprong sal diversifiseer, veral ná sy huidige planne in Noordwes-Kaapland

Dit laat die General Mining-groep saam met sy vriende as die enigste ander vryer

Sanlam hou 36 persent van die aandele in Federale Mynbou wat op sy beurt weer vir General Mining beheer Maar dit is te betwyfel of Sanlam op die oomblik vreeslik baie kontant het Vir eers het die hoer voorgeskrewe batevereistes 'n groot hap uit die versekeringsmaatskappye se kontantvloei geneem Sanlam moet in elk General Mining en dan is daar nog die buitelandse vriende wat laas vir General Mining gehelp het om Union Corporation te bekom

Die aanduidinge is dat General Mining inderdaad sommige van hierdie buitelandse lenings vinniger afbetaal het as wat ooreengekom is 'n Hele paar miljoen rand in die buiteland, wat terselfdertyd vry geld is, kan baie help om die buitelandse aandeelhouers van Samancor se belange goedkoper uit te koop.

● 'n Ander alternatief wat ook vir General Mining oorbly, is om Amkor oor te neem Hierdie filiaal van Yskor se belang in Samancor is sowat 39 persent. Hy

Sake Rapport 17/7/77

Anglo

Die moontlikheid word ook genoem dat Rembrandt hierdeur baie sterker beheer in Federale Mynbou en daardeur in General Mining kan kry

Maar die onbekende faktor is Anglo American In beurskringe word gesê dat as Anglo nie deel van enige konsortium is wat beheer oor Samancor verkry nie, hy beslis nie sal stil sit en toesien dat iemand anders dit sonder slag of stoot kry nie

Samancor word allerwee as 'n prima-maatskappy beskou met 'n baie goeie wins- en groeipotensiaal

Dan is daar natuurlik ook nog die ander alternatief dat Anglo en General Mining weer soos in die Mainstraat-Beleggings saam in die transaksie kan wees

Dit bly egter 'n feit dat in enige aanbod vir Samancor daar baie kontant sal moet wees Yskor het as die meerderheidsaandeelhouer die kontant nodig en sal nie maklik vir 'n klomp papier te vinde wees nie

En in so 'n geval sal die Johannesburgse Effektebeurs daarop aandring dat 'n soortgelyke aanbod vir die minderheidsaandeelhouers gedoen word

Op sy eie het General Mining nie hierdie soort kontant beskikbaar nie Die huidige markkapitalisasie van Samancor is R220 miljoen, wat die uiteindelike waarde van 'n aanbod kan wees

Slegs die Anglo American-groep kan op sy eie so 'n groot aanbod doen

Vrydag was daar volop gerugte dat hy wel aan so iets werk Behalwe Anglo en De Beers se kontantbronne in Suid-Afrika, is buitelandse geld vir hom ook nog taamlik maklik beskikbaar, wat die verdere voordeel van die diskonto op effekterand inhou

Buiten Anglo kan Goudvelde seker ook alleen so 'n geval 'n hele klompie kontant behou om om te sien na die eiendomsbelange van 'n hele aantal maatskappye waarin hy 'n groot belang het

Dit is te betwyfel of Sanlam op die oomblik meer as R20 miljoen kan bydra tot die kontantdeel van die aankoop van Samancor

FVB, wat 'n belang van sowat 10 persent in Federale Mynbou het, se kontantposisie laat ook nie so iets toe nie Die maatskappy het in elk geval 'n verklaarde beleid om op ligte nywerheid en voedsel te konsentreer

Rothmans

Die Rembrandt-groep het 'n belang van 25 persent in Federale Mynbou Ná die pragwins van Rothmans International vir die afgelope jaar moet die groep veral met heelwat kontant in die buiteland sit en is hy ongetwyfeld die sterkste kandidaat om met die kontantdeel te help

Ingeligte waarnemers verwag dat die aanbod vir Samancor deur Federale Mynbou gedoen sal word en dat dit uit 'n kontantdeel of aandele kan bestaan. Iets soos 'n kontant-aanbod van 800c per aandeel of twee aandele in Federale Mynbou Teen die huidige prys van Federale Mynbou is die aandeledeel van die aanbod 880c werd, met die gevolg dat die meeste aandeelhouers behalwe Yskor dalk die aandele sal aanvaar

Om te verseker dat die maatskappy genoeg kontant het vir die aanbod, word daar gepraat van die uitreiking van sowat 15 miljoen aandele teen 450c of 500c per aandeel

Die uitreiking van 15 miljoen aandele op hierdie manier kan 'n inkomste van tussen R65 miljoen en R75 miljoen lewer 'n Paar ander kontantbronne kan ook help Union Corporation het op die oomblik heelwat meer kontant as het ook nog ander belange soos byvoorbeeld dié in fosfaat Dit kan dan afhang van die vertolking van die gees van die oorname of dit ook nodig is om 'n soortgelyke aanbod vir die minderheidsaandeelhouers te maak

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N. Mercury 21/7/77

Scotts buys shoe plant

Financial Editor

SCOTTS Stores Ltd. has taken over Adorable Footwear (Pty.) Ltd., the Pinetown manufacturing company, with effect from March 1, 1977. The purchase price was R282 000.

This was announced by Mr W J D I Scott, chairman of Scotts Shoes, at the company's annual meeting in Durban yesterday.

Mr Scott said that the Adorable Footwear factory would fit in well with Scotts three footwear factories in Pinetown.

"It will make a positive contribution to group earnings in the current financial year."

Referring to the retail operations of his group, Mr Scott said that during the first four months of the current year sales were 11 per cent ahead compared with the same period last year.

Sales ahead

"If our retail acquisitions of Lansal (Pty) Ltd, trading as Babyland, taken over last year and the Fifth Wheel Chain, acquired in March, are included, sales are running at 18 percent ahead of last year."

On the other hand, the group had been forced to lower margins during recent months to maintain sales growth in the "most competitive" consumer market that had developed since March.

Group stocks had been reduced since February and this run down would continue between now and February, 1978.

"In spite of the adverse trading conditions the group had opened seven new stores during the current financial year.

"We acquired a small chain of two footwear stores in the Cape, McPhersons (Pty.) Ltd and have opened a footwear discount division, Shoemarket (Pty) Ltd, which is selling on a franchise basis in the Checkers group multimarket at Southhills, near Johannesburg."

Negotiations were also going ahead to open a further seven specialty stores and a shoe market at Madadeni, outside Newcastle.

"In addition, we will be opening two new stores in the Uniewinkels chain by October this year, one in Rossettenville next month and the other in Nelspruit in October.

"Our footwear manufacturing division is maintaining its profits, our wholesale division is experiencing fierce competition but overall, I expect our group pre tax profits to be maintained in the first half of this year compared with last year.

Sunday Times (Business Times) 24/7/77

SA's R800m cafe society

By TONY KOENDERMAN

EVERYBODY has one, whether he lives in Johannesburg's affluent northern suburbs or the poorer areas of Port Elizabeth.

No, not a hairdresser or a car — but the ubiquitous corner cafe

And while South Africa's R800-million-a-year cafe society lacks the flair of Parisian cafe society, it is every bit as much a part of our fundamental life-style

Not a cafe at all, but a neighbourhood convenience store, this type of business is so dominated by the country's 80 000-strong Greek community that it is also widely known as the "Greek shop."

And at a time when major stores — supermarkets and hypermarkets — are gobbling up ever more of the country's food retail trade, the corner cafe survives on late hours and a busy trade in confectionery, cigarettes, soft drinks, perishables — and high mark-ups

According to A C Nielsen, the market research company which concentrates on the "food universe", there are just under 27 000 stores in South Africa which sell food.

Of stores in white areas, 2 700 are classed as "medium-sized" (average turnover R219 000 a year) and 11 100 as "small" (turnover R52 000 a year)

Most of the medium-sized stores, and 60-70 per cent of the small are thought to be corner cafes, which would make a total of about 10 000 corner cafes in the country

However, those with extended trading hours may be fewer A 1970 survey showed only 3 000 had extended trading hours

And while small stores in general are losing out to bigger supermarkets — their share of retail trade slipped from 28 per cent in 1970 to 18 per cent now — there will always be a place for the convenience store

Though harrassed by price control officers and the police for selling restricted goods out of hours, they provide a valuable service to the community, which often extends to cashing cheques and supplying goods "on tick"

Blairgowrie cafe owner Archimedes Charalambous says he has amounts of up to R100 owing to him He cites bad debts as one of his constant worries

Mr Charalambous, a 27-year-old Greek Cypriot, is typical of many of South Africa's Greeks in that his fare to this country was paid by a relative

Bit by bit, his entire family has been brought out in this way

He was set up in business with the backing of an uncle, and he has no ambition to expand his business or go into any other line

He complains that the local authorities hand out too many trading licences, which results in a glut of competitive cafes

He keeps a gun under the counter in case of assault, but hasn't had to use it yet

George Bertolis, editor of the Greek Press, a newspaper which reaches most Greeks in Southern Africa, says the major influx of Greeks to this part of the world was during the 1960s, when Cyprus was in turmoil and Greece itself was torn with strife

Most of them went into the cafe field because it was one of very few business activities open to someone with only a limited knowledge of English or Afrikaans

But many dream of better things for their children. There is a drift away from the cafe trade, where an influx of Portuguese is beginning to replace the Greeks.

Stelios Joannou . . . grateful to South Africa.

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Stelios Joannou and his wife Panayota, known in their neighbourhood as Stanley and Janet, say they don't want to give their two children the same kind of life

But they are grateful to South Africa for the opportunity it has given him to better themselves

"In Cyprus I was just a carpet for the rich people to walk on," Mr Joannou says "Here you can improve yourself as long as you are prepared to work

"But I want my children to be well educated and move up in the world — not work 14 hours a day like I do"

Stanley's Randburg shop is open every day of the year, from 07h00 to 21h00 — except Christmas Days when it opens only for the morning.

He started in business with only R1 000 and is in partnership with his father-in-law He wanted to open a fish and chip shop, but a restaurant in the same block objected Instead, he decided to give his business a boost by buying in bulk so that he could cut his prices

He is fiercely patriotic about South Africa "There are troubles everywhere," he says. "I am not worried about the future At least here you have a chance to make something of yourself"

His main problem is shoplifting — some of it by white children But he is philosophic about it "You can't blame them because they don't understand," he says.

John Constatopoulos, a 28-year-old Athenian, came to South Africa in 1971 and bought himself a partnership in a bakery

After that life, when he worked until midnight every day, he finds his 14-hour daily stint easy going He runs a cafe and bakery in Fontainebleau, Randburg

The long hours don't seriously affect his social life, he maintains. With his wife Irene, who speaks no English, he goes out two or three times a week Most of their friends are cafe owners.

Most cafe owners seem to be doing well financially

At an estimated gross margin of 20-25 per cent, a turnover of R100 000 a year, which is not uncommon, would yield an income of R20 000 Even after deducting overheads, that's not a bad profit

According to A C Neilsen, the big buffer corner cafes have against economic strictures is their propensity to hold stock

"When they feel the squeeze, they can reduce their stockholding, and make use of a cash and carry wholesaler," a Neilsen spokesman said.

"So the corner cafe is still a very viable business"

Rapport 24/7/77

Rand London se blinke

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RAND LONDON is aangestel as die bestuurders van die Nababeep-diamantmyn in Noordwes-Kaap, en 'n mens wonder of dit nie die voorloper is tot 'n volle oorname van hierdie diamantmyn deur Rand London nie.

Die Nababeep-diamantmyn is een van die rykste diamantmyne in die land omdat sy produksie van diamante vir byna 90 persent uit sierstene bestaan Wat totale produksie betref, is dit natuurlik maar 'n klein myntjie met 'n produksie van sowat 2 000 karaat diamante per maand

Die bates van die myn word op tussen R5 en R6 miljoen geraam, wat beteken dat indien Rand London dit wel in 'n latere stadium oorneem, dit die groep se grootste belegging sal wees behalwe die steenkoolmyne by Dumbe en Kempslust.

Dit is onwaarskynlik dat Rand London hierdie myn vir baie lank sal bestuur voordat 'n poging aangewend word om die volle beheer daarvan te kry.

Omdat dit 'n oopgroefmyn is, moet dit 'n lekker kontantvloei hê wat Rand London weer handig kan gebruik by sy ander belange soos die steenkool, ystererts by Postmasburg en mangaan in Bophuthaswana

— Vic de Klerk.

Premier pulls off big Metcash coup

Sunday Times (Business Times) 10/7/1977

Business Times Reporter

PREMIER MILLING, the R600-million a year food giant, has scored a spectacular financial coup in a deal involving millionaire Natie Kirsh, the flourishing Metro Cash and Carry chain and Barclays Bank.

Metro, whose turnover in food sales is expected to top R200-million this year, has been the subject of legal disputes between Mr Kirsh and the Tiger Oats group which is Premier's arch-competitor in the food industry.

Mr Kirsh and Tiger each held 30 per cent of the shares in Metro, which last year was the Sunday Times' Top Company of 1976. Mr Kirsh raised his stake to well above 50 per cent and Tiger's Rudi Frankel took the matter to court in an effort to prevent certain shareholders from passing control of their shares to Mr Kirsh. Mr Justice King dismissed Tiger's application and the matter is now under appeal.

In the meantime Mr Kirsh, who holds his interests in Metro through a pyramid company, Kimet Ltd, negotiated with Joe Bloom, chairman of Premier, his son Tony, deputy chairman of the group and financial director Peter Wrighton, for assistance to finance his Metro share purchases.

Kimet, which is a public but unlisted company, has assets of about R16-million made up of its holding in Metro, a 50 per cent stake in King Foods which manufactures the successful King Korn line (the other 50 per cent is held by Tiger), a 50 per cent stake in a small supermarket chain and various properties in most of which Metro trades.

This week a deal was clinched in terms of which Premier and Barclays Bank have taken an interest in Kimet through the purchase of participating preference shares. Premier has invested about R4-million and Barclays R5-million, but the Barclays holding will be taken up over several years by Premier. Joe Bloom is a director of Barclays.

More importantly, the deal gives Premier a preemptive right to buy his stake in Metro should Mr Kirsh ever want to sell it. This would seem to effectively block Tiger from ever gaining control of Metro although it holds 30 per cent of the equity and sits on the board of company.

Tony Bloom and Peter Wrighton of Premier will now join the board of Metro and it can be expected that links between Metro and Premier will in the future be strengthened.

Premier's interest in Metro was first reported by Jeremy Woods in Business Times on May 1 this year.

The shares of Metcash have almost doubled to 520c this year and at one stage were suspended from trading as rumours of takeover bids swept the market.

Joe Bloom said this week that the deal was "most gratifying" for Premier and that he expected substantial benefits to shareholders to flow from it.

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Scotts going strong

Des Scott was in good spirits at this week's Scotts Stores agm in Durban He announced several acquisitions and confirmed the projection of increased earnings made in the annual report

Including turnover of Babyland, acquired late last year, and the Fifth Wheel chain acquired in March, group sales are 18% up on last year But tough conditions since March have resulted in stock reductions, which will continue, and the company has been forced to trade at lower margins

In the current financial year, seven new stores have been opened "We acquired a small chain of two footwear stores in the Cape Peninsula, McPhersons (Pty), and we have opened a footwear discount division, Shoemarket (Pty), selling footwear on a franchise basis in the Checkers group multimarket at Southhills, near Johannesburg We have negotiated leases to open a further seven stores in the speciality chains between now and

Scotts' Scott . . striding out for better profits

November (net after closings), and one further shoemarket to be franchised with Checkers multimarkets at Madadeni, outside Newcastle In addition, we will be opening two new stores in the Uniewinkels chain by October this year, one in Rosettenville next month and the other in Nelspruit in October"

Scott also announced the acquisition of Adorable Footwear (Pty), a Pinetown footwear factory, effective March 1, for R282 000

The shares of this highly regarded group yield 9,1% at 540c and still look to be among the better bets in the stores section

Michael Brown

Financial Mail July 22 1977

methods when dealing with large

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Federale and Price Forbes courting

RDM 26/7/77

(236)

By ELIZABETH ROUSE

A MERGER of strong Afrikaans and English insurance broking interests is being discussed.

The reason for Price Forbes Sedgwick's suspension on the Johannesburg Stock Exchange last Friday stems from talks between it and Federale Volksbeleggings and Volkskas' insurance broking group, Federale Makelaars

According to a Federale spokesman "a possible rationalisation of interests" is being discussed

If rationalisation means a merger, it will create the strongest insurance broking force in South Africa, according to insurance circles

Insurance men estimate that Federale Makelaars, since the merger of the Federale and Volkskas insurance businesses a few years ago, could be half the size of the British-owned Price Forbes Sedgwick

PF's cash resources were R6 213 000 at the end of 1976 and taxed profit was R2 740 000 The group has reported taxed profits of R2 073 000 for the half-year to June, 1977

The Federale Volksbeleggings 1976 report said that its insurance division had achieved "very satisfactory" profits

PF has the backing of the giant British group The South African company is owned 73,7% by PFS (Africa) Holdings Minor shareholders are Union Corporation, Mr Abe Bloomberg and Mr David Bloomberg, (a carry-over from the AIB deal which resulted in PF getting a listing)

Fedvolks and Volkskas each have a 50% holding in Federale Makelaars

The two insurance broking groups' business overlaps in the public area, but is probably divided in the private sector with PF catering for English-speaking big business

Federal Makelaars handles on its own, or in conjunction with consortiums, the insurance accounts of some of the largest State corporations, industrial and international companies

Broking services are provided in all major centres and include short-term life, pension and reinsurance

PF provides a broking service for industry and commerce, Government and provincial bodies, municipalities and co-operatives and territory covered includes South West Africa, Rhodesia and Swaziland

Price Forbes top management was tight-lipped about the talks yesterday

The reply was no comment to a question on whether a share deal was involved in the rationalisation talks

The reply to a question whether the British company was reducing its interest was an emphatic no

Opinion in the insurance world is that rationalisation of the two groups' interests could only be to the good of the industry

The uncertainty over commission levels hangs over the insurance broking business and both Federale Makelaars and PF referred to possible narrower profit margins in store for them

The commission question is unlikely to be a factor to spark rationalisation talks, however

It looks as if there could be a scramble for PF shares, suspended at 160c last week

Companies to merge

RDM 1/8/71

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TRAVEL organisations, Musgrove and Watson and Castlemarine, part of the Freight Services group, are to merge before the end of the year.

The new name will be Musgrove & Watson Castlemarine Travel.

Rationalisation and streamlining of the travel operations of the two companies are now taking place throughout the country.

This action largely results from, and coincides with the ending of passenger shipping services between Britain and South Africa.

Passenger shipping services were a significant aspect of Castlemarine's operation.

Musgrove and Watson is one of the largest travel organisations in South Africa with affiliated travel companies in neighbouring countries and in London.

COMMENTARIUS.

TEXTUS

9. Has autem verbis Lege, Quanti id eo in anno plurimi fuerit, ...

A take-over churning for Ready Mixed

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RDM
9/8/77

By MICHAEL COULSON

THE TERSE announcement that Parem Enterprises — owned jointly by the Anglo-Alpha and Pretoria Portland Cement groups — is buying out the Transvaal Ready Mixed Concrete interest of Darling & Hodgson could be the prelude for a major struggle in this key supply sector to the building industry.

For Darling & Hodgson's chairman and managing director, Mr J B Hodgson, tells me there is no clause in the agreement preventing D & H from re-entering this market on its own account.

As he claims that D & H is the largest supplier of ready mixed concrete in South Africa, in volume terms, having a virtual monopoly of the Natal and Cape markets, it would seem a plain matter of industrial logic that his group will indeed want to get back into what must be the largest concentrated market in the country

The mechanics of the deal are that Parem has bought D & H's 50% interests in the Transvaal groups Pioneer Ready Mixed and Ready Mixed Concrete Holdings. Parem already owns the other 50% RMC Holdings recently acquired the Ready Mixed assets of Randmix

Pioneer and Ready Mixed between them operate 22 units in the Transvaal and OFS, although the latter is insignificant in terms of size The combined operation will trade as Pioneer Ready Mixed Concrete.

What the announcement does not say is that part of the quid pro quo was the acquisition by D & H of all the Parem investments in the coastal provinces Mr Hodgson says D & H "is very happy with the transaction, as it puts us in total command of our own investments"

The implication of this is that while D & H was interested solely in profits from ready mixed concrete, its cement-producing erstwhile partners may have been (understandably) more concerned with the totality of their operations, in which Ready Mixed was only a small part. It is not difficult to envisage that there could have been such a conflict of objectives

The announcement says several benefits will be derived from the takeover, including an improved service and efficiency of operation While the latter may well be true, removing the spur of three independent management by combining them into one is not necessarily going to lead to an improved service to clients

Neither the value of the assets transferred, nor the size of the balancing cash payment, have so far been disclosed Mr Hodgson would not be drawn on this point, other than to say that the deal was not of a major size for D & H However, he promised further information in D & H's interim report, scheduled for release at the end of this week

It may be too soon for this to contain news of a D & H foray into the Transvaal ready mixed market, in opposition to its former partners But since its listing D & H has shown itself to be an aggressive animal with a good eye for market opportunities, and there can be little doubt that such a step will be considered in the not too distant future

PF se ding deur

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Beeld-Rapport 21/8/77

Deur DAVID MEADES

ONDERHANDELINGE tot die samesmelting tussen Price Forbes / Sedgwick en Volkskas/Federale Makelaars, is suksesvol afgehandel, het die drie aksepbanke, Volkskas-Aksepbank, Senbank en Standard-Aksepbank, aangekondig.

Dit sal die totstandkoming van 'n reuse-makelaarsgroep tot gevolg hê wat minstens drie keer so groot as sy naaste mededinger sal wees. Volkskas en Federale Volksbeleggings sal die beherende belang in die gesamentlike groep hê, 'n belang wat oor die volgende drie jaar tot byna 67 persent sal toeneem.

Aan die minderheidsaandeelhouers van Price Forbes sal 'n kontantaanbod van 200c per aandeel gedoen word, wat vergelyk met die 160c waarop dié aandeel voor sy opskorting gestaan het Aansoek sal ook gedoen word dat PF van móre af weer genoteer word.

Die samesmelting is nog onderworpe aan die goedkeuring van die Britse owerheid, ofskoon dit net as 'n formaliteit beskou kan word.

In die nuwe groep sal Price Forbes Sedgwick van Brittanje aanvanklik 'n belang van 40 persent en die Volkskas/Federale Volksbeleggingsgroep 'n belang van 60 persent hou. Maar dit is deel van die ooreenkoms dat die Britse aandeelhouding oor die volgende drie jaar tot 33,3 persent verminder word en die S.A. aandeelhouding tot 66,6 persent toeneem.

Hoewel daar 'n mate van rasionalisasie tussen die bedrywighede van die twee groepe sal wees, sal hul bedrywighede afsonderlik bly Hulle sal egter mettertyd onder een bestuur geplaas word.

Nadere besonderhede sal mettertyd in die aanboddokumente vir die minderheidsaandeelhouers bekend gemaak word

F.V.B. BYT DIE SPIT AF

Rapport 28/8/77

(236)

Deur David Meades

DIE jongste plan van Sanlam en Federale Voksbeleggings om die aanbod van Bankorp vir Trust-Bank terugwerkend te aanvaar, is vir Federale 'n verdere gevoelige slag.

Hy sal nou vir sy 11 273 147 aandele in Trust-Bank 1 878 578 aandele in Bankorp kry. En teen die prys van Bankorp voor sy opskorting, sal hierdie ruilbelang 'n markwaarde van net R2 348 225 hê.

Dit sal met die markwaarde van R6 763 888 vergelyk aan die einde van Federale se boekjaar in 1976. Die totale markwaarde van sy genoteerde beleggings het toe op byna R52 miljoen gestaan.

Aan die inkomstekant gaan Federale ook sleg verloor In die vorige jaar het hy nog 'n dividend van altesame R789 120 uit sy belang in Trust-Bank gekry.

Gegrond op die jongste verhoogde dividend van Bankorp sal Federale se inkomste uit die vergrote Bankorp R263 000 wees — 'n verskil van meer as R500 000.

Rupert

Met 'n belang van byna 27 persent was Federale die grootste enkele aandeelhouer in Trust-Bank. Sy belang in die vergrote Bankorp sal nou sowat 6 persent wees.

En nou kan 'n mens nog verder gaan. As daar gewerk word van die veronderstelling dat Federale vir sy Trust-Bankaandele gemiddeld 70c stuk betaal het, kry hy nou die belang in Bankorp teen 'n historiese prys van 420c per aandeel.

Hy skuif ook in die Bankorp-beheer af tot die derde plek. Dr. Anton Rupert se Rembrant het 'n belang van 20 persent in Bankorp gekry teen sowat 120c per aandeel, wat in die vergrote Bankorp 'n belang van sowat 13 persent sal verteenwoordig.

Bankwet

Aan die ander kant kom Sanlam goed uit die transaksie en gaan sy uiteindelike belang in Bankorp nou baie nader aan die maksimum-perk wees, wat deur die Bankwet voorgeskryf word.

As daar [illegible] geneem word dat al [illegible] oorblywende minderheidsaandeelhouers in Trust-Bank die nuwe aanbod aanvaar, sal Bankorp se totale uitgereikte [illegible]

3.

Group 14 - Mon. 11.15 Room A207
(Tutor J. Brodie)

P.W. Henning
E. Effune
M.
S.E. Jof
R. Sh
L. Kl
E. My
D. As
J.M.
D.
P. Armstrong
R.R.
J.

Group
(Tutor

C. Kee
M.L.
C.Sh
B. Fine
C.F.
B. Pike
R.
T. Yos
E.
K. Lee Son
N.
G.
J. Pope

Group 16 - Mon. 11
(Tutor

I. G
P.J.
B. Pi
A.J.
C.C.
P.C. Mc
M.
C. Shinton
E.J. Herm
R. Whit

Group 17
(Tutor

M. Bo
C.A.
D. Craig
A. Marches
D.
A. Bl
C. Alb
A.
A. Mc
J. Grist
P. Ridge
L. Freeze
S. Nisbet
D. Gough

S.M. Jaffe
R. Sha
G.S. Walker
A. Falconer
D. Owen

Vignoli de Sallo Soula, C.F
B. Dury
M.S. Aitken

METBOX/METROL (236)

A perfect fit FM 2/9/77

Metbox's acquisition of Metrol makes very good sense. Not only do the two companies use similar raw materials and technologies — "adding value to steel" as MD Nigel Gilson describes it — but Metrol will make Metbox less vulnerable to fluctuations in the fruit and fishing industries.

A "very substantial" portion of Metbox's sales are to the fruit industry, so adverse weather, which decimated the pineapple and peach crops last year, really hurt. So did the 45% cut in the fishing quota.

Raw materials and services accounted for 70% of Metbox's turnover last year, so there could be considerable benefits for Metrol in Metbox's strategic supply situation and buying power. Metrol's technical people are another strong attraction.

Merchant bankers and both parties to the deal are tight-lipped about the terms, which, Gilson says, will be announced early next week.

Metrol's record to 1976 was an impressive one of uninterrupted growth. Earnings from 1972 to 1976 increased from 18c per share to 67c and dividends, always well covered, from 6,5c to 18c. The 1977 results were a slight reverse. Pre-tax profits fell from R4,9m to R4,2m and attributable profits from R2,8m to R2,6m. The dividend was still raised from 18c to 19c.

No balance sheet has yet been published, but net assets must be approximately R11,7m or 278c per share. This is derived from last year's net asset value (R9,9m) plus 1977's retained earnings (R1,8m). The net asset figure must be fairly realistic following the 1976 revaluation.

Metrol's price before its first suspension was 223c. On relisting it rose quickly to 280c and then was resuspended. It is clearly very attractive to Metbox, so the chances are it will pay a premium not only on the recent share price but on net assets. I'd estimate the price will be at least 300c, which is about five times earnings.

Metbox had plenty of cash in its last balance sheet but most of this was earmarked for the repayment of a foreign loan, so it seems unlikely, though not impossible, that this will be a purely cash deal, since at 300c, R12,6m is involved. Gilson says Metbox's UK parent is "unlikely" to be involved, despite securities rand discount.

Metbox will probably put Metrol on lifo, which means earnings will suffer, so there is hardly any point in adding Metrol's historical earnings to Metbox's and deriving a prospective earnings figure. For the record, assuming all-cash terms, an additional R2,6m of taxed earnings will add 10,5c of earnings per Metbox share which last time earned 26,4c after lifo.

The chances seem good, though, that in the longer term Metbox with Metrol will earn more than the sum of the two. That's how well they knit.

David Carte

SUNDAY TIMES, Business Times, September 11,

236

Sunday Times (Business Times) · 11/9/77

Stand buyers come first say liquidators

MOST of Glen Anil's 15 000 stand purchasers will be able to get transfer if they want it — but in many cases the purchasers have apparently opted not to spend further money to do so.

By Tony Stirling

"It is our view that a practical solution toward which we have been working will be found which will enable the purchasers to take transfer if they wish," said Mr Les Cohen, one of the joint liquidators

"The public will not suffer the losses which it was at first thought that they would," he said

The joint liquidators said that in those instances where purchasers had been approached to take transfer for the balance of the purchase price, the response had been poor

"In many cases purchasers have simply not bothered to reply to our circulars," said Mr Clive Landsdown, another of the joint liquidators

According to the joint liquidators it appeared that in only about 15 out of the 70 Glen Anil townships were difficulties being faced which at present could not be surmounted to enable transfers But some of these were among Glen Anil's largest developments

"Right from the start we have taken the attitude that this should be an orderly liquidation," said Mr Cohen "It was never our intention to put the properties on the market for auction in one lot This would have had disasterous consequences "

The joint liquidators said it had been their number one priority to sort out what could be done for the purchasers They now believe they are in sight of achieving this and have received indications of co-operation from the banks

In respect of those townships where service and other difficulties are preventing any chance of transfer to purchasers, the joint liquidators have held discussions with bond holders and municipalities.

"We hope to have some definite answers soon," said Mr Landsdown.

Mr Cohen said the second priority was to ascertain which of the guarantees of the banks might be subject to attack, particularly those bonds registered within the last six months of Glen Anil's life

To this end a secret inquiry had been held into Glen Anil Investments in terms of the Companies Act The recommendations arising from the inquiry were expected soon

Sage statement on Glen Anil

FOLLOWING a report on Glen Anil in Business Times last week, Mr H L Shill, deputy chairman and managing director of Sage Holdings has made the following statement by way of clarification.

"The article on Glen Anil in Business Times, which referred to the report by Sage Holdings, may have given the impression that Sage is still actively involved as consultant to Glen Anil

"Following the appointment of Sage by the consortium of banks to investigate the Glen Anil group, a confidential report was submitted in November 1976 which dealt with the situation of the group at that time This was the only report produced and Sage's **appointment automatically terminated when the Glen Anil group was placed in provisional liquidation in February 1977.**"

Nous espérons pouvoir compter parmi nos visiteurs venus d'Europe MM. Marc Fumaroli et Jean Mesnard, professeurs à la Sorbonne, M. Christian Angelet, de l'Université de Louvain, M. Robert Niklaus, de l'Université d'Exeter, ainsi qu'un spécialiste suisse.

Nous vous ferons prochainement parvenir la liste des titres de communications proposés par ces divers invités, de façon à ce que vous puissiez décider, en toute connaissance de cause, du sujet de vos propres exposés.

5. F.I.P.F.

Vous trouverez ci-joint une copie de la réponse finale de la Présidente de la Fédération Internationale des Professeurs de Français à notre demande d'affiliation à leur organisation.

Nous ne pouvons que vous suggérer à nouveau - comme Mme Wynchank l'avait fait dans sa circulaire du mois de janvier 1977 - de vous affilier à titre personnel à cette Fédération.

Ayant reçu entre temps un exemplaire du Bulletin no. 12-13 de la F.I.P.F. consacré au Pluralisme et enseignement du français (langue maternelle, langue seconde et langue étrangère) et aux Différentes approches méthodologiques pour la lecture des textes littéraires - sans nul doute d'un grand intérêt pédagogique pour l'ensemble de nos membres - j'ai le plaisir de vous faire savoir que je tiens cette publication à votre disposition et la ferai parvenir à ceux qui en feraient la demande.

Je vous prie de croire, chers amis, à l'expression de mes sentiments toujours dévoués.

Pierre Petit
Secrétaire

PP:gh

Sunday Times
Ad agencies join forces
(Business Times)
11/9/77

AN AGREEMENT creating a partnership between Adverto, the Pretoria advertising house, and Hands Creative Communications of Johannesburg, was signed last week

The two companies will continue to operate autonomously, but Pierre du Toit Viljoen, who is chairman and managing director of Adverto

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Illovo staff lose jobs

236
RDM 15/9/77

Own Correspondent

DURBAN — Illovo Sugar Estates' head office and most of its staff have fallen victim in the R18-million takeover by CG Smith Sugar

The head office, which is on Victoria Embankment, Durban, will close on October 31 and most of the staff will be retrenched

CG Smith Sugar has set itself six weeks to take over Illovo's administration The first meeting to discuss the transfer was held yesterday

Mr J P Willsher, Illovo's managing director, said yesterday that only five members of the head office staff would be required by CG Smith

"As a result 27 people, of whom 11 are women, will be retrenched. These are high-quality staff. However, they will receive redundancy payments which are generous These will be based on age and length of service "

Four blacks and one Indian would also be without jobs, although he hoped to find them employment

Mr Jack Dunlop, a director of Illovo, would join CG Smith He would be the only member of the Illovo board to do so

Mr Willsher said his task would be to supervise the orderly handing over of the company

"When the transfer is complete I would like to remain in South Africa I have been here for 18 years However, I will have to see what Tate & Lyle has to offer"

Referring to the company's estates and its three mills Illovo, Noodsberg and Doornkop, Mr Willsher said that the change of management had been accepted well

The deal between Illovo, Sentrachem and Tate & Lyle to set up a plant in South Africa with the aim of manufacturing "a new generation of chemicals" by a secret process was being re-negotiated

"I do not know how this will be done, but Sentrachem will be making a statement I expect that Sentrachem will go ahead with the project with Tate & Lyle

"The first factory in the world to produce chemicals by this means is being built outside Liverpool, at a cost of £14-million The second factory could be in South Africa "

Mr Willsher said there were many implications in the CG Smith takeover One was the fact that the lease of the company's head office still had three years to run

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The Natal Mercury, Thursday, September 15, 1977 25

Illovo administration hit by take-over

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Financial Editor

THE head office of the Illovo group, which is on Victoria Embankment, Durban, will close on October 31. C.G. Smith Sugar acquired control of Illovo last week in an R18 million deal and has set itself six weeks to take over its administration. The first meeting to discuss the transfer was held yesterday.

Mr. J. P Willsher, Illovo's managing director, said that only five members of the company's existing head office staff would be required by C.G. Smith.

"As a result, 27 people, of whom 11 are women, will be retrenched. These are high-quality staff. However, they will receive redundancy payments which are generous. These will be based on age and length of service."

Mr Willsher said that four Africans and one Indian would also be without jobs although he hoped to find them employment elsewhere.

Mr Jack Dunlop, a director of Illovo, would join C.G. Smith. He would be the only member of the Illovo board to do so.

Mr. Willsher added that his task would be to supervise the orderly handing over of his company.

Company offer

"When the transfer is complete I would like to remain in South Africa. I have been here for 18 years. However, I will have to see what Tate and Lyle has to offer."

Referring to the company's estates and its three mills, Illovo, Noodsberg and Doornkop, Mr. Willsher said that the change of management had been accepted well.

The deal between Illovo, Sentrachem and Tate and Lyle to set up a plant in South Africa with the aim of manufacturing "a new generation of chemicals" by a secret process, was now being re-negotiated.

II. A. LA PREPOSITION

1. Adjectifs

utile à, contraire, odieux à, sensible à, sourd à, habitué à, prêt à, résolu à

2. Adjectifs (... physique)

digne de, sûr de, plein de, content de, fier de, couvert de

3. Adjectifs

Facile, difficile, intéressant, utile, nuisible, bon, mauvais, amusant, triste

4. Adjectifs

doué pour, nul en, indulgent envers, sévère envers, etc...

5. Adjectifs modifiés par l'adverbe de quantité "assez" ou "trop", suivis de "pour":

assez curieux pour écouter,
trop fatigué pour travailler.

... vegetation from aerial ... of the area concerned and ... dividing it into homo... of the photo image. ... red similar bearing the ... examined for relation... Photo-units ... they were discrete and if similar numbered units ... similar cover classes. ... was selected in the same ... photo-units as to their vegetational characteristics ... the experience gained in the field ... eatable until the level of accuracy (85 per cent) ... confident and correct interpretation. This then ... extrapolation over the entire area, to be ... checking the field ...

668 were divided into two groups, the division between the Cymbopogon-Themeda Veld and the ... gon-Themeda Veld Transition. (This boundary ... Within each Veld Type a test area was chosen to include as many habitat features ... were likely to contain a large proportion of the total vegetation variation, both physiognomic and floristic. The major habitat factors considered included all facets of physiography, geology, soil, climate and in particular

FIN. MAIL 16/9/77

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REMBRANDT GROUP LIMITED

Business responsibility

The Rembrandt Group with its associates is a unique world wide [illegible]
The assets of the group exceed R2 400 million and turnover approximates R4 400 million

CHAIRMAN'S ADDRESS — 1977

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

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

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

OWN ACCOUNTS

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

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

CONSOLIDATED ACCOUNTS

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

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

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

Dr Anton Rupert

the previous year despite increases in market share

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

REVIEW OF GROUP OPERATIONS

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

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

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

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

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

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

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

Tobacco Industry

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

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

A 75-year climb into the billion-rand league

(236)

Sunday Times

Business Times 18/9/77

BARLOW RAND 75 1902–1977

EDITED BY DAVID PINCUS

THE GIANT Barlow Rand group of companies, now celebrating its 75th anniversary, was established in a modest way in 1902 as a one-man importing business by Ernest Barlow, father of the present chairman, Charles Sydney Barlow, better known as "Punch" Barlow.

Its first lines were blankets, cotton goods and industrial belting and its first substantial profit, of R4 456, was made in 1907 when it had already begun to diversify by supplying engineering requisites and supplies to sugar mills and collieries

In 1907, the labour force was four Today Barlow Rand has a labour force of more than 109 000 people who last year drew more than R186-million in salaries and wages

Although the company did not attain the growth it expected in 1976, it nevertheless managed to break into the R1-billion-a-year category for the first time with a turnover of R1 067-million (up R146,3-million, or 16 per cent on its 1975 turnover of R921-million) It showed a profit of R72,9-million after tax, which was R9-million, or 14 per cent, better than its 1975 profit

In spite of depressed economic conditions, Barlow Rand seems set to improve on those figures, judging by the latest interim report for the six months ended March 31, 1977

Turnover was R567-million (R515,5-million in the six months ending March 31, 1975) and after-tax profit, before minorities, was R47,7-million, up more than R8-million on the R39,3-million recorded in the six months ended March 31, last year

This achievement is due partly to the company's vigorous entry into the export field, which this year brought it into a position where it is a net exporter, without gold Exports of the group, without gold, for the whole of fiscal 1976, amounted to R105-million For the first six months of this year they amounted to R101,1-million and its imports fell dramatically — by R69-million

Barlow Rand deals in earthmoving equipment and heavy vehicles (it has been selling Caterpillar equipment in South Africa for 50 years), mining and exploration, alloy and steel manufacture, steel distribution and general engineering, mechanical handling equipment and engineering supplies, building material and hardware, paint manufacture and distribution, motor vehicles and agricultural equipment, household appliances, sound products, television and electronics, packaging and paper products, and property

It either owns, has shares in or is associated with 101 principal operating companies in South Africa, Rhodesia, South West Africa, Botswana, Lesotho, Swaziland, Britain, Germany, Holland, Belgium and Brazil

Barlow Rand shares are today listed and quoted on the stock exchanges of Johannesburg, London, Paris, Brussels, Antwerp and Salisbury

They were first quoted on the Johannesburg Stock Exchange in 1941 — a year after the company's headquarters were moved to Johannesburg — and the occasion was used to increase the company's capital to R1-million

A few of the other important milestones in the company's 75-year history were

In 1918 the firm was incorporated in the Union of South Africa Two years later, Barlows Johannesburg (Pty) was formed and in 1927 a branch office was opened in Cape Town The company was appointed sales and service dealer for the Caterpillar Tractor Company and Punch Barlow joined the firm

In 1936 Peter Barlow joined the company, which went public with a share capital of R200 000 in the same year In 1937, Punch became managing director and Frank Euting chairman

In 1948, Punch Barlow became chairman of the company Mike Rosholt joined the board in 1960, when pre-tax profit exceeded R2-million for the first time

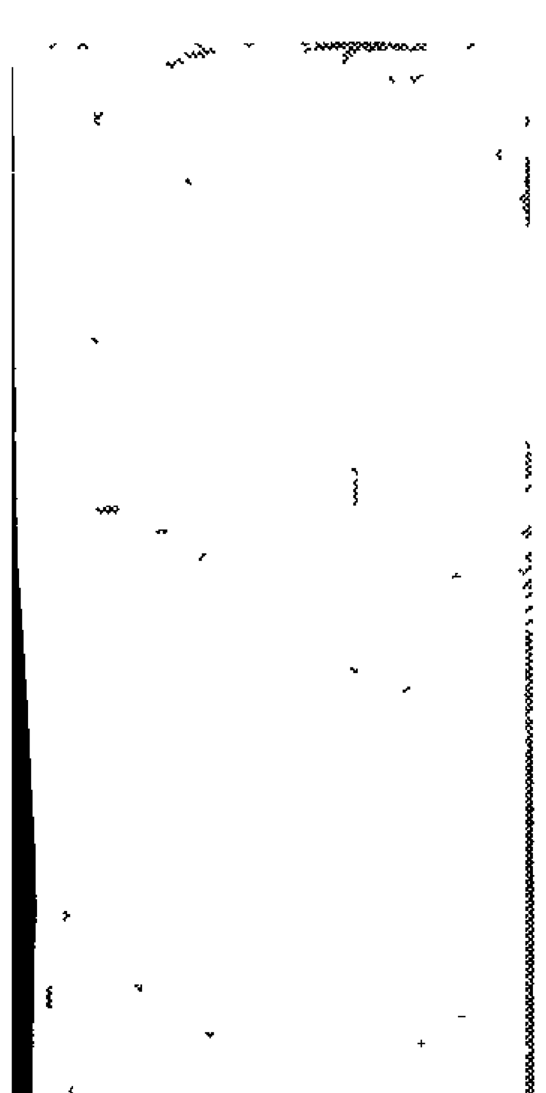
The company acquired trading interests in Britain in 1961, in 1967 turnover exceeded R100-million for the first time, and in 1969 it was granted a listing on the London Stock Exchange

A big year for the company was 1971 its name was changed to Barlow Rand as a result of the takeover that year of Rand Mines, and the number of employees exceeded 100 000

1972 it was granted share quotations on the bourses of Brussels, Antwerp and Paris

The highlights of this year are that the chairman celebrates his 50th year with the firm, the company celebrates its 50th year of association with the Caterpillar Tractor Company, and head office — or Office of Group Administration (OGA) as they prefer to call it at Barlow Rand — is to be moved to a R5-million office complex at Barlow Park, in Sandton

Govt surcharge on imports is welcomed



Norman Holford . . . "measure of protection."

BARLOWS'S TRACTOR Division is pleased with the Government's 15 per cent surcharge on imports, says Norman Holford, general manager of the division.

He feels this way because the surcharge affords a measure of protection to the company's heavy investment in local manufacture, and its centralised repair operation, which restores worn components

A great deal of Caterpillar equipment is made under licence in South Africa Local content, on average, is 38 per cent by value and goes up to 98 per cent for scrapers

Locally-made Caterpillar graders — which are sold as Wright graders here and are made by Wrightech, a Benoni-based subsidiary — have a local content of 70 per cent, by value Only their engines, hydraulic pumps and a portion of the transmission are imported

Wrightech has been building Caterpillar graders under licence since 1950 and they are as good as those built in the US, says Mr Holford This is one reason why a successful export business to other African countries has been built up.

Mr Holford says the success of Barlow's Tractor Division can be attributed to service and availability of spares

Out of a total investment of more than R60-million in stock and motor vehicles, excluding investment in fixed assets, R35-million is invested in spares held in 33 main outlets

In addition, there is Caterpillar Africa, a subsidiary company of the Caterpillar Tractor Company of America, which was established to control the quality of locally-made Caterpillar equipment and to carry back-up spares

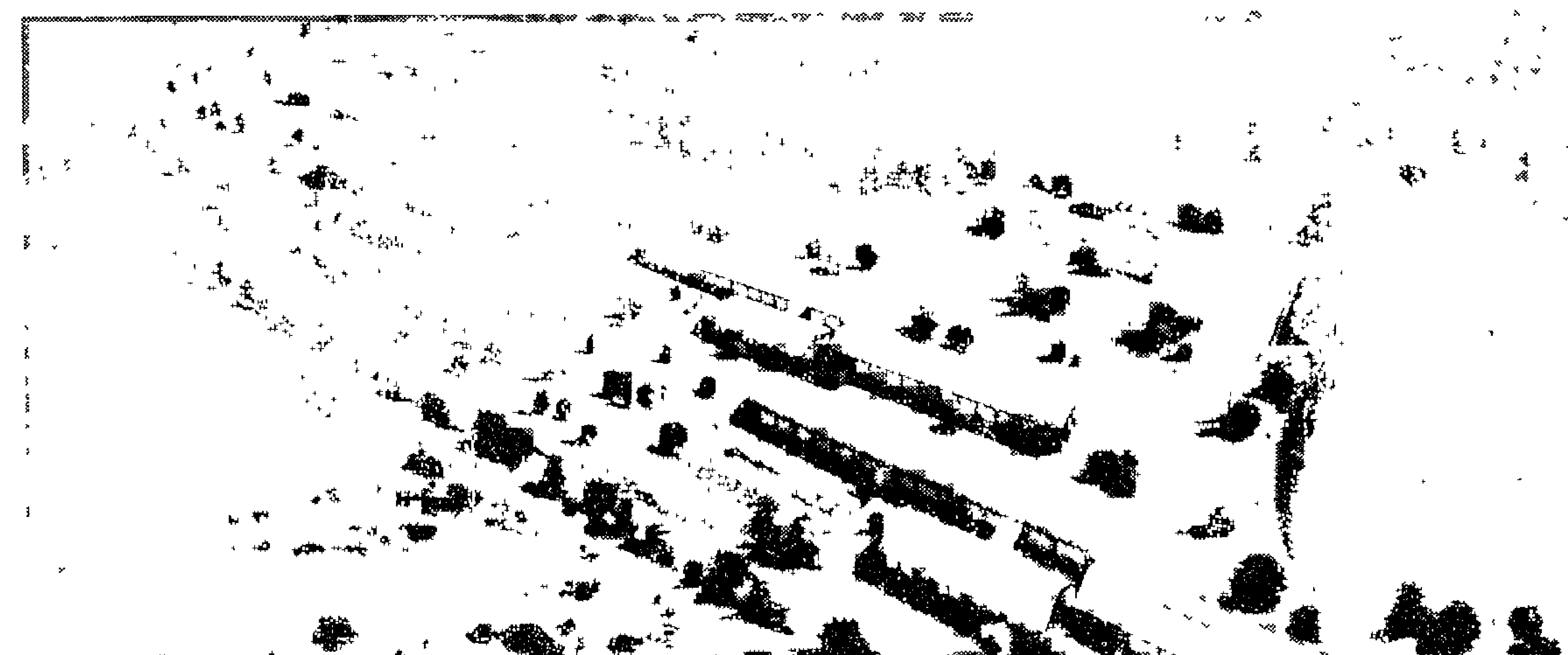
"The support we get from the Caterpillar company is a major factor in the success of our operation," said Mr Holford "It is tremendous "

The parent Caterpillar company also benefits from its association with Barlows, which feeds back information on machine applications and operating costs thrown out by a computer programme which costs about R35 000 a year to run

Mr Holford says that when he considers what his company is doing to save foreign currency, he feels sad that the Government is not doing more to encourage the local manufacture of capital goods and plant

"We have to set up parts manufacturing facilities to go into a programme of locally-made equipment, yet we get no preference against imported equipment

"We get no recognition, but the car industry does, because of the duties that are imposed on imported cars."



Foundation puts R700 000 into school

THE C S Barlow Foundation is spending more than R700 000 on buildings that will comprise the first phase of a technical high school in Mdantsane, in the Ciskei Homeland The school will be a joint project with the Ciskei Government, which has undertaken to carry out the site works and equip the school when it is in operation

The school is expected to open in January, 1979

This is the second project of the C S Barlow Foundation — the first was a trade school at Motetema, in Lebowa (shown above)

The foundation was set up by Barlow Rand to augment the supply of skilled manpower in South Africa by fostering the education and training of all race group Initially, it is concentrating on facilities for the technical education of blacks

The high school at Mdantsane will initially accommodate 400 pupils and a second phase will allow for an additional 250 pupils. Courses to be offered include carpentry, metalwork, motor mechanics, electrics and fitting and turning

Barlow Rand's property division and its consultants will design and construct the school, working in close co-operation with the Ciskei's Department of Education and Works The first phase will comprise an administration block, 10 classrooms, three engineering drawing rooms, a library, five workshops, two theory rooms, three laboratories, other facilities and sports fields

Punch Barlow, chairman of Barlow Rand, says "Barlow Rand employs a large number of people from the Ciskei — particularly in its mining operations

"Our belief is that the private sector has an important role to play in development schemes such as this, and that this technical high school will make a valuable contribution to the future of the Ciskei and its people

"The courses being offered at the school are of a practical nature and such training will be to the long-term benefit and advantage of both the students and the Ciskei."

A busy time ahead for RMP

RAND MINES PROPERTIES has enough work to last it well into the next century, says John Maree, chairman of this Barlow Rand subsidiary and an executive director of Barlow Rand

"We have more than 51 500 ha of undeveloped land Some of this is less than a drive and a good six-iron shot from the Johannesburg City Hall," he adds

He is also happy about the fact that profit this year for RMP will again be substantial, although below the R3,8-million it showed last year

"I am very satisfied with this situation," he said "We cannot really complain We are still showing good profits, which today is something unusual for a township development company

"We are now reaping the benefit of building up a competent management team under Tony Hall, managing director, and of the good working relationships we have established with the provincial authorities and the Johannesburg City Council

"We work with them to achieve a common objective and fit in with their master plan, which is to upgrade bad areas "

Mr Maree is particularly proud of the "tailormade townships" that have been established for Greatermans, Edgars and Metrocash and of the South African Breweries distribution depot

"We have tried to set a high standard so that each development upgrades the surrounding land," he said

"Although we have developed a housing scheme, which is a model in its own right, our real business is developing industrial areas and office parks

"The demand for land has accelerated recently because of the increase in the cost of fuel. People are finding that it is better to be at the hub of affairs, rather than on land further away

"This has increased the value of our land situated close to the Johannesburg Central Business District

"Something else that has had an effect is the advent of containerisation. The value

Tractor chief pins hopes on mining industry

THE WORLD'S need for South Africa's vast store of minerals will, in the long term boost the growth of Barlow's Tractor Division by about 10 per cent a year.

This is the opinion of Norman Holford, general manager of that division and a director of Barlow Rand, who feels also that had the overseas commodity market taken off as predicted by some, sales of earthmoving equipment would already have been going up

He is, however, not complaining about the mining industry's contribution to his division's turnover and profits Turnover this year, he says, will be only marginally down on last year's figures of R179,6-million, which constituted 16,8 per cent of the group's total turnover Pre-tax profit was R21,9-million — or 17,5 per cent of the group's total pre-tax profit of R124,9-million

Mr Holford claims that Barlow's Tractor Division is the market leader in the earthmoving market in this country

"Even our competitors acknowledge that", he says, but adds that he does not know what his division's share of that market is

This is because there is no national association of earthmoving equipment manufacturers and distributors to keep accurate figures of sales

"In spite of the fall off in the construction industry, our turnover in fiscal 1977 for earthmoving machinery and heavy-duty vehicles should be only slightly down," says Mr Holford

"This is because of the development in the mining industry and I believe the long-term potential for Barlow Rand's tractor division is in this sector "

"The construction sector at one stage was based on the need to provide an infrastructure for the growing transport industry," he says "But the fuel crisis has put paid to that

"The urgency of providing highways for cars has come to an end

"Development will be tied to a specific area of mineral development In South Africa's case, it is mainly the north-western Cape

"What that will mean to Barlow Rand in real terms would be, I imagine, a growth of at least 10 per cent a year, starting in about two years Apart from the machines we will sell into that area to capitalise on the mineral riches, we will also sell machines for infrastructural development "

Mr Holford says another reason Barlow's Tractor Division is maintaining its turnover is the fact that it is selling bigger and more expensive units to the mines, as well as making and selling equipment designed specifically for mining, such as coal haulers

"The cost of equipment will continue to increase, but so does output, which means that the cost of moving material should remain constant", says Mr Holford

"I do not know how long present prices will hold, because there are always modifications to our machines which lead to price hikes

"For example, our D8 tractor once had a 120 hp engine It now has a 385 hp engine "

He feels that the good crops farmers are gathering may lead to a slight increase in sales

"The agricultural market is one that must grow," he says Farmers are using bigger equipment because they find it much more difficult to find the type of labour they could get in the past "

ce very area [illegible] increased, but has droppped between 20 and 30 per cent outside "

Sketching the development of Rand Mines Properties, Mr Maree said City Deep Mine, Crown Mines and the old CMR Mine — all RMP subsidiaries — owned ground in Johannesburg

"As mining operations wound down, and as Johannesburg developed the value of their land increased

"Because it was mining land, we had to spend millions on cleaning it up, on doing environmental work, such as reshaping and grassing mine dumps, planting trees by the thousand and pulling down old structures that had no historical significance "

Mr Maree said that RMP still had more than 4 600 hectare of land in Johannesburg This runs from Malvern East, right through to the western boundary of Johannesburg and on to a point below Florida Lake

In addition, RMP has 1 400 ha at Pilgrims' Rest and more than 13 000 ha of farmland at Blyde River in the Eastern Transvaal It also has 32 366 ha in the Knysna district

We are not out to poach, says Punch

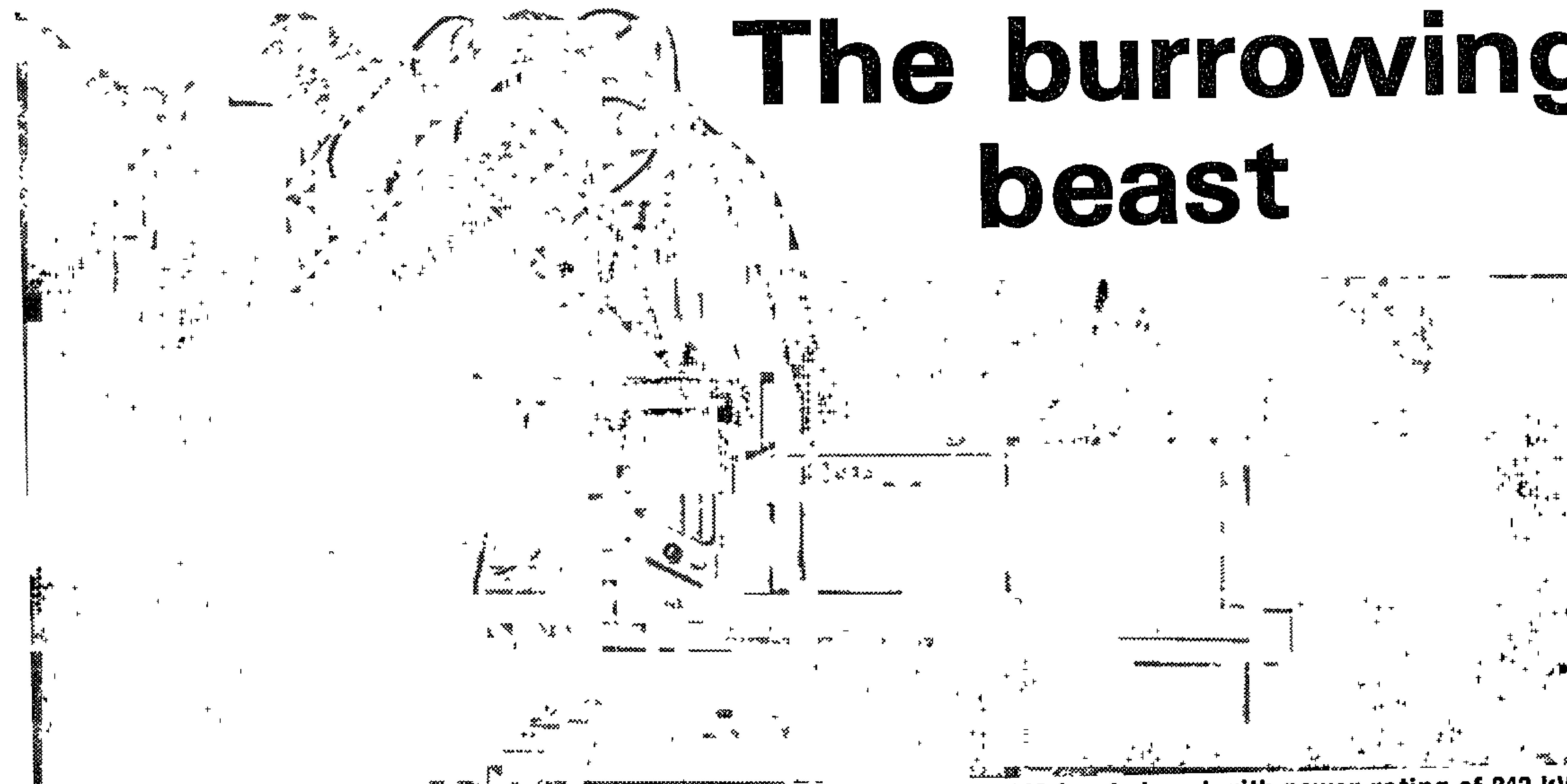
BARLOW RAND is not planning to take over any businesses outside its field of mining, manufacturing, distributing and property, says chairman Punch Barlow.

"Our financial position is strong and our existing businesses have a lot of muscle We will expand within our existing field," he said.

"We will not look for new businesses, but will wait for them to crop up

"We are now in a position in which we can acquire for cash, unlike in early sixties, when takeovers were mostly for scrip.".

The burrowing beast



The largest in the range of Caterpillar hydraulic excavators, the 245 front shovel with power rating of 242 kW, has high crowding force. The b[illegible]ttom-dump feature permits fast cycling.

Sunday Times
(Business Times)
18/9/77

Amaprop aims for a sellout of industrial ground

(236)

By TONY KOENDERMAN

ANGLO American Property Services is mounting a major campaign to move the last 40 ha of unsold land at its Prospecton and Southdale industrial townships

Between 600 and 800 industrialists will be canvassed in the next two months and told about the services Amaprop can offer, including a new turnkey service covering every aspect of an industrial project

Design, financing, legal advice, land purchase and construction can all be undertaken on the client's behalf. A free feasibility study into leasing as opposed to outright purchase can also be done

Prospecton, the 222 ha township near Durban, is now 83 per cent sold, according to Amaprop's townships manager, Peter Gardiner, leaving 37 ha still on the market.

It has so far earned R21-million for Amaprop (which has a 50 per cent share in the project), Tongaat (25 per cent) and Anglo American Industrial Corporation (25 per cent)

Total capital expenditure has been a little over R5-million, with 182 ha served by a rail link The feasibility of extending the rail service to another 24 ha of land is being investigated

SUNDAY TIMES, Business Times, September 18 1977

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Plot buyers stand to lose thousands

By TONY STIRLING

THOUSANDS of Glen Anil stand purchasers will be forced to pay out millions of Rands above the purchase price of their stands as banks and building societies move to exploit a badly drafted section of the Sale of Land by Instalments Act.

In some cases the stand purchasers who have paid in full for their stands will be called upon to pay thousands more if they are to take transfer.

If they fail to pay the extra money they may lose their rights in terms of section 14 of the Act.

Those who have paid only small sums on their stands will, in terms of the current plan being worked out between the liquidators and the bond holders, remain unaffected if they pay the balance owing on their stands

The joint liquidators of Glen Anil have sent circulars to stand holders in a number of townships outlining the terms under which they can take transfer

According to Mr Clive Landsdown, one of the joint liquidators, circulars have been sent to those owing large amounts on their stands, pointing out that they will either have to meet the bond in full or the balance of the purchase price, whichever is the greater

He confirmed that in addition to the balance of the purchase price, those owing small amounts on their stands will have to pay in extra sums to the bond holders to secure release of their stands

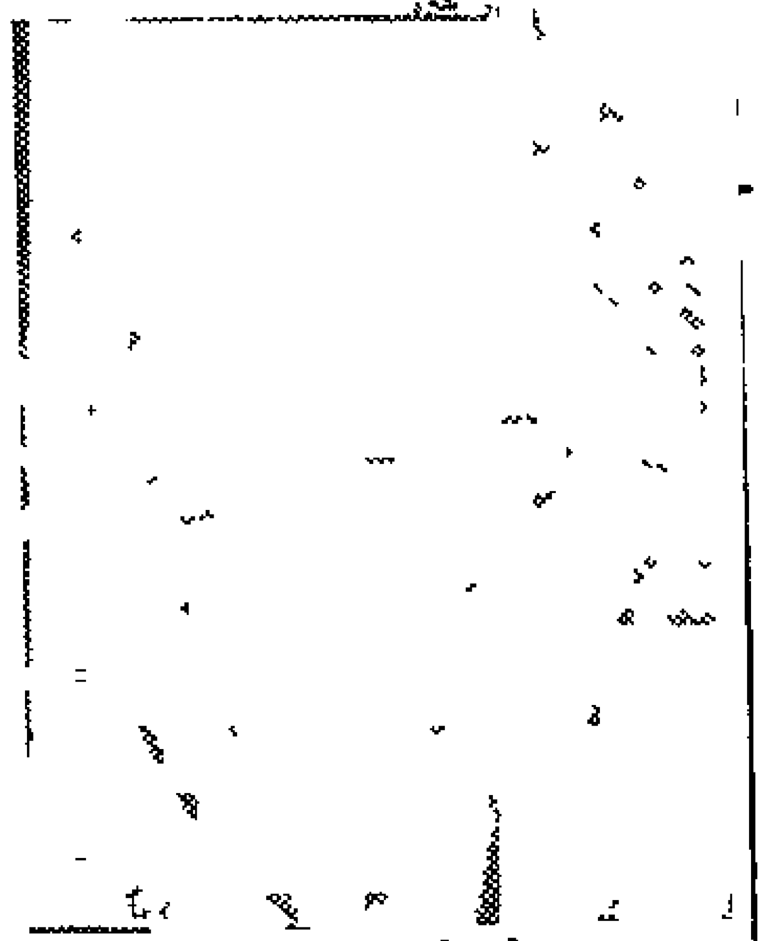
He also confirmed that the reponse to the circular by those owing large amounts had been poor He said this only worsens the position of those who have paid for, or nearly paid for, stands in 47 Glen Anil townships which are bonded

Mr Landsdown said he was unable to state how much extra the stand holders in these townships who had paid in full, or nearly paid for their stands, would have to pay in

But according to another of the joint liquidators, Mr Les Cohen, in one township those who have small outstanding balances, or have paid for their stands in full, may have to pay up to an extra R5 000 to secure release of their stands from the bond holder

Mr Cohen said that this position applied because of the "incredibly bad drafting" of section 14 of the Sale of Land by Instalments Act which called upon part purchasers to pay the bond in order to take transfer.

"We are hoping that the Act will be amended to remove this flaw," he said



Clive Landsdown

Les Cohen

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MARPROD HOU SY KONTANT

Deur DAVID MEADES

MARINE Products se kontantposisie is nie deur sy oorname van Bechmalt Holdings verswak nie. Die kontantdeel van R2 miljoen wat hy aan Federale Volksbeleggings moet betaal, is waarskynlik geheel en al geneutraliseer deur sy belang in Federale Chemiese Beleggings en Klein Aub, wat hy op sy beurt aan FVB verkoop het.

Dit beteken dat Marine Products se finansiele posisie steeds uiters gesond bly en dat hy meer as R6 miljoen behoort te hê om sy rasionalisasieplanne met Bechmalt deur te voer.

Met die winsverklarings van FVB en Marine Products vandeesweek het FVB bekend gemaak dat hy die belange van Marine Products in Federale Chemiese Beleggings en Klein Aub verkry het, ofskoon dit nie so uitgespel is nie.

'n Woordvoerder van FVB het aan Sake-RAPPORT bevestig dat dit wel Marine products se belange was en dat dit in kontant gekoop is. Dit is egter nie bekend hoeveel daarvoor betaal is nie, hoewel dit waarskynlik nie minder as sowat R2 miljoen was nie.

Dit is gelyk aan die bedrag wat Marine Products aan FVB moes betaal om Bechmalt oor te neem. Dit was bo en behalwe die uitreiking van 2 miljoen aandele in Marine products aan FVB.

Hierdie nuwe aandele het FVB se belang in Marine products tot byna 59 persent opgestoot en Marine products se resultate is dan ook die afgelope ses maande die eerste keer by dié van FVB gekonsolideer.

Slotdividend

Dit het tot gevolg gehad dat FVB se totale gekonsolideerde bates van R138,3 miljoen tot R176,8 miljoen gestyg het

Die wins van Marine Products is ook by FVB se syfer gekonsolideer en dit maak 'n vergelyking van die ses maande tot 30 Junie vanjaar met die ooreenstemmende tydperk verlede jaar ietwat moeilik.

Die wins na belasting het van R4,1 miljoen tot R3,9 miljoen gedaal. In die afgelope ses maande is die winssyfer van Marine Products gekonsolideer, terwyl net die dividendinkomste in die ooreenstemmende ses maande in 1976 in berekening gebring is.

Marine Products het sy tussentydse dividend onveranderd op 10c gehou, hoewel sy wins van R3,8 miljoen tot R3,1 miljoen gedaal het.

Visbedryf

Op die vergrote kapitaal van Marine Products het sy wins per aandeel van 28,8c tot 20,5c gedaal Die direksie sê dat 'n syfer van 40c vir die jaar verwag word en dat die slotdividend van 25c waarskynlik verminder sal moet word.

Maar hierdie verswakking in Marine Products se winsgewendheid is met die insinking in die visbedryf verwag en die afgelope ses maande se daling het eintlik verras in soverre daar verwag was dat dit erger sou wees.

FVB het sy tussentydse dividend met 1c tot 7c verminder. Maar met 'n verdienste van steeds 16,3c per aandeel was dit eintlik nie nodig nie Daar kan dus aangeneem word dat dit gedoen is met die oog op wat oor die lopende ses maande kan gebeur.

As sake dalk verder sou verswak sal dit nie nodig wees om die slotdividend ingrypend te verminder nie. En dan is daar altyd die hoop dat dit dalk kan beter gaan.

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1. Qualifications

Degrees/Diplomas

2. Field of Researc

3. I recommend the supervisor, and support this application.

Head of Department - Signed ....

Date ....

4. Faculty Authority : DC No. ____________ Date ____________

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(For Changes to Postgraduate Registration, see over)

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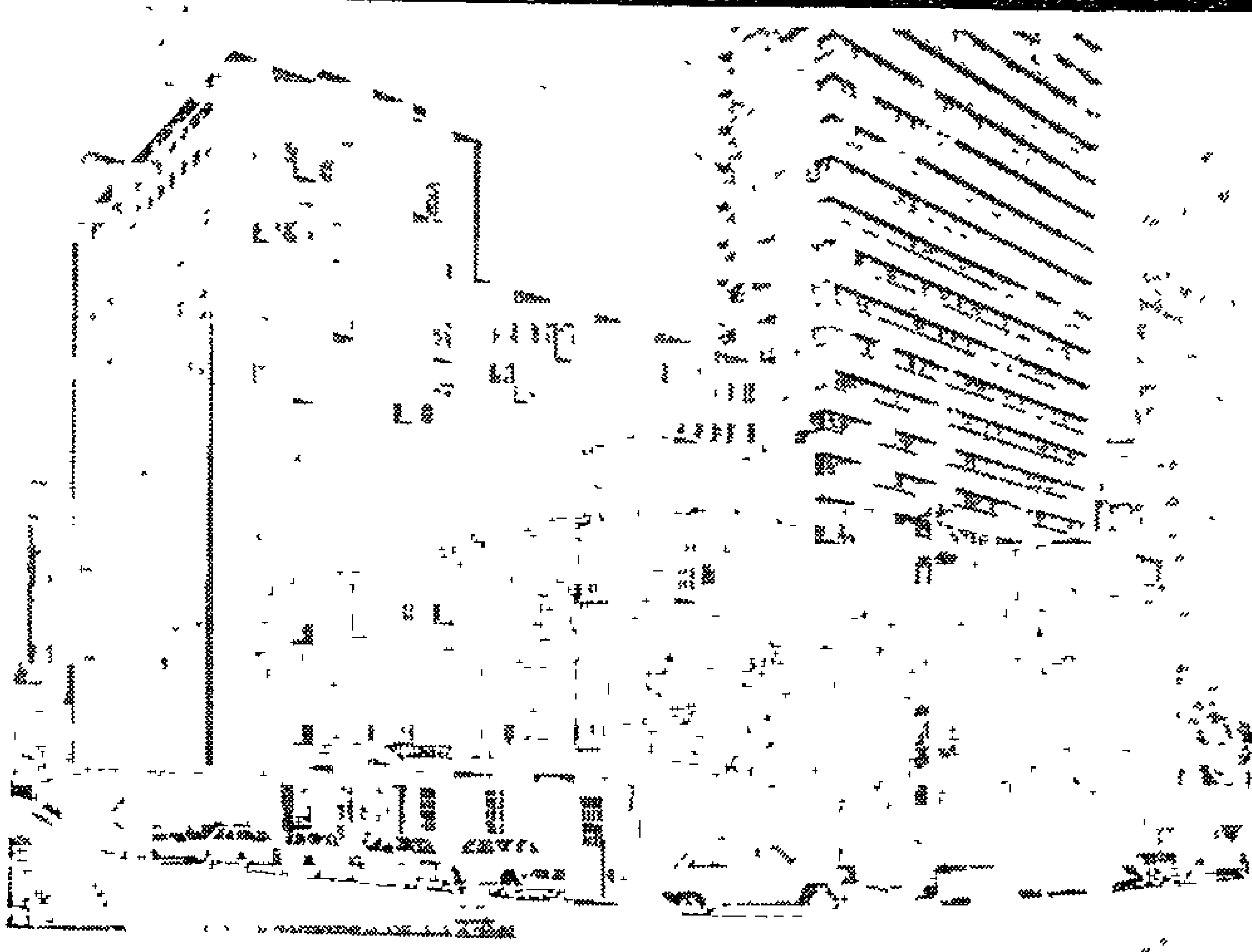

• Barlow's Forest House . . . two interested buyers.
PHOTO: DANIE COETZER

25/9/77

(226)

Bidders vie for Barlows Johannesburg HQ

THERE ARE two buyers currently negotiating with the Barlow Rand group for the purchase of Forest House, the 22-year-old headquarters used to house the chairman, directors and immediate staff One of these buyers is believed to be Wits University, which has already acquired other premises like Lawsons Building in the area

Barlows group property manager, Cecil Clemitson, tells the Express that negotiations are going on directly (no agents are involved), for the sale of the unique building which currently offers 1 150 sq metres of office space

The building is not air-conditioned, but looks on to a garden courtyard which, says Clemitson, gives the building an airy and "comfortable" environment which does not need air-conditioning

The building is on three levels — two levels of office space plus parking

Talk that chairman "Punch" Barlow is fussy about who the building is sold to (for sentimental reasons) is untrue, says Clemitson, and "we will sell to any buyer", he says

The building initially went on offer at R500 000, but current negotiations, it is believed, are going on at well under that figure

Barlow directors and various service divisions are moving out to new headquarters in Catherine Avenue, Sandton, although the adjoining building to Forest House — the nine-storey Barwing House — will still be occupied by the group

Barwing House was originally built as 5 storeys back in 1964, with the additional floors being added five years later

After the departure of the serive divisions, Barwing House will still be occupied by Barlows tractor division, and Pretoria Portland Cement headquarters will move in to take up the four floors that the servicing division leaves behind

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Supp to N. Mercury 27/9/77

(236)

ENTER THE HYPERMARKETS

FRENCH IDEA

PICK 'N PAY's hypermarket, which is under construction north of Durban, will open for business early in the New Year. The company was the first to bring this type of shopping to South Africa when it opened its hypermarket at Boksburg, Transvaal, in March, 1975."

Mr Raymond Ackerman, chairman of the company, brought the idea from France where he had studied the trading methods of the Carrefour Group

Pick 'n Pay will open its second hypermarket next [illegible] in the Cape, and its third in [illegible]

The Durban hypermarket will be the company's [illegible]

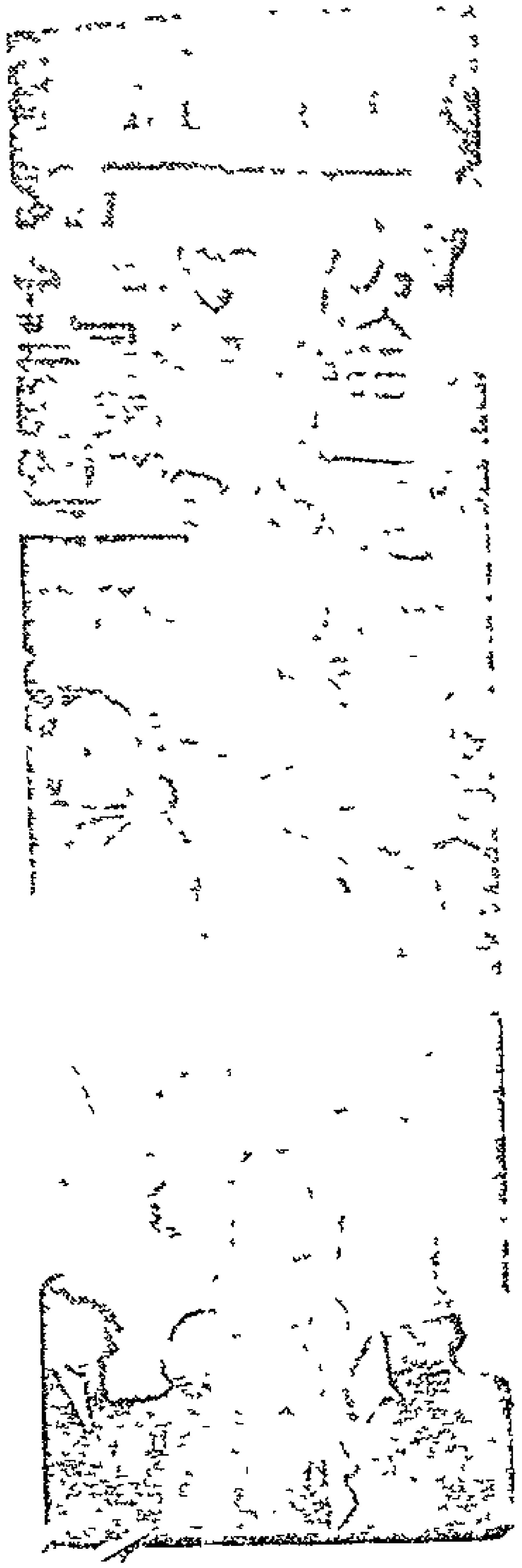
[illegible] experience at Boksburg has [illegible] together. They share one [illegible]

[illegible] because there is [illegible] hypermarket

A family is able to pay at one check-point, with one cheque or credit card and it queues only once

There is no bargaining in a Pick 'n Pay hypermarket as this increases prices The company estimates that the cost savings possible in a hypermarket operation are reflected in a 10 percent reduction in food prices and 15 percent on other items

Pick 'n Pay's advice to consumers, who will visit its Durban hypermarket is — wear flat shoes becase the floor area will be five times that of a supermarket



Lower prices across the board

THE DURBAN Hyperama, Natal's first hypermarket, will open next Tuesday. This will bring a new concept in shopping to the Province. Economical bulk buying and a multitude of services and goods will be available under one roof for the first time.

Mr Aubrey Coppin, the director of the Hyperama, has made an advance commitment to local consumers that his store's prices will be among the lowest in Natal and this will be right across the board

The R14 million store, built for OK Hypermarkets (Pty) Ltd, has a 28 614 sq m trading area under cover, and is the largest in Natal It is second only in size to its counterpart in Germiston, the first Hyperama, which has traded successfully since it opened in July last year.

Mr Coppin will control the new store, Mr Jon Metcalf is the store manager and they will be backed by a floor staff of 400.

The contract for the store's construction on a 12 ha site near Motor Assemblies at Prospecton, was awarded to Roberts Construction (Natal).

Building operations commenced on March 28 with the completion date scheduled for the end of this month This is a record-breaking time for the erection of a building of this type as it has taken 10 weeks less than the Germiston Hyperama.

The site was chosen because it was near consumers in the Southern and Western suburbs of Durban and the Natal South Coast. Buying power in these areas has been estimated at more than R200 million a year

The Hyperama has been designed to ease congestion inside and outside the store

Wide aisles inside are twice the width of conventional stores. There are 68 checkouts, so people will move quickly through the tills, and parking facilities are available for 2 200 cars

The Durban Hyperama will stock a full range of consumer products worth R3 million These will include food, toiletries, sportswear, toys, television sets, furniture, electrical appliances, hi-fi, photographic equipment, clothing do-it-yourself goods and items for the garden

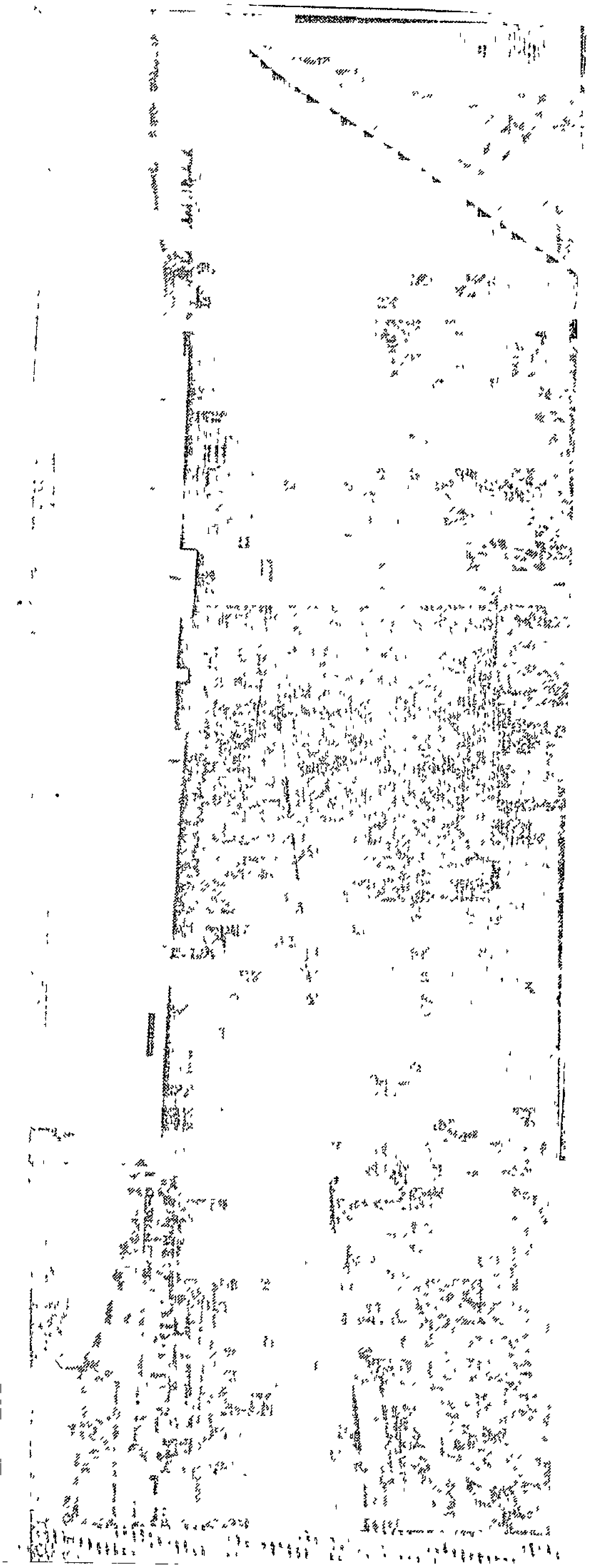
A customer will be able to buy anything from a button to a car

A feature of the store will be the 'back wall specialty departments'', where a butchery, bakery, delicatessen and fishmonger will prepare their wares in view of members of the public

There will also be a cheese counter and snack bar with seating for 300 people

The Durban Hyperama will feature about 25 'mall shops' These will be let to achieve a balanced mix of services For example, they will include a fashion boutique, chemist and bottle store

Supp 27/9/77



NATAL'S first hyperama as it looks from the South Coast Road Parking bays for more than 2 000 cars were being marked out (on the left) as this picture was taken The doors of this giant store will open to members of the public for the first time next week

DURBAN NORTH GIANT

Pick 'n Pay will lease its Durban North hypermarket from the Guardian Liberty Life Group for 22 years from the date of its completion. This is expected to be in March, 1978.

Rapp and Maister Construction which is Guardian Liberty's building arm, is constructing the hypermarket The total cost will be R9,6 million

There is to be parking for 854 vehicles on the 5ha site The hypermarket will cover 14 210 sq m and be fully air-conditioned

Mr Hugo Biermann Guardian Liberty's investment marketing manager, said that his group had underwritten the whole scheme

"We have financed and built it Also, when completed, it will be administered by Rapp and Maister Real Estate

"It is a good investment for us as it will provide a return of 11 5 percent It also gives an indication of our new policy to move away from central city property investments "

Mr Biermann added that the leasing agreement contained an escalation clause of 5 percent, a year compounded

DrD- 30/9/77

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Paperback prices slashed

EAST LONDON — A supermarket group is to wage war on retail price maintenance in the paperback book trade and has announced a slash in paperback prices of 30 per cent

The price cut was announced by the regional buyer for the supermarket group here, Mr S Summers, who said price cuts would be immediate and would affect existing stock as well as books on order.

Until now retail price maintenance has been maintained on paperbacks in the same way as on petrol and car tyres, but Mr Summers said his group did not believe in retail price maintenance and would be bringing prices down so the mark-up was in line with the group's mark-up on food

"We believe books are educational and we feel this is something substantial we can do. The decision to cut paperback prices came from right at the top and will affect all our branches throughout the country," Mr Summers said

Whether other supermarkets and newsagents will follow suit remains to be seen and whether the supermarket will have difficulty in obtaining stocks because of its breach of retail price maintenance remains to be seen. The news of the cuts arrived too late yesterday for local supermarket managers to be contacted for comment.

But the manager of a bookstore in East London, Mr H Henman, speaking from his home, said a decision on whether to follow the supermarket's example would have to be taken at the group's head office in Johannesburg

Examples of price reductions yesterday evening were Rich Man, Poor Man by Irvin Shaw from R4,05 to R2,84; Airport by Arthur Hailey from R2,30 to R1,61, Odessa File by Frederick Forsyth from R2,20 to R1,54; Eagle in the Sky by Wilbur Smith from R1,65 to R1,16 — DDR.

OWNERSHIP and CONTROL
SEPT 1977 - DEC 1978

... prevailed during the

Hortors gets control of Kiley Baker

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RDM 27/9/77

By ELIZABETH ROUSE

HORTORS has acquired a controlling interest in the printing house, Kiley Baker — a surprise move which has not been reflected in stock market movements.

The controlling interest has changed hands at 57c a share and a similar offer will be made to minority shareholders.

The offer price compares with price movements from a high of 33c to a low of 20c over the past 21 months, plus a dividend of 3c Kaybee's issue price in 1969 was 60c

According to a Kaybee spokesman there are about 1 000 minority shareholders. Judging by the shock operating loss of R185 000 reported by Kaybee today, they should grab at the offer

Kaybee will slot in with the Hortors subsidiary, Sparham & Ford, which will enable the Hortors group to provide a more comprehensive facility to the advertising and printing industries

Mr Junior Hirst, managing director of Sparham & Ford, said yesterday that the advertising industry in South Africa demanded and was entitled to expect the full range of services essential in the modern media scene

"With the rapid development of sophisticated electronic equipment in the typesetting and photo-lithographic field, I believe this merger will lead to a more efficient use of capital and enable us to provide services which might not otherwise have been available due to the economies of scale"

In other words, a big group can afford to install the expensive machinery necessary to keep pace with modern trends

There is a question mark over the future of the Kaybee subsidiaries, Exelda Litho Press and Kiley Baker Plastics The Hortors group may decide to shed these, but at the moment no changes are contemplated in the Kaybee setup

Kaybee's loss of R182 000 for the six months to June, 1977, reflects bad debts written off and provision for doubtful debts totalling R125 000 (R15 000 in the 1976 half-year), and plant finance charges written off of R25 000 (nil)

The loss was incurred on a maintained turnover but inflationary pressure was evident However, the second half of the year appears to offer a brighter prospect

Kaybee shares were suspended on the Johannesburg Stock Exchange yesterday

Capcar plunges

Deputy Financial Editor

CAPITAL-CARTORIA Motor Holdings plunged into a loss in the year to June 30 and the final dividend has been passed

The condition of the motor industry can be gauged by the fact that Capcar made a pre-tax operating profit of only R243 000 on sales of nearly R41-million

A R457 000 write-off of bad debts and R100 000 which was provided against doubtful debts left a pre-tax loss of R314 000 which was partially softened by a tax credit of R61 000

Shareholders were left with a R253 000 loss

It will pay to hold Kaybee

2/10/77

(236)

NOW, that Hortors has gained control of Kiley Baker, their colleagues in the printing business, should minority shareholders take the 57c cash offered for their shares, or should they stay with Kiley Baker?

Considering that Kaybee shares had a trading range of between 21-30c prior to the bid, the 57c cash offer will obviously be attractive to some.

However, it would not be surprising if Hortors injects some attractive assets and earnings into Kaybee that may push the share price well above the 57c cash offer price in the medium-term on their dividend paying potential

Sunday Times (Business Times)

The multinational view

(236) FM 7/10/77

Foreign-based firms generally are not taking their money and running from SA. But that doesn't mean they are not nervous

Are foreign-controlled firms in SA getting cold feet?

"There is the feeling that some multinationals are a little jittery about their shareholdings here, and that they are amenable to approaches from local companies," observes Peter Grobbelaar, chairman of Calan, which in recent years has bought two electrical wholesalers from ITT and the local operation of Encyclopaedia Britannica from the US parent.

Adds Standard Merchant Bank MD Eddie Theron "During the past six-nine months, we've seen far more enquiries from multinationals wanting to find local partners" And the investment manager of a major institution confirms that "foreign companies seem to be looking for SA partners" Most observers stress, however, that there is no sign of disinvestment from SA on any significant scale

Taking in a local partner is nothing new Sanlam for instance, has long had a big stake in SA Philips Old Mutual owns a slice of Siemens' local operation. And Avis is 75%-owned by Federale Volksbeleggings. There are countless other examples

However, the pace appears to have quickened in the past year. Phelps Dodge and Newmont Mining have been joined in their NW Cape ventures by GFSA and Anglo American respectively Price Forbes has sold a third of its SA insurance brokerage business to FVB Altech has taken over STC Old Mutual has bought about a fifth of Turner & Newall SA, a subsidiary of the British asbestos giant

On the beach

Southern Life has taken a 7,5% stake in Quebec Iron & Titanium's beach sands operation at Richards Bay

Two UK based heavy industrial firms are known to be on the lookout for local partners Talk is that Skjelbreds, the Norwegian shipowner, will soon close its SA operation And so on

Of course, there are also plenty of companies with no intention of reducing their exposure in SA "We don't take in local partners anywhere," insists a spokesman for IBM "Any equity distribution outside our own company would seriously impair our ability to manage an international company, particularly in a high-technology industry."

Ford director John Roberts notes his company also has no intention of selling out. "The benefits to all concerned, including consumers, favour the continuation of this basic policy"

And Jim Gilbertson, chairman of Metal Box Overseas, asserted recently: "The political position in SA and the possibility of devaluation later this year have done nothing to make us revise our investment policy."

Some multinationals are even increasing their stakes in SA. In the wake of a rearrangement of its worldwide operations, Océ of Britain will be increasing its shareholding in Helios, the printing and dyeing firm.

There are basically three reasons for the unwillingness of most multinationals to increase their exposure in SA:

- Politics. "This is the main motivating force", a merchant banker tells the *FM*. A consultant to several US-based firms puts it slightly differently "One shouldn't see it as a political move, but as a rational business decision based on increasing risks"

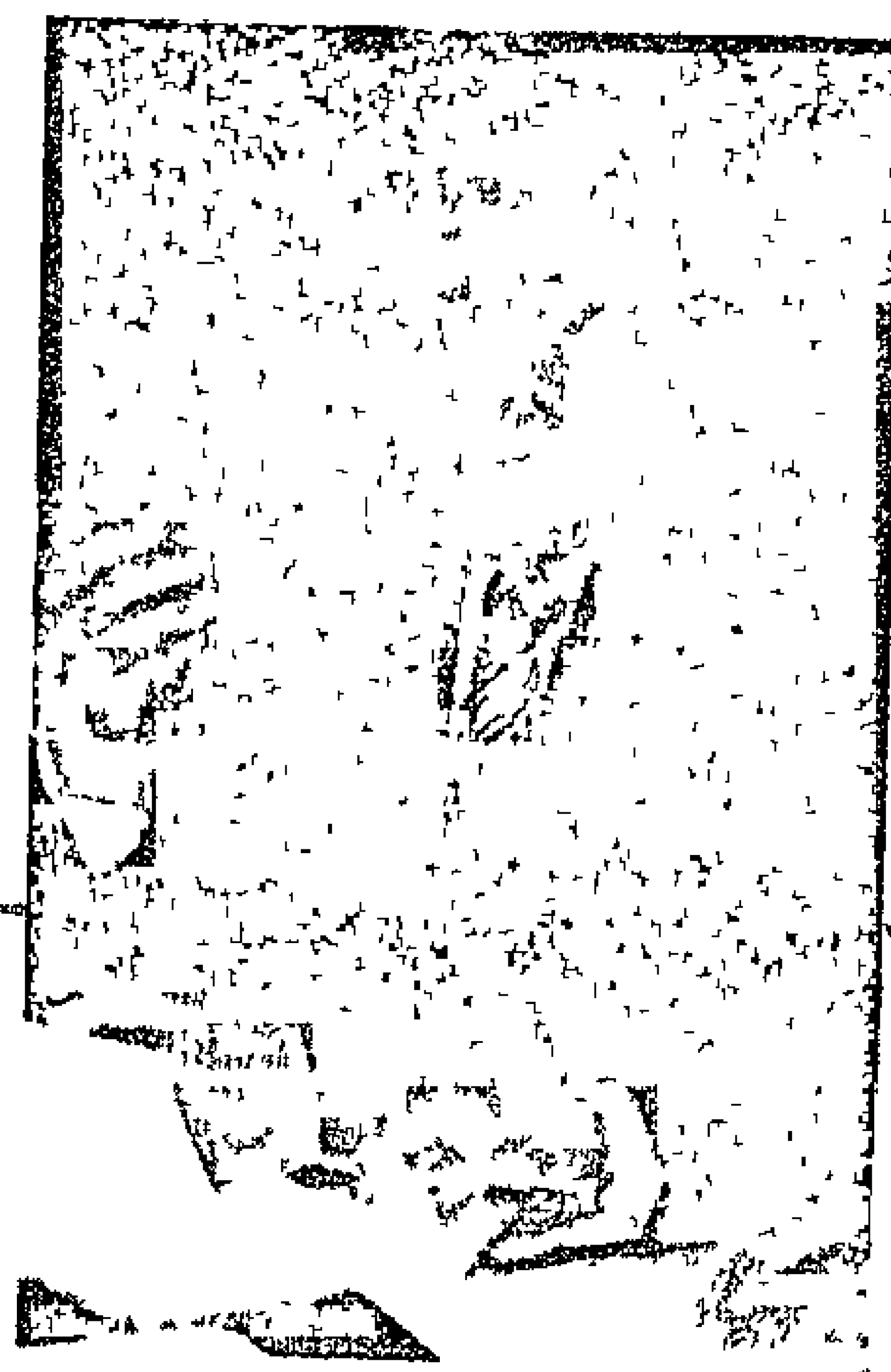
WHAT HEUNIS THINKS

The *FM* **asked** Economic Affairs Minister Chris Heunis to spell out Pretoria's attitude to investment by multinational corporations.

"The government has consistently stated that it welcomes foreign capital investments in SA, particularly if such investments are accompanied by the supply of technical know-how and expertise to our country

"While there are no official restrictions on foreign companies which wish to enter any sectors of the domestic economy purely for their own account, the government would normally prefer them to do so by means of the establishment of joint ventures with SA enterprises

"Naturally, the government would frown upon the sale of shareholdings by foreign companies in locally-based ventures because of political or other pressures The ideal situation would be for new or increased SA participation in locally-based ventures of foreign companies to be achieved by the latter increasing the share capital of their locally-based ventures or disposing of their authorised but unissued shares to SA interests"



Chris Heunis . . . my government welcomes foreign investment

Several observers point out that American companies in particular have been hard hit by events in Vietnam and Angola. They are thus wary of over-committing themselves to SA.

Adds a foreign banker. "An increasing number of firms are asking themselves which market has more potential — SA or black Africa Prospects of rising tension here, and heavier pressures from abroad, are making the latter a more attractive alternative" It's no secret, for instance, that top executives of foreign firms in SA are having to spend a disproportionate amount of time answering queries on labour practices and wage rates.

Companies' political jitters are illustrated by Senator Horwood's quick climbdown on the restriction on dividend remittances announced in last March's budget, after it became clear that the measure had prompted a massive outflow of funds. Yet even the slight easing in the restriction will not altogether staunch the dividends drain. It is widely-thought, for instance, that the fourfold jump in Otis Elevators' dividends in the past two years is largely fuelled by political fears, though the company stoutly maintains that it is, in fact, a result of excess liquidity

• The need for a more South African image "Our parent felt it wanted the SA company to be more part of the local scene," says the chief executive of a British firm which recently took in a local partner He adds "We think we've got a better chance of expanding operations here if we have local participation"

Likewise, Price Forbes' link-up with FVB will doubtless bring it some valuable Afrikaans business

There are cases, however, where even wholly South African firms are at a disadvantage to the multinationals. Take the motor exhaust business, where a local company — Brests Exhaust Systems — is losing out heavily to its Belgian and British competitors, Bosal and Quinton Hazell Superite Backed by the resources of their parents, the two foreign-owned firms are able to undercut Brests

• Local borrowing ability. Foreign based firms' local borrowing is restricted to 25% of their capital, but this percentage is increased according to a formula based on the level of SA participation Old Mutual's investment manager, Frans Davin, reckons this is the major reason that multinationals seek local partners.

The need to expand local borrowing has increased with the drying-up of foreign funds And firms wishing to sell their fixed assets and replace them by leasebacks are hampered by the Reserve Bank regulation which includes such leasebacks in local borrowing.

Taking in a local partner is in many ways a more attractive proposition than pulling out altogether. For one thing, disinvestment is expensive, since capital can legally only be transferred abroad through the securities rand market.

Equally important is that a large number of the 1 000-plus foreign firms in SA have substantial capital investments here. Direct foreign investment at the end of 1975 totalled R6 000m.

Finally, a local partner provides expertise and finance to take advantage of any improvement in the economic and political climate. But if things turn really sour it's easier, as one consultant points out, "for a multinational to get its partner to take over then to start shopping around for a complete outsider."

FM 7/10/77 (236)

INSURANCE

The Metlife options

As the *FM* went to press on Wednesday, Bankorp directors were putting the finishing touches to a statement on their plans for Metlife, the life assurer which came with the Trust Bank package

Not a hint would they allow to slip But the *FM*'s money is on Trust putting in a bid for the entire equity of Metlife, probably at a 20% 30% premium on the 160c at which it was being traded last month (it jumped to 175c in a matter of hours before suspension on September 14), before taking any decision on how it will operate in the future *vis-a vis* Sanlam

And we reckon that Metlife's top management, namely MD David Bloomberg, will agree to carry on running the group as though there were no change in control

There are, of course, other alternatives The Bloomberg family might want to buy back Metlife and run it again as their own show Or Sanlam might have plans for an immediate takeover, or perhaps only proposals for rationalising Metlife's operations with its own However, when one looks at the Bloomberg shareholdings and Sanlam's logical desire not to have a controlled company competing against its parent, a bid for the Metlife minority stands out as by far the cleanest option in the first step towards tidying up

The situation arose because Sanlam controls Bankorp, which now controls Trust Bank, which controls Metlife And pushy Metlife is a thorn in the flesh of powerful Sanlam

Trust has so far not consolidated Metlife as a subsidiary The 50% owned by Trust was spread through a host of different companies, and consolidation now might well strengthen the Trust balance sheet For Metlife is looking strong

In its latest financial statements, Metlife took the unusual step of offering the public sight of its detailed statutory triennial returns of liabilities, which disclosed a free surplus of R2,1m. In addition, there is share capital of R480 000, share premium of R2,8m, and a development fund (another reserve) of R665 000, all of which makes up a pretty hefty sum of unimpaired funds for Sanlam or its agent to purchase — to say nothing of Metlife's undisclosed surplus.

As for the Bloombergs, the family became the largest private shareholders in Trust (with roughly 1m shares, slightly over 2% of the equity) after Trust bought Metlife in 1970 Much of this holding has been switched into Bankorp, and the Bloombergs still hold some 10% of Metlife

All of which spells a continuing relationship between the Bloombergs and Bankorp/Sanlam on the one hand, and some form of tighter association between Metlife and Sanlam on the other

(236) FH 7/10/77

UNION CORP SELLS BRICK & CLAY

There has been a major reshuffling of shareholdings in Bruce Amm's brick-based conglomerate, Brick & Clay Union Corp has confirmed the sale of a substantial block of Brick & Clay shares, above the market price, and that its interest has been reduced from associate to investment status

Approximately 1m shares, or 30% of the equity, have been placed in the hands of unidentified US interests through a Luxembourg company The buyer came in through the securities rand market, at a cost of around 85c a share, which was worth nearer 120c to Union Corp Union Corp's remaining investment stake is now near 10%

Brick & Clay's share price bottomed at 80c, but has recently firmed to 100c amid rumours that a bid might be in the offing

The deal suits Amm well, as he retains his connections with Union Corp but eliminates the possibility of being shunted around by big brother There was always the risk that Union Corp could have decided that holding a 40% interest in a small conglomerate didn't really suit its investment philosophy and might have been tempted to push it into Darling & Hodgson

Amm claims that his new shareholders aren't even interested in a seat on the board He is jealous of his independence, so this arrangement could prove ideal

Richard Stuart

PORTER GROUP (236)

Faster, Master FM 7/10/77

How does one save a company heading rapidly towards receivership when the major shareholder, who is also a major creditor, decides to blow the whistle?

Answer Master Development's solution is convoluted Control passes to the Herbert Porter group from Standard Merchant Bank. Master had an operating loss of R1,8m for the year to March 31 1977, and there was a further R1,9m shortfall foreseen for the period to June 30 1978

To reduce borrowings and interest Master proposes to sell township land in Bellville, Cape, worth R0,8m to SMB. Another parcel, worth R0,5m is going to Sanlam and R0,6m worth of industrial land is being taken by Rembrandt — a total of R1,9m Sanlam's purchase is being offset partially against R300 000 liabilities to it and a further R450 000 against liabilities to Rembrandt.

Of the remaining R1,1m, R550 000 is going to repay a Bank of Johannesburg debenture, R250 000 to repay Wellington Municipality (which is dropping its application to have Master placed in liquidation) and the remainder to pay off sundry creditors The term of outstanding loans is being extended in agreement with major creditors.

All very well, but SMB is not prepared to put in any more money and the only other source of assets, the Herbert Porter group, will only do so if it has control.

At present the Master shares are held: Herbert Porter 640 000, SMB 880 000, Standard Bank 100 000, and the public 220 000 To give control to Porter, SMB is selling it 300 000 Master shares for a total of R1 — yes, R1. Once this deal is through, every five of the 50c shares are to be consolidated into one new ordinary share of no par value. Then a further 732 000 new shares will be issued to the Herbert Porter group at 30c, in exchange for R220 000 of as yet to be decided assets from somewhere in the group. The public will also be offered the right to buy two new shares at 30c each from Porter for every one held.

What's it all about?

Will it all work? For a start, several banks hold pledges of Master shares against loans to members of the Herbert Porter group. They have apparently not been privy to the negotiations.

It had always been the view among bankers that existing Master shares had at least 100c of asset backing. Now they are effectively being traded at 6c. This could prompt those bankers holding Master to require additional cover or withdraw their facilities from Porter.

The attitude of major creditors depends on where in the group the assets being sold to Master come from. Overall, the Porter group is relatively highly geared, with many debts guaranteed by pledge of assets. So any assets sold to Master will have to come from a lowly geared situation (Amal Laundries) to avoid the problems that could arise if lenders see increased risk or at least reduced cover on their loans.

The whole group remains suspended pending a complete re-organisation, though an announcement can be expected within the next week or two. Consolidation seems likely, but it will not change the asset base. At least creditors might just feel a bit more secure. One thing that is definitely out is the once-mooted sale of Southern Cross to Sharedex though that could once have brought in some cash

Even so, it is not beyond the wit of Herbert Porter chairman Benny Rabinowitz to come up with a solution that will keep the whole show on the road.

D. 18/10/77

(236)

Pick 'n Pay do it again

EAST LONDON — Pick 'n Pay have done it again. Despite the economically difficult times, attributable profits in the six months to August 31 rose by 29 per cent from R1 943 000 to R2 510 000 on a 22 per cent increase in turnover — up from R122 million to R149 million. And group pre-tax profit, which included R100 000 from an unlisted investment, rose by 35 per cent from R3 340 000 to R4 490 000.

A R70 000 appropriation for the new convertible preference shares diluted the impact at the attributable level, but this was still an excellent 29 per cent improvement.

The interim dividend, much to the joy of the shareholders, has been increased from 20c. to 26c.

The chairman, Mr Raymond Ackerman, ascribes the profit performance to aggressive marketing which, he declared, improved turnover. This, together with a reduction in the incidence of theft, and savings in overheads, resulted in the substantially improved profits.

The Boksburg hypermarket stayed ahead of budget which, says Mr Ackerman, holds promise for the opening of two new hypermarkets later this year.

— BUSINESS EDITOR

Sake-Rapport 9/10/77

236

Liberty diep in Fugit

DIE Guardian/Liberty Life-groep hou nou deur al sy filiale en verwante lede 'n belang van 62,4 persent van die aandele van First Union Investment Trust (Fugit).

Die jongste vergroting van die belang in Fugit volg ná die bystandsaanbod van 80c per aandeel vir Fugit wat deur die Beurs gedoen is

Guardian/Liberty sê in 'n verklaring dat dit die plan is om Fugit te ontwikkel tot 'n belangrike houermaatskappy vir die aandelebeleggings in die groep. Hy sal dan ook 'n groot faktor by die VIP-portefeulje van Liberty Life wees

Liberty Life het self nou 'n regstreekse belang van 54,3 persent in Fugit en sal dus nou die regstreekse houermaatskappy wees. Die ander aandele in Fugit word deur filiale van Guardian Holdings en die groep se groeifonds, Guardbank (2,2 persent), gehou

Die Guardian/Liberty Life-groep het die aandele in Fugit teen 'n totale koste van R27 159 000 verkry, wat gelyk aan 70,1c per aandeel is. Dit sluit alle koste in en is sowat 27 persent minder as die netto batewaarde van 96c per Fugit-aandeel.

Die groep toon dus 'n boekwins van R10 miljoen op die belegging. Hy sê egter dat dit geen wesenlike uitwerking op die groep se netto batewaarde sal hê nie omdat dit uiteindelik tot die voordeel van Liberty Life se polishouers sal wees, veral die wat polisse het wat aan die VIP-portefeulje gekoppel is

Dit sal egter weens die feit dat Liberty Life vir Fugit in die jaar tot 31 Desember sal konsolideer tot gevolg hê dat die balansstaat sal toon dat die belegging in aandele sterk sal styg. Fugit se portefeulje is byna R60 miljoen werd en dit sal die groep se bates tot sowat R600 miljoen verhoog

METLIFE

236 FM 14/10/77

Worth waiting for

Bankorp subsidiary Trust Bank, is offering to buy out Metlife's minorities at 260c a share So at last, after a month of suspension, Metlife shareholders finally know where they stand, and should be wearing a smile on their faces

They are being offered an exit PE of 6,5 and exit yield of 5,9% There should be few quibbles at the price especially if compared with market leader, Liberty Life, on a 6,7% yield

The offer which may be made by scheme of arrangement, is at the high end of market expectations and represents a 50% premium over the 175c pre suspension price (Immediately prior to suspension the price jumped from 160c to 175c)

Bankorp's managing director, Willem Pretorius, explains "We would like to get hold of all the Metlife shares and to do that one has to pay, that's why we feel we are offering a fair price" At the present time Trust Bank holds about 56% of Metlife and the deal will cost Trust just over R2m No doubt Bankorp has learned about the nuisance value of minorities from the abortive attempt to flush out the Trust Bank minorities

For the last two years Metlife has traded between 100c and 161c, so despite the lengthy suspension, the bid was worth waiting for

No doubt another reason for the apparent generosity of the offer is, that to gain 100% control, Trust's offer had to be generous enough to persuade the Bloomberg family to sell its 10% holding For the time being, "the management and sound financial base of Metlife will not be affected in any way," says Pretorius

If the offer is accepted by minorities, Metlife's listing will eventually be discontinued Meanwhile, it will be relisted on Thursday and documents containing full details will be forwarded to shareholders shortly

Dubin bids for SA Clothing

RDM 19/10/77

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By HAMISH FRASER

DUBIN Investments is preparing to bid for the 24% of South African Clothing Industries which it does not already own

A joint statement by the companies says Dubin and SA Cloth have agreed that Dubin will buy SA Cloth for 250c a share — a premium of only 10c on last night's closing price — in an equal mixture of convertible preference shares and unsecured Dubin debentures Both the preference shares and the unsecured debentures will carry a coupon rate of 14% The offer will compromise 125 convertible preference shares of 100c and 125 unsecured debentures of 100c.

The terms of the conversion on the preference shares will be announced in offer documents to minority shareholders in about six weeks time. Formal JSE approval is still to be sought and the deal will, of course, be subject to the approval of the shareholders of both companies

The preliminary statement says the estimated effect of the acquisition on Dubin is to add only 0,5c a share to this year's earnings

This takes into account SA Clothing's likely lower level of earnings in the year to December 31

Dubin earned 20c a share last year and SA Cloth 95c a share.

Judgment on the value of the proposed deal will have to await the release of the details of the conversion terms

But from SA Cloth minority shareholders' point of view, there are one of two observations that can be made now

Firstly, although the income from the mixture of preference shares and debentures will boost shareholders' income by an immediate 5c — 35c against 30c a share last year — half of that is interest which attracts the full rate of tax for individual shareholders Much of SA Cloth's minority shareholding is, admittedly, in the hands of institutions which do not have to draw that distinction

Secondly, although SA Cloth may not be headed for notable profits in the year to December 31, for shareholders who have ridden out the problems of the past few years the prospect of getting out now — on no great premium to market value or existing income — may not be what they want.

But nothing should be done ahead of the release of the conversion terms which could add the necessary incentive to accept

SA CLOTHING/DUBIN FM 21/10/77

Test case needed (236)

Dubin's proposed method of buying out the minorities of SA Clothing once again raises the whole question of the protection of minorities' rights. The JSE must take firm action to block the deal in its contemplated form, although it has already put itself in a weak position by sanctioning the sale of Witbank Cons' and Tweefontein's assets to Duiker. Only a simple resolution is required to sell the assets of a company so a controlling shareholder can ride roughshod over the objections of minority shareholders. In the Witbank Cons case, Lonrho at least went to the length of getting expert valuers to determine the transaction price.

SA Clothing shareholders don't even have this dubious protection. The boards of Dubin and SA Clothing, both of which are dominated by one man, Abe Dubin, have decided to sell the assets of SA Clothing to Dubin for R4,46m cash, or the equivalent of 250c a share. Not even a merchant banker is involved to determine whether the valuation is fair.

The board's view is that as directors of the company, they are in a much better position to value the company than outside shareholders. In these circumstances, it is unfortunate that Abe Dubin's own interests are concentrated in the acquiring company, not in SA Clothing. How then can shareholders consider him a disinterested party to decide what is best for them?

They should be allowed to make their own assessment. As the Companies Act provides no protection, except the impossibly expensive resort to the courts for oppression under section 252, the JSE must establish some mechanism to prevent shareholders having their assets sold from under their feet.

I warned at the time of the Witbank affair that it was only a matter of time before the asset disposal route became standard practice. Now the implications

must be faced. What makes the SA Clothing case doubly unsatisfactory is the inadequate price Dubin is paying for its assets and the package being offered to minorities.

At end December, the net assets of SA Clothing were 306c a share. Retained earnings since then will have pushed the asset value up to around 360c, or 44% above the 250c face value of the convertible prefs and unsecured debentures being offered. Profits have been in a steadily rising trend and though trading conditions are tougher this year, earnings should again be close to the 95c level. The face value of the package is 2,6 times earnings.

Funny money

SA Clothing is a good little company, one of the best in the clothing sector, and which has steadily been cleaning up its balance sheet over the past few years. The Dubin board plans to get the auditors to produce a statement that the price is fair and reasonable. I doubt if it will find many shareholders concurring.

It could be contended that the price offered is actually below the 240c that the shares were trading at before the bid was announced. The offer is half in 14% convertible prefs, the conversion option not being disclosed and half in 14% unsecured debentures. Dubin's debentures issued for Mantown are currently trading at a 16,7% yield to redemption.

Applying the same yield criteria, the package could be worth as little as 230c. Neither the prefs nor debentures are likely to be at all exciting investments and the 5c increase in income from 30c to 35c is no compensation, especially when considering the higher tax payable on the interest portion.

If these terms had been offered to SA Clothing minority shareholders for their portion of the business, I have no doubt the deal would have been thrown out. But SA Clothing will no longer own the business. It will only own that R4,5m of Dubin cash. Abe Dubin in his wisdom has agreed to sell the assets to a company controlled by himself at a price he has decided.

It is a totally unsatisfactory state of affairs and I can only urge the JSE to make this a test case.

Richard Stuart

Anglovaal takes over Trident Steel

23/10/77
Sunday Times : Business Times

By TONY STIRLING

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ANGLOVAAL is acquiring a controlling interest in Trident Steel, one of the largest steel merchants in South Africa, for R2 125 000

Trident handles a comprehensive range of steel plate, sheet and sections and offers a "cut to length" service to both the domestic and export markets

At present Trident's taxed profits are over R1-million a year

According to an Anglovaal statement, Trident, formed in 1972, has shown dramatic annual increases in profits

There is no question of Anglovaal having to inject additional capital into the company

The present management of Trident is staying on with the company, including managing director, Ernie Behr, and present chairman and financial director, Eddie Rosenburg.

Ackerman takes on big suppliers

Sunday Times · Business Times (236)
23/10/77

PICK 'n PAY chairman Raymond Ackerman squared up to major international grocery manufacturers this week with a threat to withdraw from his stores all product lines of suppliers found to be behind this week's Government attack on big retailers.

The main target of his suspicions is the powerful Grocery Manufacturers' Association, whose members include Unilever, Nestle, Coca-Cola, Cheseborough-Ponds, Food Corporation, Colgate, Cerebos, Carlton Paper, and many others

The attack on retailers was made by Economic Affairs Minister Chris Heunis at the Assocom annual congress in East London

Accusing unnamed "very large retail distributors" of undesirable practices, Mr Heunis said they were using their bargaining power for purposes "other than to give the consumer the best possible deal."

The clear implication was that they were putting the screws on suppliers to get low prices, and then not passing the benefits on to the consumer

Speculation at the congress was that Pick 'n Pay, which is well known for its tough bargaining with suppliers, was the prime target of the attack

Mr Ackerman suspects the attack stems from complaints made to the Minister by the Grocery Manufacturers' Association or its members

An enraged Mr Ackerman asked· "How dare they smear the retailers like this?

"Is it right for our suppliers, who rely on us, to shatter confidence in a retail group that is doing its level best for the country?"

'How dare they smear the retailers?' Raymond Ackerman.

By NIGEL BRUCE and TONY KOENDERMAN

The GMA has officially denied that it was responsible for the attack

Association chairman Barry Upfold told Business Times that no report to his knowledge had been prepared by the association incorporating the reasoning of the Minister

However, David Brockhurst, a member of GMA's staff in Durban, admitted that there had been correspondence between the association and the Minister on this subject

He said he did not have all the facts, but would phone back with them

Within minutes, GMA secretary Dr Lawrence McCrystal was on the phone.

"Mr Upfold has given the only possible answer," he said "No report has been prepared and sent to the Minister from the association The Minister's arguments did not emanate from this office "

But Mr Ackerman was not mollified "Whoever went to the Minister with these complaints was going totally against the consumer's interests," he raged

"Our suppliers are big enough and strong enough to look after themselves. They are perfectly free to refuse to supply us, or to refuse to cut their prices.

"I admit we bargain hard But our profit after tax is below 1,7 per cent of turnover Many other chains work on 10 or 11 per cent A lot of our suppliers are making 15 or 16 per cent

"Moreover, there is no collusion between retailers.

"How dare the manufacturers go to the Minister and try to prevent free trade? Every day they beg us to buy more from them "

He pointed out that Pick 'n Pay represents only a small percentage of the total sales of the big suppliers — between 1 and 5 per cent

He said he had heard from a number of delegates to the Assocom congress and from various suppliers that the GMA had discussed his company's tough stance towards suppliers

"But we are getting support from consumers, and that would not happen if we were profiteering," he said.

Mr Heunis was not available for comment

Anglovaal koop Tristeel

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SAKE-RAPPORT 23/10/77

ANGLOVAAL gaan 'n beherende belang in Trident Steel, een van Suid-Afrika se grootste staalhandelaars, teen 'n bedrag van R1 125 000 verkry.

Die maatskappy hanteer 'n omvattende reeks staalplaat-, blad- en seksiesdiens, asook 'n volgens maat gesnyde diens in beide die plaaslike en die uitvoermarkte. Trident se huidige belaste wins oorskry R1 miljoen per jaar

Hierdie lonende en goed bestuurde onderneming is verkry van sekere aandeelhouers wat om persoonlike redes hul aandele wou verkoop. Die huidige bestuur het ingestem om by die maatskappy te bly

Trident Steel is in 1972 gestig en het sedertien dramatiese jaarlikse toenames in wins getoon. 'n Woordvoerder van Anglovaal het aan Sake-RAPPORT gesê daar is geen moontlikheid hoegenaamd dat enige addisionele kapitaal in Trident gestort hoef te word nie

● Die verkryging van Trident Steel moet binne die raamwerk van Anglovaal se algehele mynbou- en nywerheidsbelange gesien word. Dit sal die groep mooi aanvul

KOÖPS KRY BELANG IN TREK

Sake-Rapport 6/11/77

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Deur DAVID MEADES

DRIE van die land se grootste koöperasies het 'n onregstreekse belang in Trek-Beleggings verkry. Ofskoon die belang klein is, word dit beskou as 'n belangrike ontwikkeling tot groter en voortgesette samewerking tussen Trek en die koöperasies.

Die belang is deur Exol, 'n herraffineerder van olie op Virginia, verkry Exol word besit deur Sentraal-Wes van Klerksdorp, Noordwes van Lichtenburg en Suidwes van Leeudoringstad Die Potgietersrus-

MNR SAREL STEYN . die beste sedert Sentraal-Wes

Tabakkoöperasie is ook deel van die konsortium

Trek het 'n belang van 49 persent in Exol verkry en in ruil daarvoor sal hy 400 000 nuwe aandele in Trek aan Exol uitreik. Trek is natuurlik reeds sterk op die gebied van herraffinering van olie, veral deur sy nuwe Chemico-aanleg by Krugersdorp.

Exol bemark reeds van sy produkte onder die boere, hoewel hy hoofsaaklik gebruikte olie vir die Vrystaatse goudmyne en die staat herraffineer

Kontrak

Hierdie bedrywighede sal nou waarskynlik met die van Chemico gerasionaliseer word Chemico sal nou ook voortaan produkte vervaardig wat onder die Exolnaam vir veral die boer bestem sal wees

'n Paar jaar gelede het Trek die oliebedryf in rep en roer gehad toe hy die kontrak verkry het as die alleenverskaffer van petroleumprodukte aan Sentraal-Wes.

In daardie stadium was dit byna 'n soort beleid van die Suid-Afrikaanse Landbou-Unie dat die kooperasies net een sekere buitelandse oliemaatskappy steun

Die voorsitter van Trek-Beleggings, mnr George Clark, is baie in sy skik met die jongste stap en het bygevoeg dat Suid-Afrikaners veral nou met die hewige internasionale woelinge om ons heen, bymekaar moet staan

Mnr Sarel Steyn, hoofbestuurder van Trek-Petroleum, het op sy beurt aan Sake-RAPPORT gesê dat die ooreenkoms met Exol vir hom net so 'n groot gebeurtenis is as wat dit was toe Sentraal-Wes na Trek oorgeskakel het

Voordele

Hy is daarvan bewus dat Trek nie die enigste oliemaatskappy is wat met Exol onderhandel het nie. Maar hy meen die feit dat Trek uiteindelik gekies is, 'n bewys is van die vertroue van die landbou in Trek. Hy meen ook dat Trek voordele kon aanbied wat deur niemand geklop kon word nie.

Sedert Sentraal-Wes het Trek verder onder die koöperasies gevorder en die feit dat die boer nou onregstreeks 'n belang in Trek het, moet ongetwyfeld tot nog groter dinge vorentoe lei

Mnr F Labuschagne, voorsitter van Exol en Noordwes, het gesê dat hy en sy direksie besonder verheug is oor die transaksie met Trek Hy glo dat Trek en Exol sommer 'n gedugte span gaan wees wat vir die landbou nog veel gaan beteken op die pad vorentoe

Mnr Labuschagne het ook die vertroue uitgespreek dat koöperasies reg deur die land spontaan sal reageer om Exol, wat die kooperasies se eie herraffinadery is, te steun

Die produkte word volgens die jongste tegnieke geherraffineer en voldoen aan die internasionale sowel as die SABS se spesifikasies, wat bo alle twyfel 'n bewys van gehalte is

Gen Electric, TI forge new links

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BY TONY KOENDERMAN

THE ALREADY strong links between General Electric and Tube Investments were strengthened by the mergers announced this week involving SA General Electric and local TI subsidiaries.

GE's electric motor control and switchgear division links with those of Allenwest, which is jointly owned by GE, the American company, and TI, a British one

GE's lighting activities have been merged with Simplex Electric (on the sales side) and Ajax Manufacturing (on the manufacturing side.)

In the process, four new companies have been formed — Allenwest-GE Manufacturing, Allenwest-GE Sales, Simplex-GE Lighting, and Ajax.

Control is equally shared between the merging companies, which are of roughly equal sizes in the segments of business in which they are linking up.

SAGE's managing director, Thomas Tucker, become's chairman of two of the new companies, while Rodney Monthe, chairman of Allenwest, Ajax and Simplex, becomes chairman of the other two

Reasons given for the mergers are that the product lines are complementary, and the link-up will strengthen both parties

Turnover figures are not disclosed, but GE is thought to have a turnover in excess of R40-million a year in South Africa

SAGE employs about 2 000 people, and its manufacturing activities take in household appliances, switchgear and electric motor control products, capacitors, silicones, lighting equipment and locomotives.

TI is the world's largest manufacturer of bicycles, and makes precision steel tube, domestic appliances and machine tools

Sunday Times, Business Times, 6/11/77

Sake-Rapport 6/11/77

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Federale stoot R10 milj.

Deur DAVID MEADES

DIE oorname van Simba-Quix deur Federale Volksbeleggings se Federale Voedsel (voorheen Marine Products) is baie groter as wat uit die oorname-aankondiging vandeesweek geblyk het. Dit gaan die Federale groep waarskynlik meer as R10 miljoen kos.

Terselfdertyd is dit ook die eerste groot stap wat deur hierdie „nuwe" voedselarm van FVB gedoen word en die belofte is daar dat dit maar net die begin van groot dinge vorentoe is.

Fedfood se aanbod aan Simba van 15c (gelyk aan die batewaarde per aandeel) per aandeel sal R3 470 000 in kontant verg as dit deur al die aandeelhouers aanvaar word

Maar Fedfood sal ook ander bates oorneem wat deur Simba gebruik word, maar wat nie aan hom behoort nie Die grootste hiervan is die fabriek in Isando, wat teen 'n bedrag van R4 miljoen by die beherende aandeelhouers van Simba gekoop sal word

Ofskoon hierdie eiendom deur Fedfood gekoop sal word, is daar die moontlikheid dat dit aan 'n ander filiaal in die FVB-groep oorgedra sal word, wat dit dan aan Fedfood sal verhuur

Fedfood sal ook R360 000 vir Simba se fabriek op Molteno betaal Hierdie fabriek word ook deur Simba gehuur Simba huur ook al die voertuie wat hy gebruik en dit sal ook teen 'n bedrag van R250 000 deur Fedfood gekoop word

Dit sal die totale uitleg in Simba op meer as R8 miljoen te staan bring Maar een van Simba se grootste probleme was 'n tekort aan kontant

Mnr. Johan Louw, besturende direkteur van Fedfood, het aan Sake-RAPPORT gesê dat daar sekere lenings is wat terugbetaal moet word en dat hy meen dat Fedfood sowat R2 miljoen aan nuwe kapitaal sal moet inpomp

Die oorname van Simba sal die Fedfood-groep in staat stel om sy bedrywighede op 'n groot skaal te rasionaliseer Volgens mnr Louw is die plan om Simba die groep se bemarkingsarm te maak.

Visbelange

Simba het behalwe sy vyf fabrieke oor die hele land, ook agt-en-twintig depots Hierdie depots sal by die bestaande afsetsentrums van Fedfood ingeskakel word om 'n baie sterk verspreidings- en bemarkingsorganisasie op die been te kry

Die visbelange sal as 'n aparte filiaal bedryf word Die naam Marine Products sal vir hierdie filiaal behou word

Met die oorname van Bechmalt deur die Federale groep is ook 'n sterk groothandelafdeling verkry, wat voortaan afsonderlik as Fedmark sal funksioneer.

Alle vervaardigingsbedrywighede in die groep sal voortaan deur 'n ander filiaal, Fedpro, gedoen word Met Nola wat nou 'n volfiliaal van Fedfood is, kan ook op hierdie gebied groot rasionalisasie bewerkstellig word

Simba het 'n maer tydperk agter die rug en moes swaar aan skoolgeld betaal vir sy poging om in die lekkergoedbedryf naam te maak

Hy het oor 'n tydperk van drie jaar hier R3 miljoen verloor en moes 'n verdere R1 miljoen op kapitaal afskryf, wat sy totale verlies hier op R4 miljoen te staan gebring het

Sisteem

Maar die lekkergoedafdeling is egter vroeer vanjaar heeltemal uit sy sisteem gekry en die kanse is nou goed dat Simba in die Fedfood-stal van sy probleme kan ontslae raak en weer sy vroeere winsgewendheid bereik.

Uit die jaarverslag van Simba wat pas beskikbaar geword het, blyk dit ook dat hy in die tweede helfte van sy boekjaar tot 30 Junie 1977 'n bedryfswins van R150 000 getoon het, teenoor 'n bedryfsverlies van R538 000 in die eerste helfte van die boekjaar

Die bedrywighede van Simba pas baie goed in by die van Fedfood, en sal verder help om die groep minder afhanklik van vis te maak.

En dan is daar nog die meulenaarsbedrywighede deur Bechmalt Dit is bekend dat mnr Louw hierdie afdeling as 'n groot potensiële uitbreidinggebied beskou Dit sal dan ook seker hier wees waar die volgende skote uit die Fedfood-groep gaan klap

Die oorname van Simba sal 'n kwaai duik in Fedfood se groot kontantbronne maak Maar intussen bly sy kontantvloei goed en raak die toekomsvooruitsigte van Fedfood al hoe opwindender

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Sunday Times, Business Times, 6/11/77

Little joy for minorities in Price Forbes deal

By NIGEL BRUCE

THE documentation for the scheme of arrangements under which Federale Volksbeleggings and Volkskas are acquiring a willing Price Forbes offers little compensation to those minority shareholders who believe they are being hard done by.

The crux of their argument is that since the suspension of PF shares at about 160c in mid-July, share prices generally have risen by about 10 per cent. Assuming that without the bid PF would have performed similarly (which is not necessarily true) the 200c being offered minus a dividend of 22c means that the minorities are being offered, in fact, no more than market price

The draughtsmen of the documents had a difficult task — to persuade minorities that the offer is worthwhile without making PF appear to have turned overnight from a blue chip into a pumpkin

There are some hard commercial facts behind the deal which the documents have not really got across — and to be fair it is doubtful if they could do so.

First, PF needs shareholders with more to offer than just risk capital.

Second, it is more difficult to sell part of an insurance asset than a whole one

Third, with the banks increasingly offering insurance as part of a larger finance package, independent brokers will find it more difficult to compete, especially now that commission rates have been cut by the authorities.

Fourth, consequently PF needs associations with large institutions to ensure its future growth momentum

For what compensation it is, I have learned that Finansbank which advised minorities (at the behest of PF itself) came up with a price very close to the 200c offered and that the Bloomberg interests, noted for their perspicacity, have thoroughly approved

ATI/SOUTH ATLANTIC

The impact of I&J

Activities: *Holding company for Anglovaal's industrial interests; 59% owned by Anglo Transvaal Consolidated*

Chairman: *B E Hersov.*

Capital structure: *13,9m ordinaries of 50c; 1m 5,5% cum prefs of R2, 1,4m 8% red conv cum prefs of R1. Market capitalisation: R25m.*

Financial: *Year to June 30 1977. Borrowings· long and medium term, R24,4m, net short term, R6,7m. Debt:equity ratio 40% Current ratio 1,8. Group cash flow R28,2m Capital commitments: R6,6m.*

Share market: *Price. 182c (1976-77 high, 215c, low, 145c, trading volume last quarter, 222 000 shares) Yields 37% on earnings, 10,4% on dividend. Cover 3,6. PE ratio 2,7.*

	'74	'75	'76	'77
Return on cap %	21 4	19,9	18,3	16,6
Turnover (Rm)	282	344	390	442
Pre-tax profit (Rm)	28,3	27,7	29 0	28 5
Pre-tax margins %	10 0	8 0	7,4	6 5
Earnings (c)	70 3	69,8	68 9	68 0
Dividends (c)	14	16	18	19
Net asset value (c)	355	401	459	513

ATI's dividend performance over the past four years has been impressive, growing at 15% compound. But future dividend prospects of ATI, and more particularly its 74% owned subsidiary holding company South Atlantic, are closely allied to a recovery at Irvin & Johnson

The effect of the drastic cut in I&J's annual dividend from 7,5c to 2,5c will impact on South Atlantic's distribution this year, and then there will be a further year's delay before a possible resultant dividend cut from South Atlantic is felt at ATI In other words, it will take until the financial year ending in June 1979, for the cut in I&J's dividend to affect ATI's distribution

The impact is far more severe on South Atlantic than on ATI. Looking at the company accounts rather than the consolidation shows that South Atlantic paid out its entire earnings last year in order to maintain its 16c dividend I&J's dividend cut, all other things being equal, will reduce distributable income by 6c a share to 10c.

South Atlantic's other interests include T W Beckett, Globe, Concentra and Food Corp Both Beckett and Globe have well covered dividends which could be increased this year, and as they accrue before June will have a bearing on this year's payout Food Corp is the other unknown It has only operated at breakeven since acquisition mainly due to operational dislocations as plant was relocated

A contribution from this source and increased revenue from Beckett and Globe combined could soften the impact but at this stage it would be wise to anticipate a 4c cut to 12c in the distribution. This would put South Atlantic on a prospective 10,4% yield The best stock to buy in the South Atlantic group appears to be Beckett, now on a 10% yield, but one which could find itself under pressure to liberalise dividend policy to aid its direct parent.

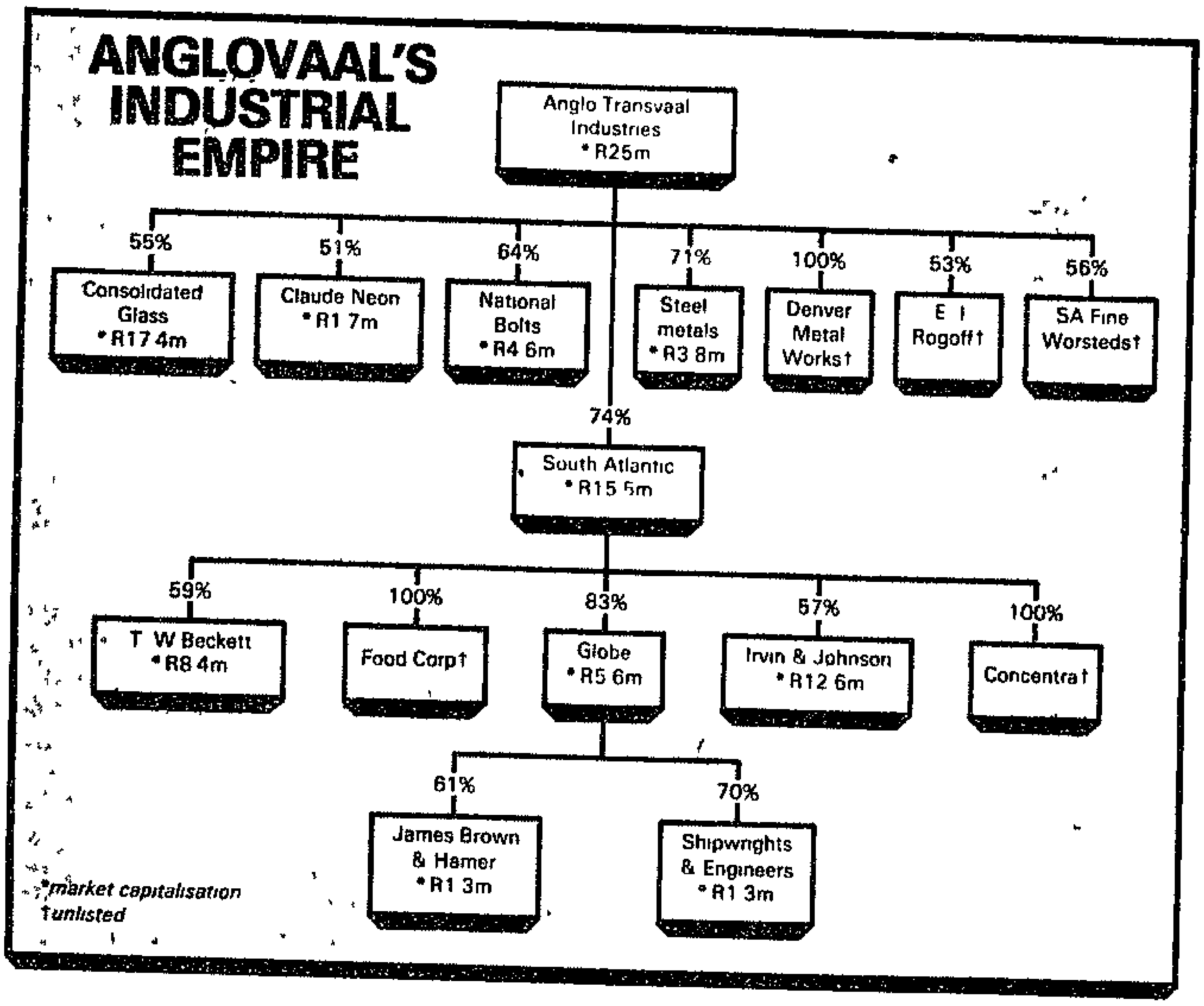
Basil Hersov . . . delayed shock from fishing

ATI's wider spread of interests and the cover that has been built up in the holding company together should cushion ATI's payouts from I&J's dividend cut.

ATI's 19c dividend was paid out of 26c of earnings The direct effect of the cut would be to reduce these earnings by 4c, but as this effect is delayed the dividend should at least be maintained in the current year. By the time I&J impacts, the performance of Cons Glass and the direct engineering interests could be of greater relevance But what these figures do highlight is the importance of I&J to the whole group and the ripple effect that is created by a change in that company's fortunes.

Of ATI's other listed interests, National Bolts and Steelmetals are virtually untradeable, but Claude Neon appears unjustifiably neglected. It is selling on 16,7% yield, has a good profit record and should maintain the dividend this year.

Of the unlisted investments, Denver Metal Works suffered a 16% profit decline but still makes R1m after tax.



Food Corp coffee . . . should improve this year

Losses were reduced from R259 000 to R123 000 at E I Rogoff, while SA Fine Worsteds increased profits 30% to R1,1m after tax, a level that should be maintained this year

The broad picture is contained in the consolidated accounts and as a pointer to the future this does not provide much encouragement The pattern is of continually declining returns on capital and contracting margins The return on capital is down from 21,4% in 1974 to 16,6% last year, while over the same period pre-tax margins are down a third from 10% to 6,5%

ATI has attracted some support recently as a broad-based industrial yielding over 10% with a secure dividend and being relatively freely traded Though it is difficult to see dividend growth over the next two years, the secure yield provides defensive qualities, while it will move forward with the market should the advance be resumed.

Richard Stuart

RDM 5/11/77

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JOINT ANNOUNCEMENT

ALPHA-DUNSWART BELEGGINGS BEPERK
("Aldun")

ALPHA FREE STATE HOLDINGS LIMITED
("AFS")

DUNSWART IRON & STEEL WORKS LIMITED
("Dunswart")

and

THE STANDARD BRASS, IRON & STEEL FOUNDRIES LIMITED
("Standard Brass')

Central Merchant Bank Limited is authorised to announce that:

1. Dunswart has decided on a rights issue of 14,0% unsecured debentures 1982/91 of R1 each at par, and a free issue of options to subscribe for ordinary shares in Dunswart at R1 on 31 March 1980 and thereafter at six monthly intervals up to 31 March 1982. The rights issue will be in the form of linked units, each unit comprising two debentures and one option The subscription price for each linked unit will therefore be R2 The debenture issue will raise R12 600 000 before expenses and is part of a refinancing programme of Dunswart

2. AFS and Aldun will not subscribe for the unsecured debentures and options to which they will become entitled and have decided to renounce these rights on a pro rata basis to the members holding ordinary shares in these two companies

3 Members will therefore be offered linked units in the following proportion

For every 100 Dunswart ordinary shares held — 150 linked units

For every 100 AFS ordinary shares held — 157 linked units

For every 100 Aldun ordinary shares held — 63 linked units

4 The proposed rights issue will be underwritten in full by General Mining and Finance Corporation Limited ("General Mining") It is a term of the underwriting agreement that General Mining will buy the 1 527 601 ordinary shares (55,3% interest) which Dunswart at present holds in Standard Brass for R3 971 763 (260 cents per share) upon its fulfilling its obligations in terms of the underwriting agreement As there will be no change in the ultimate control of Standard Brass an offer to the outside shareholders of Standard Brass will not be made

5. The proposed rights issue and sale of the holding in Standard Brass will raise an amount of R16 571 763 for Dunswart to finance its reconstruction and expansion programme

6. Proposals have been agreed upon which, if implemented, will result in Aldun and AFS becoming wholly-owned subsidiaries of Dunswart In terms of these proposals

6 1 members of Aldun and AFS (other than Aldun) holding ordinary shares will receive Dunswart ordinary shares in exchange for their existing shareholdings in a ratio based on the market value of Dunswart shares and the attributable net asset values of Aldun and AFS calculated on the market values of their underlying investments In essence their effective indirect holdings in Dunswart will be replaced with direct holdings in Dunswart

6 2 ordinary members of Aldun and AFS (other than Aldun) will therefore receive Dunswart ordinary shares in the following proportion ·

For every 100 Aldun ordinary shares held — 45 Dunswart ordinary shares

For every 100 AFS ordinary shares held — 170 Dunswart ordinary shares

6 3 members of Aldun holding 5½% "A" and 10% cumulative preference shares will receive one Dunswart cumulative redeemable preference share in exchange for each Aldun preference share held These Dunswart preference shares will have the same par value as the Aldun preference shares but will pay preference dividends at a rate of 0,5% per year higher than that presently paid on the Aldun preference shares, and will be redeemable at par at the option of Dunswart

ADM 5/11/77

7 The proposals referred to in 6. above, if implemented, will become effective after the proposed rights issue

8 The documents in connection with the proposals are in the process of preparation and will be posted to members as soon as possible

9 Application has been made to The Johannesburg Stock Exchange to re-instate dealings in the shares of the companies concerned with effect from Monday, 7 November 1977

Senbank

Central Merchant Bank Limited
(Registered Merchant Bank)

4 November 1977
Johannesburg

Tiger to pay R11m for Adingra

RDM 8/11/77

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By HAMISH FRASER
Deputy Financial Editor

TIGER Oats will pay about R11-million for Adcock-Ingram Investments if, as looks likely, Adingra's minority shareholders accept Tiger's cash offer.

Tiger has already tied up control of Adingra by buying out the controlling families for a little over R7-million and will extend a cash offer of 125,12c a share to the Adingra minority. The effective price of the transaction is 130c, but as Adingra will be cum a 4,8cc final dividend, an adjustment is being made to the cash offer.

The terms which Adingra's directors have negotiated for themselves and their minority suggests that there will be overwhelming acceptance from the minority.

Although Adingra has a theoretical net worth of about 130c — based on the cost of Adingra's holding in Adcock Chemists — based on present prices, Adingra's net worth is more like 90c a share. The premium on actual net asset value is thus about 40%.

Adingra's shares were suspended at 110c, which gives the minority a 14% advantage on the pre-suspension price and the exit yield is 6,1% which compares with a sectoral average of more than 9%.

There has obviously been some hasty reconvening of the arrangements with Old Mutual which were originally designed to fund the abortive Ruto deal.

The 690 000 convertible preference shares which had been earmarked for the Ruto vendors will now go to the controlling shareholders of Adingra. But the further accrual of dividends and the improvement in the market since September has improved the price at which Tiger can place the shares.

They have been issued to Adingra's controlling shareholders at 925c a share compared with the 860 envisaged at the time of the Ruto deal.

Mutual is taking them over at 925c from the Adingra family. This takes care of R6 382 500 of Tiger's commitment to the family. The balance, about R770 000, will be paid in cash as will the R4-million or so which will be needed to take out the minority.

Tiger is flush with cash after its redeemable preference issue.

By taking 690 000 preference shares, Mutual, incidentally, takes its voting stake in Tiger up to about 22% from 17%.

A statement from Union Acceptances says the acquisition of Adingra will have no immediate effect on assets or earnings. But the benefits in the longer term could be rewarding.

The Adcock group derives 60% of its pre-tax profit from pharmaceutical, hospital and surgical supplies, 10% from consumer products and 30% from pharmaceutical wholesaling and retailing.

The diversification seems sensible even if Tiger has had to pay the full price. It would, of course, prefer to have paid somewhere nearer the actual net worth of Adingra and it will soon be at work to get Adcock's profits and price up to narrow the gap.

The dilution of the low-multiple fishing content of its profit source into the higher multiple pharmaceutical industry could help narrow the gap between its own price earnings ratio and that of its arch-rival, Premier Milling.

But that is for the longer view. The message for Adingra minorities now is to take the money, and for those who feel wedded to the group, to see if they can pick up some Adcocks at a percentage point-and-a-half higher than their exit yield.

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% of income earned

— Lorenz curve

O

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The ... is convex to the origin because most of the recipients earn a small percentage of the total income. A small percentage of the recipients earn a large percentage of the income

3/6

Cabinet portfolios and share portfolios

(236) FM 18/11/77

How to minimise the conflict between public interest and personal interest

The question of Cabinet ministers' shareholdings has long been a vexed one. Since ministers' decision directly and indirectly affect the fortunes of many companies — be they mining, industrial, commercial or financial — should ministers be permitted to own shares?

If the answer is no, what then should they do with their investments? If yes, what checks and balances should there be to minimise conflicts between public interest and self interest?

The Minister of Transport, Louwrens Muller, has indirect interests in a company involved in the transport field (see box). There may be other examples where other ministers' Cabinet portfolios are not unrelated to their share portfolios.

Certainly, there are examples where other Cabinet ministers have shares in companies whose fortunes are not unrelated to Cabinet decisions. The PM himself last week acknowledged share holdings in Volkskas and Trust Bank. It needs little imagination to see how the fortunes of banking companies, as a group, could be influenced by certain Cabinet decisions.

What is the Cabinet's policy on the issue of ministers' shareholdings? According to Muller, "in all cases where my decision is required on a matter which could be regarded as containing a conflict of interest, I would refer the matter to the Prime Minister or another minister for decision." Is this an adequate safeguard?

In a statement to the *FM*, John Vorster explained his attitude: "If a minister has substantial shareholdings in a company doing direct business with his department, then it is policy for the minister concerned to sell such shares. The test applied here is whether the minister can be accused of giving preferential treatment to such company *vis-à-vis* its competitors and consequently benefit himself."

So far, so good. However, in answer to a question, Vorster said that no SA Prime Minister to his knowledge had ever kept a register of ministers' shareholdings, nor even asked ministers to disclose their shareholdings.

Moreover, conflicts of interest do not only arise where a minister has a shareholding in a company doing "direct business with his department". They also arise where a minister is involved in or is privy to policy decisions which in a more general way affect the fortunes of companies in which he has shareholdings.

The PM pointed out that from the time of Union to the present, no rules or regulations had been laid down prohibiting ministers from acquiring shares in public companies or from holding shares in their private family businesses. From 1910, ministers could be directors only of newspaper and insurance companies but, under Dr Verwoerd, insurance companies had also been excluded.

That ministers should continue to be allowed to serve on the boards of newspaper companies is traditional, not necessarily logical. Newspaper companies do direct business with the government. For example, they compete with one another and outsiders for printing contracts. As a newspaper director, a minister has two distinct duties — which could clash head-on.

This is only one aspect of the question in need of review. Attention should also be paid to the whole problem of ministers owning shares. It has been neglected for too long.

The rules, as the PM has outlined

LOUWRENS MULLER AND PICBEL

The Minister of Transport, Louwrens Muller, has an investment in Picardi Investments (Picbel). His relationship with Picbel's chairman Jan Pickard goes back many years. In 1965, they together acquired Robertson Distillers, the forerunner to Picbel, and Muller served as its chairman until his appointment as a deputy minister in September 1966, when he resigned in accordance with Cabinet rules.

Today, Muller points out, his interest in Picbel, through a family company, Robroy Pty, amounts to no more than 5% of the Picbel equity.

That is one side of the coin. The other is that Robroy, of which Muller and his two daughters are sole directors and shareholders, is the fourth largest shareholder in Picbel after Pickard personally, Jan Pickard Ondernemings Edms and Santam Insurance. It holds over 257 000 ordinary shares which at the current market price, are worth R155 000.

Last year, Picbel paid a 4c dividend, so Robroy received some R10 000.

Muller disputes that Picbel is vitally dependent for its earnings on transport. Picbel's directors paint a somewhat different picture. In last year's directors report (this year's is late) they disclose that aviation, clearing and forwarding was the most profitable division of the company. It contributed R1,44m to group profits of R1,36m. (Some of the group's other investments, like canning, produced losses.)

Picbel's 70%-owned subsidiary, Comair, has been granted the right to make certain domestic flights from Jan Smuts. Its entire airline and tourist division "exceeded profit expectations which were anticipated to decline because of the costly and disruptive move to Jan Smuts, a move necessary to ensure the division's future growth and viability" states the Comair directors' report.

Late last year another company in Picbel's aviation clearing and forwarding division, Indo Atlantic, shipping and airfreight agents, which the group subsequently sold, took over a new perishable product warehouse at Jan Smuts. Picbel's directors expected Indo Atlantic "to maintain a high growth rate during the next few years."

UK GUIDELINES

Somewhere near the top of the pile of paperwork which greets British ministers of an incoming government, there is always a slim booklet compiled by the civil servants who run the Cabinet Office It sets out comprehensive guidelines on matters of principle concerning directorships, shareholdings and business interests

Throughout the small print, there is enshrined one overriding principle ministers shall not put themselves in a position where there is a *potential* much less an actual, conflict of interest between their private affairs and their public office

While the guidelines seem to have no legal status, the question of enforcement is hypothetical Even Conservative cabinets, which have far more in the way of private business interests than their Labour counterparts, have records of conformity The arrival of a Tory administration is usually accompanied by a number of top level resignations from major UK companies

On directorships, the guidelines are relatively simple They shall be relinquished whether they be in private or publicly quoted companies The only possible exceptions are made in cases of small firms set up to administer a family estate which, if they are involved in trade at all, are involved in an incidental way Even so, ministers are asked to consider any possibility of conflict and, should there be any doubts, to refer them to the PM

Professional partnerships in, for example, legal or accounting firms, are regarded differently Ministers are not bound to give these up, though they are required to withdraw from any management role

The requirements on shareholdings are more flexible, though there is no sacrifice of the ideal of avoiding a possible conflict of interest Ministers are not obliged to dispose of all of their shareholdings if the conflict question does not arise But they are expected to have special regard to any controlling shareholdings which they may have

Though these guidelines are not available for public scrutiny, the question of enforcement has never become an issue in recent political history

Within the past few years, which have seen scandals such as the Poulson affair and the wheelings and dealings of John Stonehouse, the disclosure of MPs private interests has become a public issue There is now a voluntary system of disclosure accepted by all MPs except Enoch Powell, who has refused to co-operate, on the grounds of unwarranted intrusion into the private affairs of politicians

them, are loose Can they really be effective in policing a matter of such vital concern to the public?

Conscious that we are on ground where angels fear to tread, the *FM* would like to venture the following suggestions

- Along the lines of British and American requirements, *all* MPs should be obliged to disclose all their major direct and beneficial interests (to include trustees, spouses and children) in a public register This would ensure the widest possible disclosure, tantamount to a declaration of interest in any matter which the House of Assembly debates

However, to restrict their business or professional activities would be wrong

- Ministers should be treated as a special case They are often called upon to make decisions where the public interest could conflict with their own private business interests They should choose between business and the Cabinet, to eliminate the risk of any possible conflict

And where a minister owns shares in a company whose activities are related to his Cabinet portfolio, he *must* sell

As a minister a member of Cabinet not only makes decisions himself but shares advance knowledge of joint Cabinet decisions We would not for one moment suggest that any member of the present Cabinet would abuse such information for personal gain Nor would we suggest that any member of the present Cabinet would allow his personal interests to influence his public decisions. But it is not good enough that ministers are honourable men they should be seen to be honourable

There never can be a watertight solution but probably the most effective safeguard would be for ministers' business affairs to be administered by independent trustees – so creating an arm's length relationship between the minister, who holds inside information, and the trustee, who does not

0236

Sunday Times 20/11/77

Minister in share link

By MARTIN CREAMER

THE MINISTER of Transport, Mr Louwrens Muller, has money in a company that controls one of the largest aviation firms in South Africa.

Mr Muller's investment is in Picardi Beleggings Bpk (Picbel) which has a controlling interest in Comair and, until recently, also had a major stake in an airfreight and shipping company, Indo Atlantic.

Mr Muller has admitted to the Financial Mail that his interest in Picbel, through a family company, Robroy (Pty), amounts to five per cent of the Picbel equity.

The sole directors and shareholders of Robroy (Pty) are said to be Mr Muller and his two daughters.

Policy

In a statement to the Financial Mail, the Prime Minister, Mr Vorster said "If a Minister has substantial shareholdings in a company doing direct business with his department, then it is policy for the Minister concerned to sell such shares.

"The test applied here is whether a Minister can be accused of giving preferential treatment to such a company vis-a-vis its competitors and consequently benefit himself."

The Sunday Times put a series of questions to Mr Muller through his private secretary on Friday morning.

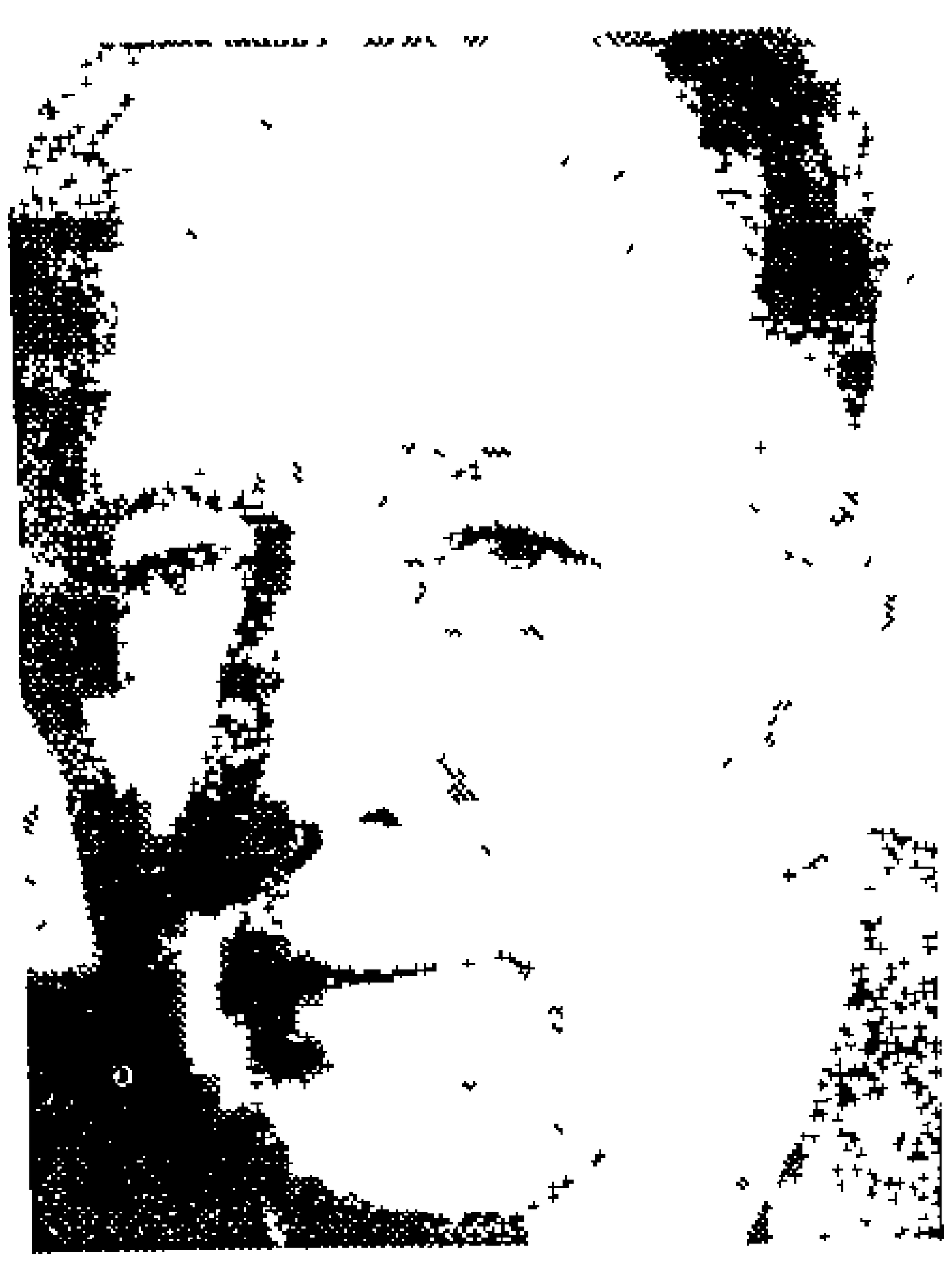
When we telephoned again on Friday afternoon, a spokesman said the Minister had left for the Cape and could not be contacted.

Award

The Sunday Times has established that Indo Atlantic was awarded the tender to occupy a complex for perishables built by the Department of Transport at Jan Smuts Airport.

The managing director of Air Cargo, Mr Rolf Julicher, whose aviation company freights perishables

S.L. Muller's investment



Mr S. L. MULLER family company

from Jan Smuts, told the Sunday Times that his firm's facilities at Jan Smuts are now much smaller than before.

Air Cargo is in direct competition with Indo Atlantic in the perishables field.

"This is solely as a result of Air Cargo not having won the tender for the occupation of the new Department of Transport premises."

He said Air Cargo now had limited facilities at the airport itself and was building its own facilities off the airport premises. Air Cargo had had "unique" privileges in the old premises for many years.

Comair had been granted the right to make certain domestic flights from Jan Smuts.

In the latest annual report, Picbel states that the results of Comair proved to be "exceptionally good" and "the increase in earnings is due to record profits earned by the airfreight division."

Mr Harry Schwarz, the Progressive Federal Party finance spokesman, said he believed all members of Parliament, whether in the Cabinet or not, should be obliged to register their directorships and shareholdings in a public register "so that the public know what they are involved in."

"As far as the Cabinet is concerned, I don't believe that a Minister should be a director of any company whatever," Mr Schwarz said.

Obliged

He included in this the newspaper companies which were engaged in "all sorts of other things" as well as newspaper work.

"As far as investments are concerned, if a man takes a job in the Cabinet, he should be obliged to hand over his investments to a trustee to administer.

"And if there are any investments of a significant nature which can be affected by a decision of Government he should be obliged to dispose of those shareholdings when he accepts Cabinet office.

"The test is not merely that there should be nothing wrong, but it should be clearly seen that there is no potential of anything going wrong," he said.

Satisfied

The public must be quite satisfied that if any man wanted to serve in the Cabinet he should be prepared to make these sacrifices with regard to both his shareholdings and directorships.

"If he is not prepared to do that, then he should not be allowed to serve in a Cabinet."

Mr Schwarz said a shareholding in a company which represented five per cent of the issued share capital—with a market value of more than R150 000—would to the ordinary man be a substantial shareholding.

Sunday Times · Business Times

NOVEMBER 20, 1977.

Jan Pickard in R2,5m battle

TWO EXECUTIVES of Comair Holdings, the largest commercial aviation company in South Africa, are locked in a legal battle with financier and former rugby Springbok, Jan Pickard.

By Tony Stirling

The executives who allegedly misled Mr Pickard about the financial position of a Comair subsidiary, Commercial Air Services (CAS), this week brought an application in the Rand Supreme Court for delivery of shares in CAS for which they had tendereda cheque of R2,5-million

The application is being brought by Mr Donald Novick, managing director of Comair Holdings, and Mr Martin Moritz, general manager of the company

Opposing it are Comair, Sagit Limited and Commercial Air Services.

Mr Novick claims that after protracted negotiations a letter of agreement was signed in January this year by Mr Pickard accepting an offer of R2,45-million for the shares of Commercial Air Services.

According to Mr Novick, a meeting of the directors of Comair which controls the shares of Commercial Air Services, approved Mr Pickard's letter of agreement

Supported by Mr Moritz, he is seeking an order compelling Comair and Sagit to pass the resolutions necessary for him and Mr Moritz to acquire the shares of Commercial Air Services.

The applicants submitted that the letter of agreement signed by Mr Pickard was binding

In his affidavit, Mr Pickard, chairman of Picbel, which in turn controls Sagit, and who is on the board of the three respondent companies, alleges that Mr Novick and Mr Moritz misled him about the financial position of Commercial Air Services

Mr Pickard alleges that Mr Novick had informed him that the net asset value of Commercial Air Services was R3,5-million but that the sale value would be about R1-million less than this figure

In his affidavit, Mr Pickard said that Mr Novick had also painted a gloomy picture of the company's profits, stating that it could not expect to maintain the R290 000 it had made up to October 1976

He said it was only on the day after Comair had authorised the letter of agreement that he had been informed by the secretary of Comair, Mr Arthur Johnson, that he had been misled about the position of Commercial Air Services.

Mr Pickard further alleged that in the negotiations he had been informed that the offer was one involving undisclosed American interests, and not the two executives concerned who were doing the deal for a commission or a stake in the company

As a result of the information received from Mr Johnson an inspection of the books of Commercial Air Services had taken place.

According to documents before the court, this inspection showed that the net asset value was R3,8-million and that the company's profits up to the end of 1976 were R924 000.

Mr Pickard said that he had "reluctantly" agreed to sell on the strength of the gloomy financial information supplied by Mr Novick and Mr Moritz

Jan Pickard

Had he known that the two executives were behind the offer, he would have taken the precaution of calling for an independent valuation of the company's assets

As a result of the information obtained from the company's books, a further meeting of the Comair board had taken place in March at which it was decided, on legal advice, that the letter of agreement signed by Mr Pickard was not binding

At further meetings that had taken place in the interim Mr Novick and Mr Moritz had been advised that the deal could not go ahead and Mr Novick had been told that he had not made a full disclosure of his interest in the deal

1,236

Problems for Picbel

'Sunday Times' Business Times 27/11/77

• From Page 1

the group on local and overseas bank loans

The present group structure did not enable full advantage to be taken of tax relief

Other reports on Picardi, made before by a Picardi director Charles Wotherspoon, also point out financial difficulties

In May Mr Wotherspoon reported that Picardi was having difficulty meeting substantial short and long-term liabilities and that it was facing "chronic indigesion" from having acquired non-income producing assets, among which were Picardi Canners and certain Parktown properties which together represented R17,5-million of assets

In September Mr Wotherspoon suggested reconstructing the group to improve liquidity and this included the sale of certain dormant companies

His list of priority sales in this regard included Picardi Canners and he proposed the merging of Picardi with Sagit

Mr Wotherspoon recommended disposing of all the assets and liabilities of Sagit and Picbel to Comair Holdings on an agreed formula with substitution of preference shares where necessary

"Unless Pican is eliminated as a loss leader in the group and becomes a substantial profit maker immediately, then all the exercises are basically in vain," said Mr Wotherspoon's report

He said that by selling Pican for anything from R5-million upwards in cash, Picbel would be able to eliminate a certain overseas loan

Subsequent to this, according to court documents, a number of Picardi group's assets were sold, including a number of subsidiaries of Comair Holdings

Picardi disputes the sale of Commercial Air Services to the two executives on the following grounds

- That Mr Pickard had no authority to bind Sagit and Comair Holdings, the group companies owning CAS, to the transaction
- That a resolution by Comair directors approving the deal was negligent
- That the two executives concerned, Donald Nowick, Comair's MD, and Martin Moritz, misinformed Mr Pickard about the financial position of CAS

Mr Wotherspoon said in a special report that there was no evidence that the method of dealing with sales or accounts had changed

Another report, by Mr G J Nel, general manager of Picbel, said that the assets of CAS had been undervalued by the management

He alleged that full information relating to the interests of Mr Novick and Mr Moritz had not been given and that in view of this the "option" given by Mr Pickard was voidable

Mr Novick contends that his reports on the company over the year reflected the true financial position

Costs for the hearing, with seven counsel representing the different parties to the dispute, are likely, at about R250 000, to be among the highest in recent years

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Supreme Court told of Picbel problems

S Times Business Times 27/11/77

By TONY STIRLING

PICARDI Investments, the group headed by former rugby Springbok Jan Pickard, could be up against short and long-term problems according to a special memorandum prepared by Mercabank in October last year

The memorandum was one of several referred to in a continuing Supreme Court action in which two executives of Comair Holdings, a Picardi company, are asking for the delivery of shares in a subsidiary, Commercial Air Services, which they say Mr Picard had agreed to sell to them for R2,5-million, but which the parent company disputes

Mercabank expressed the opinion that

The Picardi group was stretched to the limit of its borrowing capacity and needed more funds

Enormous losses of subsidiary Picardi Canners were likely to continue

Subsidiary Sagit was unable to pay dividends or redeem preference shares

Very high interest rates were being paid throughout

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R140m drug merger as Federale bids

Sunday Times
Business Times
27/11/77

THE GIANT Federale Volks group is acquiring in a R12-million deal control of SA Druggists, the pharmaceutical manufacturer, through a company in which Isaac Kaye's and Dusty Miller's Alumina Development Corporation have substantial interests.

These merged interests will result in by far the largest pharmaceutical manufacturing group in the country with a turnover estimated at about R140-million a year

Control of SA Druggists will be exercised through a pyramid company owned 51,1 per cent by Federale Chemiese Beleggings and 49,9 per cent by the former Alumina Development Corporation

As Mr Lurie and Mr Tabatznik have substantial interests in some Alumina subsidiaries, in particular Labethica,

By NIGEL BRUCE

they will be joining Mr Kaye and Alumina's Mr B D Miller on SA Druggists' reconstructed board

The pyramid controlling SA Druggists will acquire 51 per cent of the company partly through Federale Chemiese Beleggings increasing its 12,8 per cent existing stake

Shares will be acquired from other shareholders Other major shareholders at present are Bonuskor, 28,3 per cent SA Mutual, 12,5 per cent, and Sanlam and its controlled companies, 9,7 per cent

The suspension of SA Druggists shares in the stock exchange on November 18 was a prelude to the deal

At that stage SA Druggists acquired Alumina Development and will issue a large block of shares and cash in payment

Discussions between the various parties to the deal were in progress at l-east six months ago, long before Tiger Oats' acquisition of rival pharmaceutical manufacturer Adcock-Ingram was known But the market believes that news of this acquisition speeded up the clinching of this latest deal

However, while Adcock-Ingram's strength is mainly in ethicals and hospital supplies, SA Druggists has concentrated on wholesale chemists' supplies

This latest merger will give SA Druggists a much broader spread of interests in the pharmaceutical market, especially through Alumina's interests, and access to

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R140m drug merger

• From Page 1 Sunday Times - Business Times 27/11/77

additional capital from the Federale Volks group

SA Druggists has until this year, when it suffered a set-back, experienced a strong growth in profits, which just about doubled in the three years from 1973 to 1976

In the year to August, however, after tax profits tumbled 27 per cent to R4,4-million, mainly as a result of non-recurring losses, consisting of R252 000 from closing wholesale branches in Port Elizabeth and Vereeniging and R450 000 in development costs on Rustenburg medicinal crop farms

Like Adcock-Ingram, in years past SA Druggists went into the retail electronic market through Bermeisters, and with the decline in televison sales has in consequence been saddled with a profits millstone

So besides acquiring new dimensions to its pharmaceutical business through the merger, it could also be facing something of a rationalisation of existing interests

The terms of this latest deal are due to be announced shortly and the shares are expected to be relisted by towards the end of this week

Messina bid to pull out of Concorde

S. Times 27/11/77

By NIGEL BRUCE

Business Times

MESSINA is trying to sell its 42 per cent of Concorde Bank and informed banking sources expect a deal by the year end

Of course, the terms it will have to accept now cannot possibly approximate those of earlier offers

If it doesn't come off, there is some reason to believe that Sanlam and Mercabank, and possibly other shareholders, might move to protect their investment

The little bank, which was nearly sold to Finansbank last year and was appraised by both the Walter Heller organisation and Volkskas, stumbled over doubtful leases made by a subsidiary's manager to companies with whom he was partly associated

Since then managing director Trevor Evans has resigned and former Barclays trouble-shooter, veteran banker Frank Shaul, has taken over

I understand that the bank's chairman, Dick Jobling, has already retired from Messina and might shortly relinquish his chairmanship of the bank

Meantime, its accounts are long overdue, which suggests that Mr Shaul is facing some administrative problems

Unconfirmed reports suggest that provisions necessary for doubtful leasing debts have bitten deeply into what reserves it has

If the deal being negotiated should also flounder, Mercabank, which has a 19 per cent interest stake, might be expected to step in and take over the small amount of banking business that remains

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Sake-Rapport 4/12/77

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Bonuskor hou sleutel

Deur DAVID MEADES

BONUSKOR sal die bepalende rol speel in Federale Volksbeleggings (FVB) se plan om deur 'n piramiedmaatskappy beheer oor SA Druggists te kry. Dit is die afleiding wat gemaak kan word uit vandeesweek se aankondiging deur Volkskas-Aksepbank oor die oorname van Alumina Development deur SA Druggists.

Hiervolgens sal SA Druggists vir Alumina oorneem deur 8 013 706 nuwe aandele in SA Druggists plus R1 miljoen kontant aan die aandeelhouers van Alumina uit te reik.

Maar dit is ook reeds bekend gemaak dat hierdie aandeelhouers van Alumina sal saamspan met FVB om 'n beheermaatskappy te stig wat SA Druggists sal beheer. Die plan is dat die FVB-groep 51 persent van die beheermaatskappy se aandele sal hou en die Alumina-aandeelhouers 49 persent.

As daar dan aangeneem word dat die Alumina-aandeelhouers al hul nuwe SA Druggists-aandele aan die nuwe beheermaatskappy oordra, sal dit beteken dat die Federale groep 8 338 365 aandele in SA Druggists in die nuwe beheermaatskappy moet stort om 'n belang van 51 persent daarin te kry.

Hierdie nuwe beheermaatskappy sal dan 'n belang van 56,2 persent in die vergrote SA Druggists hê.

Federale Chemiese Beleggings, 'n maatskappy waarin FVB 'n belang van tussen 75 en 80 persent het, sal in die vergrote SA Druggists 'n belang van net meer as 9 persent hê, terwyl Sanlam 'n belang van net minder as 6 persent sal hê.

Dit sal beteken dat die FVB/Sanlam-groep 'n verdere 3,9 miljoen aandele in SA Druggists sal moet bekom om genoeg te hê om na 'n beheermaatskappy oor te dra waarin hy 'n belang van 51 persent sal hê.

Om hierdie aandele te kry, is daar waarskynlik 'n hele paar maniere. Dit lyk egter of dit die maklikste sal wees om dit met die hulp van Bonuskor te doen.

Tot voor die oorname van Alumina was Bonuskor met sowat 6 miljoen aandele die grootste aandeelhouer van SA Druggist. Dit het hom 'n belang van meer as 28 persent in Bonuskor gegee, teenoor Fedchem se belang van sowat 13 persent en Sanlam se sowat 8 persent.

Maar met die oorname van Alumina word Bonuskor se belang nou tot 20,6 persent verwater. Sy sê in die groep word daardeur heelwat minder, maar dit verander aan die ander kant nog nie die feit dat die belegging in SA Druggists, veral nou ná die oorname van Alumina, een van Bonuskor se beter beleggings is nie.

Bonuskor het kontantprobleme en dit sou baie aanloklik wees om sy kontantposisie te verbeter deur aan Federale die sowat 4 miljoen aandele te verkoop. Dit sal Bonuskor 'n kontantinspuiting van meer as R4 miljoen gee met die laaste markwaarde van SA Druggists as grondslag. En dan sal hy steeds nog 2 miljoen aandele in SA Druggists kan oorhou.

Volkskas

Maar dan is Volkskas en Sanlam ook besig om te help deur R10 miljoen aan Bonuskor te leen, wat sy kontantprobleme oor die kort termyn ingrypend sal verbeter

'n Ander alternatief kan dan wees dat Bonuskor bereid sou wees om die 4 miljoen SA Druggists-aandele te ruil vir aandele in Fedchem. Met die verkryging van Marine Products (nou Federale Voedsel) se aandele in Fedchem is FVB se belang in hierdie ongenoteerde chemiese reus tot tussen 75 en 80 persent opgestoot FVB sou dus maklik met hierdie aandele kan smous sonder om sy beheerposisie naastenby in gevaar te stel

Net so kan FVB ook die Ou Mutual se belang in SA Druggists bekom Ou Mutual se belang is egter nie groot genoeg om aan Federale daardie beheerposisie te gee nie. Ou Mutual is reeds 'n minderheidsaandeelhouer in Fedchem en sou dalk nie ongenee wees om sy belang hier te vergroot nie

Dit lyk ook waarskynlik dat FVB ook insgelyks aandele in Fedchem sal gebruik om Sanlam se belang in SA Druggists te verkry

Trade Ind gets Svenmill at 8,4c a share

RDM 8/12/77

(236)

By HAMISH FRASER

SVENMILL's shares will be relisted on the Johannesburg Stock Exchange tomorrow. But on the evidence of details of the first step in the rationalisation of the Herbert Porter group — of which Svenmill was briefly part — shareholders are in for a market shock.

Trade & Industry Acceptances has emerged with effective control of Svenmill at a cost of 8,4c a share Svenmill weakened to 30c on the market before its suspension five months ago

Perhaps this is the reason that the Johannesburg Stock Exchange committee has not forced Trade Ind to extend an offer to minority shareholders But the principle of the JSE's ruling that a change of control must be accompanied by a similar offer to minorities seems to have suffered

Trade Ind has bought 574 100 shares from Porter for R212 500 — 8,4c a share — to add to the 1 953 220 shares it had already acquired at an unspecified time and price Porter now owns no shares in Svenmill

Trade Ind's direct holding represents more than 30% of Svenmill and makes it comfortably the biggest shareholder

Svenmill has sold properties to Porter at a written-down book value of R577 435 and payment will be made by the assumption by Porter of attendant liabilities Svenmill has taken a R993 400 capital loss on the sale

Svenmill has also sold 149 000 Porter preference shares at par and has waived its right to arrear dividends — another capital loss

Sharedex, with a reported but unconfirmed 2 400 000 shares, is the next biggest shareholder

Porter's representatives on the Svenmill board are being replaced by Trade Ind directors

The only remaining relationships between Porter and Svenmill are that

- Guarantees worth R340 000 given by Porter to banks on Svenmill's behalf will be maintained as will guarantees to creditors and bondholders for R449 000
- Outstanding guarantees given by Svenmill to bondholders over properties bought by Porter for R428 000 will remain operative

Both Porter and Svenmill are working on alternative financing to release themselves from their respective obligations.

No dividend will be paid by Svenmill until the obligations are out of the way

Not that Svenmill is in much shape to pay a dividend anyway The losses in the year to June 30 on extraordinary items were R1 182 000 compared with trading profits of R277 000 and extraordinary profits of R396 000 The attributable loss was R509 000

Svenmill has negotiated facilities of R5 200 000 which will, with its cash flow, be enough to operate on a normal credit basis, it says

It has been a close call for Svenmill Two liquidation attempts were resisted during the shares' suspension and the road back to bottom-line earnings will be arduous

Hillsam behind Svenmill sale

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RDM 9/12/77

By HAMISH FRASER

TRADE & Industry bought most of its shares in Svenmill from the Herbert Porter group's merchant bankers, Hill Samuel, for just under 6c a share, according to sources close to the group.

Herbert Porter sold its unencumbered stake — in other words, those which were not pledged to the bank — at 17,5c a share Trade Ind took the 1 953 220 shares held in pledge by Hillsam for R112 500 before paying Porter R100 000 for its unencumbered stake of 570 000 shares

The sale by Hillsam to T & I was done without the consent or knowledge of the Porter group

T & I, Svenmill's shippers, emerged with control of Svenmill at a cost which will make no perceptible impact on its earnings or assets in the short-term But to the Porter group, the loss of a business which represented its main trading asset, is serious

Mr Benny Rubinowitz, Porter's chairman, is clearly displeased with T & I and less so with Hillsam.

The Svenmill deal raises a number of interesting side-issues

Firstly, where does Sharedex, the investment advisory service which owns upwards of 30% of Svenmill stand? In the dark, it seems.

Sharedex's chief executive, Mr Marty Koekemoer, was still confused by developments when I talked to him yesterday He could not comment on negotiations from which he had been excluded, he said

On the investment's outlook he was equally non-committal

"Our clients hold shares and if the price drops it drops But you only show a loss when you realise, and until my advisers have looked at the situation, there is nothing I can say,"

Mr Koekemoer would also not comment on the apparent breach of an agreement which had been reached between his group and Porter that Porter would not reduce its stake in Svenmill below 30% when Sharedex bought 1 100 000 shares in Svenmill earlier this year

The fact that the bank and not Porter sold the shares may explain that. But if Sharedex chooses to pursue that angle — and dare it? — another storm is possible

Secondly, was the Johannesburg Stock Exchange justified in allowing control to pass without a similar offer being made to outside shareholders?

Whatever deal was done with Hillsam is one thing But should T & I not offer 17,5c a share — the same as paid to Porter for its parcel — to minority shareholders?

The JSE argument is that T & I's was a rescue operation and as it acquired the shares held in pledge from a bank, it was not a normal offer to the controlling shareholder. It also says Svenmill would have been liquidated in the absence of T & I's intervention, and that minority shareholders would have been saved as a result

For Porter, the Svenmill development is depressing Its main earnings source is gone and even if its 51% controlled Amalgamated Laundries is doing reasonably, and even if it ends up with 75% of Master Development, profit prospects in the short-term at least look dismal

Coal By-Products Investments Limited

RDM 9/12/77

("COALPRO")

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The directors of Coalpro announce that the necessary resolution authorising the acquisition of Jaqmar Motor Spares and Accessories (Proprietary) Limited ("Jaqmar") was passed at the shareholders' meeting held on 8 December 1977 and has therefore become unconditional

As a result of the acquisition of Jaqmar and Company Two-O-Eight (Proprietary) Limited ("Raco") the resources and earnings of the company based on the audited results for the year ended 28 February, 1977, are now deployed as follows:

	Resources %	Earnings %
Property, cash and other assets	24	—
Production engineering	31	45
Engineering and motor spares	45	55
	100	100

At the request of Coalpro, The Johannesburg Stock Exchange has agreed to transfer the listing of Coalpro from the chemical sector to the iron, steel, engineering and electrical sector with effect from 12 December 1977.

Coalpro will in due course change its name to one disassociated with its previous coal activities.

By order of the Board
Secretary
M. P. Stonebridge

Johannesburg
9 December 1977

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Pet offer for Wit GM now only a gesture

Because of the price of Witwatersrand Gold Mining shares on the JSE — up to 150c last week — the "stand-by" offer by Performance Equity Trust (Pet) for the 33 percent shareholding it does not already have, is really no more than a gesture.

Pet acquired some 77 percent of Wit GM's shares from the Glen Anil liquidators at 60c a share in August. A JSE requirement is that a comparable offer be made to remaining shareholders.

Because of this price difference — 60c against some 150c — little would be achieved by a 60c offer. The "stand-by" offer of 60c plus 2c for brokerage and tax, will run until December 30.

...eester en Rondalia nou saam

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...E MAAK VUIS

Deur DAVID MEADES

DIE eerste stap tot die stigting van 'n sterk Transvaalse Afrikaanse versekeringsgroep is vandeesweek gedoen. Dit was die besluit van Rentmeester-Beleggings en Rondalia om hul versekeringsbedrywighede saam te snoer.

Die twee maatskappye het in beginsel ooreengekom dat Rentmeester-Versekeraars en Senator-Versekering (voorheen Rondalia-Versekering) sal saamsmelt om sodoende sterker eenheid te verkry

Aan RAPPORT is gesê dat daar al baie lank gevoel word dat die Afrikaanse finansiele belange in Transvaal 'n sterker versekeringsgroep nodig het

Die twee groot Afrikaanse versekeringsgroepe, Sanlam en Santam, is albei in die Suide gesetel

Dit is ook interessant dat hierdie stap, wat blykbaar reeds al 'n hele paar jaar beoog is, in 'n stadium kom dat Volkskas en Sanlam besig is om al hoe verder van mekaar af te beweeg.

Dit het vroeër vanjaar begin toe Volkskas besluit het om nie langer 'n vennoot van Sanlam in die too hoofsaaklik aksepbank groep, Bankorp, te wees

Volkskas het sy eie aksepbank gestig, wat van meet af 'n baie groot sukses was Die volgende stap was toe Volkskas besluit het om Sanlam se belang in Bonuskor oor te neem nadat hulle baie jare lank vennote in hierdie maatskappy was

Volkskas, tesame met dr Albert Wessels se Wesco, die AVL-groep en Saambou-Nasionaal, besit 'n belang van 40 persent in Rondalia, terwyl Rentmeester op sy beurt reeds jare lank 'n sterk Transvaalse groep is, met mnr Joggie Vermooten aan die stuur

Terselfdertyd het Wesco ook die enigste ander private versekeringsmaatskappy onder die Transvaalse Afrikaanse groepe Dit is Rand-Lewens, wat dalk ook mettertyd by die nuwe versekeringsgroep, wat as Senator bekend sal wees, kan aansluit

AVL, vroeër bekend as Afrikaanse Verbondlewensversekeringsgenootskap, is natuurlik 'n onderlinge genootskap, met AVBOB as sy verwante begrafnisondernemer.

Senator is een van die ouer versekeringsmaatskappye in die land en is reeds daar in die vroeë jare veertig gestig Hy het tot 1964 net korttermynversekering gedoen, waarna hy Rondalia-Versekering geword en ook met lewensversekering begin het

Rentmeester-Versekering is in 1957 gestig en doen sake as 'n lewensversekeraar en onderskrywer van pensioenfondse.

Die manier waarop die twee maatskappye sal saamsmelt, sal later bekend gemaak word Daar sal onafhanklike waarderings op 'n oorskotgrondslag van die maatskappye gekry word

Senator sal dan al die aandele van Rentmeester-Versekering kry en in die plek daarvan nuwe aandele in Senator aan die aandeelhouers van Rentmeester uitreik. Dit sal tot gevolg hê dat Senator se kapitaal aansienlik verhoog sal word

Mnr Vermooten sal die nuwe voorsitter van Senator wees

Die plan is reeds in beginsel deur die Minister van Finansies en die Registrateur van Finansiële Instellings goedgekeur.

DIT KOOK IN DIE KAAP

15/1/78

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Rapport

Deur DAVID MEADES

DIE planne tot rasionalisasie tussen Sanlam en Santam behels waarskynlik 'n algehele oorname van Santam se korttermyn-versekeringsbedrywighede deur Sanlam. Hierdie stap sal Sanlam dan ook verreweg die grootste versekeraar in die land maak met 'n premie-inkomste as grondslag.

Volgens 'n aankondiging Vrydagmiddag laat sal Sanlam en Santam môre met samesprekinge begin oor die moontlike rasionalisasie van hul versekeringsbedrywighede.

Dit was dan waarskynlik ook hierdie „beplande" samesprekinge wat aanleiding gegee het tot 'n geweldige toename in die omset van Santam-aandele op die Johannesburgse Effektebeurs en 'n styging in die aandeel se prys van sowat 38c 'n maand of wat gelede tot 63c Vrydag

Sanlam het reeds 'n regstreekse belang van 33 persent in Santam, terwyl sy verwante maatskappye ook belange in Santam het, wat die uiteindelike belang tot sowat 40 persent kan opstoot

Oor die moontlikhede van „rasionalisasie van versekeringsbedrywighede" kan daar weinig twyfel bestaan dat dit 'n oorname van Santam se versekeringsarm veronderstel

Santam is net in korttermynversekering en Sanlam weer net in langtermynversekering Tussen hierdie twee afdelings kan daar min rasionalisasie moontlik wees

Formeel

Dit is bekend dat Santam nog altyd sy ding op sy eie probeer doen het En ofskoon daar nog nooit enige gevoelens tussen hierdie twee ou Kaapse groepe was nie, was die betrekkinge nog altyd baie formeel.

En sedert Sanlam begin het om sy bankbelange te rasionaliseer, is daar nog altyd gevoel dat dit net 'n kwessie van tyd was voordat daar ook na Santam gekyk sou word.

Hierdie stadium het blykbaar nou aangebreek, en dit wil nou ook voorkom of dit baie verder kan strek Maar dat dit 'n baie neteli-

Uit daardie jare spruit ook 'n verstandhouding tussen die twee dat Sanlam hom nooit op die gebied van die korttermynversekering sou begewe nie

By Sanlam is daar 'n sterk gevoel dat versekering sy besigheid is en dat hy ook regstreeks in die korttermyn-aksie betrokke moet wees Maar daar is g'n sin daarin om met Santam te wil meeding nie. Dan bly daar net één alternatief oor

Santam is vandag verreweg die land se grootste korttermyn-versekeraar Daar is kenners wat meen dat net hierdie afdeling van Santam minstens R1 per aandeel werd is. Die maatskappy het oor die jare baie sterk reserwes opgebou Daar word selfs 'n syfer van R60 miljoen genoem

Mondorp

As daar op die versekeringskant gerasionaliseer word, sal daar waarskynlik geen ander uitweg wees as om dieselfde aan die bankkant te doen nie

Dit is nie onmoontlik dat die land weer koue bankwinde kan ervaar nie Daar kan aangeneem word dat die mededinging tussen Volkskas en die nuwe Bankorp/Trust-Bank-groep vorentoe hewiger en feller gaan word.

In die proses kan dit dalk vir kleiner Afrikaanse banke in die middel moeilik word om te bestaan Hier kan dit dan vir Santam lonend wees om nader aan die Bankorp-stal te beweeg

Dan is die Bankorp-groep ook deur sy Kredietbank besig om al hoe meer na die trustwese te beweeg Santam is op hierdie gebied een van die land se grootstes — dalk die leier Dit kan baie waardevol vir Bankorp wees

ge saak gaan wees, is ook nie te betwyfel nie

Die wortels lê baie diep en die hele kwessie strek terug tot die totstandkoming van Santam en die latere stigting van Santam as 'n volfiliaal van Santam Sanlam het later „vry" geword.

Dan het Santam ook groot belange in eiendomme deur veral Mondorp Met Mondorp gaan dit nou glo baie beter Maar dit kan dalk ook hier vir Santam lonend wees om veral sterker aansluiting by die sterk Sanlam-eiendomsafdeling te kry

N/M 18/1/78

John Orr's cuts La Lucia losses

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Deputy Financial Editor

SUNDAY and holiday trading at the La Lucia store of John Orr's has improved the situation where for the past two financial years the store has been running at a monthly loss of about R14 000.

This was one of the points made by Mr. O. C. Dawson, managing director of John Orr's Holdings, who was asked to comment on trading for the first ten months of the financial year.

He said that up to the end of December there had been a "reasonable" rise in turnover". Profits could not be quantified until the end of the year in February.

From March they planned to change over to an inventory system which would make it easier to establish profits

Other projects of the giant retail group are Musgrave Centre ("we are pleased, it is working to budget") Rosebank, Johannesburg, which opened on schedule last year and Eastgate which opens in April, 1979. These two stores are on a smaller scale and more specialised basis.

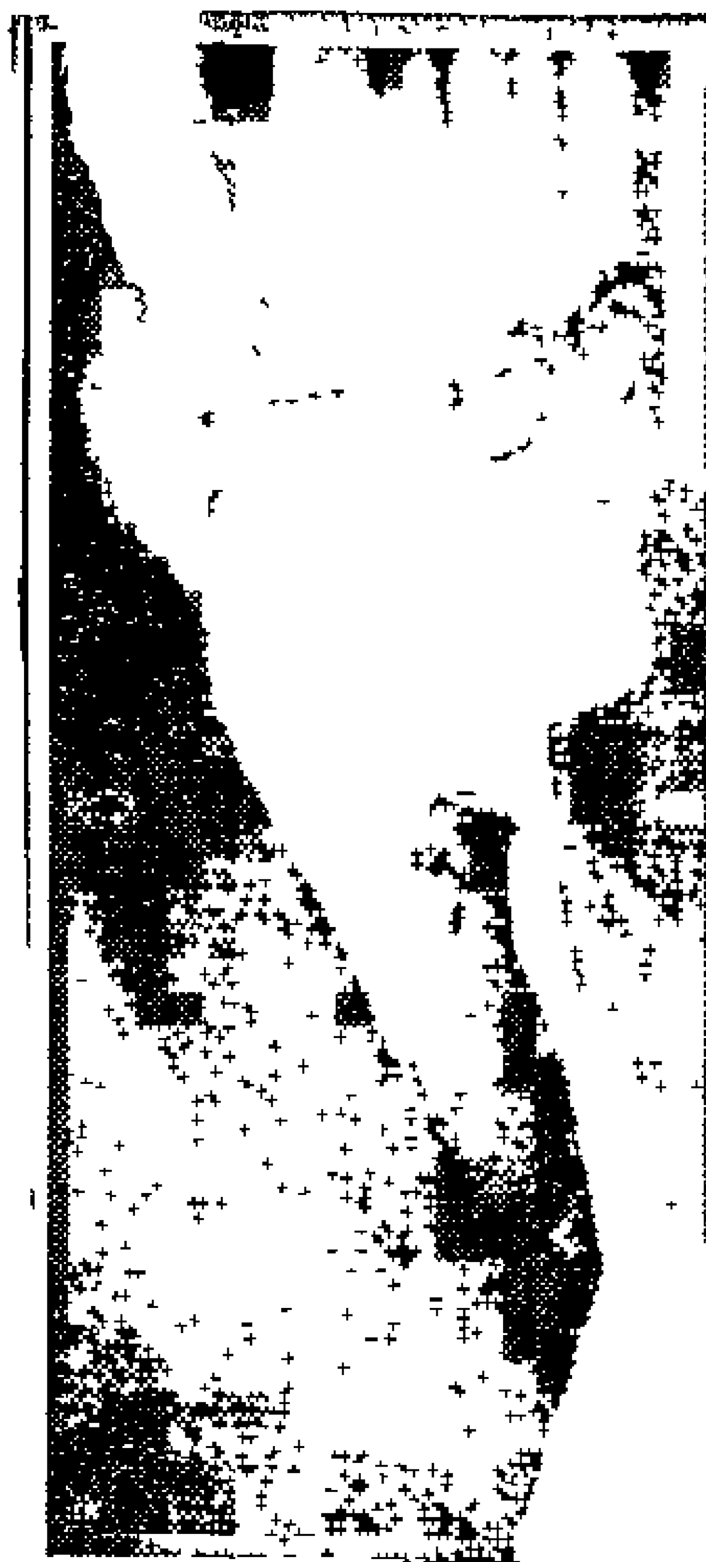
The winding-down of Marshall's retail and wholesale operations in Durban should affect trading in the short term but in the long term will improve matters.

During the year the company sold Ireland's in Pietermaritzburg.

On future plans Mr. Dawson said that expansion was "not on" and he saw a consolidation phase. They expected an improvement in gross profits for this trading year.

If an opportunity arose to expand the Milady chain of fashion stores they would do so.

The interim report for the half-year to August 1977 showed earnings per share at 10,3 cents (11,7 previous interim). The board felt then that as unemployment was increasing and there was reduced spending power it was difficult to be optimistic that trading would improve for the last half of the year.



Lens Wassenaar...wooing Santam.

Wassenaar is heading for a grand slam

SUN TIMES BUS TIMES 22/1/78

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Carel van Aswegen strong personality.

IF Sanlam's chief, Lens Wassenaar, pulls off his grand-slam Afrikaans financial empire — which appears to be behind the Sanlam-Santam takeover talks — he will have done so despite, certainly not because of, his fellow Afrikaner businessmen.

By NIGEL BRUCE

Whatever the outcome, Dr Wassenaar has certainly been shown to have the perseverance of a Scottish actuary Some might say, after what Bankorp is paying for Trust Bank, the parsimony, too

This is by no means the first time that Dr Wassenaar has tried to draw short-term insurer Santam into Sanlam's nest, Santam having been Sanlam's own spawn

Most notably he tried in 1970 But ironically he was thwarted then by none other than a Nationalist Finance Minister, Dr Nico Diederichs, himself a champion of Afrikaner business, who warned that the Franzsen Commission was about to pronounce on the structure of ownership of financial institutions

Difficult

In the event, although the Franzsen recommendations would have made the takeover difficult (perhaps impossible), these, like so many of the directionless recommendations of this commission, had to be modified almost beyond recognition

Surprisingly, despite no official sanction having emerged, Sanlam has taken at least four years to get around to Santam again.

The next frustration came last year when Volkskas, that sleeping giant in Pretoria, awoke and politely declined to become an integral part of the Trust Bank rescue From all reports, Volkskas has incurred the undying wrath of the men of Bellville in consequence I hope, if this deal comes off, it will not regret having done so

It is well-known that there has been bad blood between Dr Wassenaar and Santam's chairman, Carel van Aswegen Both are formidable personalities and the latter, I understand, is virtually unseatable as a result of a firm and long-lasting management contract

ket It has also done well in recent years against the general trend in the short-term market Its banking profits have also held up well

A merger should bring about considerable administrative rationalization, which is illustrated by the fact that both organisations have extensive nationwide branch networks — Santam having more than double Sanlam's outlets Some estimate that administration savings alone could amount to as much as R6-million

Apart from that, Santam Bank, the general bank of which the insurance company is an associate, would be something of a star in Sanlam's lustreless banking stable

Taking the market's general estimate of Santam's insurance business at about R30-million (based on earnings and assets) out of Santam Bank (in whose books it appears as R10-million), will mean that the bank's reserves will rise to a level that will enable it to attract about R1 000-million in deposits and give it a significant surplus of capital, which few of the Sanlam banks have in any quantity.

Control

Nor is it widely appreciated that Santam's trust business rivals that of Syfrets. Control of these funds, which Sanlam's Bankorp subsidiaries have failed to obtain in significant quantity and which in consequence caused Senbank to give up trying in despair, will concentrate an enormous Afrikaans financial influence

I have no doubt, however, that there are those on both sides of the negotiating table who regret that the syn-

Sunday Times 22/1/78

Wassenaar goes out for a grand slam

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• From Page 1

much larger bank in this category in Senbank For Mercabank's English business is proportionately larger than Senbank's It is also more of an investment bank than Senbank

There are those, however, who believe that Mercabank's innovative chief, Dr Charles Ferreira, would be better placed running Senbank. Next to Mr van Aswegen, he is the best-known personality in the Santam group.

Be that as it may, a merger of Sanlam's banking interests (Trust Bank, Senbank, Credit Bank and Bank of Johannesburg) with those of Santam (Santam Bank and Mercabank) would create a banking group with assets of more than R2 200-million.

This is larger than the Nedbank group, with total banking assets of about R2 000 million, but still far short of Barclay's R4 300-million and Standard's R3 300-million.

If at some later stage, Volkskas could be enticed into the Sanlam-Santam banking fold, total banking assets at more than R4 000-million would create the first local banking group to challenge British-owned Barclays' clear lead.

But an assets race merely to provide an Afrikaans rival to Barclays is in itself an unworthy business objective There must be more to the concentration of Afrikaans banking assets if such an objective is to be rational.

There is also a significant taxation advantage that could arise in a merger between a life assurer and a short-term insurer. But I would guess that this, like the rationalisation of property interests, is a secondary consideration — or at least would only be admitted by the companies as such

This arises if group dividend income, which is not taxable in the hands of a short-term insurer, be concentrated in Santam and fixed interest income, taxable at normal rates in Santam's hands, be concentrated in Sanlam, where it is taxable at a much lower rate For, on average, Sanlam, as a life assurer, pays tax at only 13 per cent on all income

•Banking assets mentioned here were obtained from the September quarterly returns to the Registrar and not from balance sheets.

SUNDAY TIMES, Business Times, January 22, 1978.

2 232

Standard-PEBS linkup disquieting

By NIGEL BRUCE

THERE is nothing puzzling about the Standard Bank's new association with the Prudential Equity Building Society, but it does give formal recognition to a trend that might have disquieting implications.

Perhaps it would have been more prudent for the authorities in Pretoria to have stalled their approval pending exploration of the implications by the De Kock Commission

So far as the Prudential's management is concerned, the association was clearly born out of frustration at years of near stagnation Its new chief, Brian Caldecott, must have felt he had to do something and a link with the name of such a large institution as Standard must carry marketing clout.

Rapid

Certainly, Trust Building Society's association with Trust Bank must have contributed to its very rapid growth since its inception. Presumably Prudential hopes to repeat Trust's experience.

For Standard there must be a small marketing advantage in the association as it can now offer tax-free investments and mortgage bonds and probably it will be able to rely on Prudential as a depositor

But these will no doubt be outweighed by the commissions it will earn from the tied business that will flow from those who have housing bonds from the Prudential.

It is no secret that the large clearing banks, finding earnings from loans to be inadequate, are making an all-out drive for commission business.

So it's a safe bet that future Prudential bond-holders will have, as an unwritten condition of their loans, to insure their houses through the Standard's insurance brokers, be under persuasive pressure to finance household purchases through Stannic's HP facilities and buy their travellers' cheques from guess who?

In plain language this is known as conditional lending which, if experience elsewhere is anything to go by, will bring short-term gains and breed long-term resentment

At present all commercial banks need commission and loan income more than they need deposits

But when monetary conditions change, are other more powerful building societies who are large depositors now going to view Standard's facilities in the same light as Barclays' and Nedbank's, other things being equal?

Correcting

Be that as it may, any stultification of competition arising from this association is best left to the correcting influences of the market mechanism.

The difficulties arise, however, from the need to keep quite independent the deposit structure of two different types of lending institutions.

As a bank lending short-term and administering a payments mechanism, Standard has to have a high degree of liquidity in its deposit structure

Prudential, as a long-term lender, needs to fund its portfolio from secure long-term funds For it, or any building society to become involved in the payments mechanism (as they have been doing) without adequate liquidity safeguards is hardly prudent

There is yet another difficulty There are times when the interests of commercial banks and building societies are opposed Deposit rate control is a case in point

The banks usually don't want it as it impedes competition, while the building societies plead for it because of the need to hold down the mortgage rate

When this question arises again, as inevitably it will, which side is the Standard going to be on and which side the former Prudential men? Whose interests will prevail, those of Standard's shareholders or those of Prudential's bond-holders?

This is not a new dilemma for bankers and building society men It exists already

For instance, it must be faced by Philip Sceales, chairman of the UBS and vice-chairman of Barclays, Frans Cronje, chairman of Nedbank and chairman of the Permanent Building Society, and Albert Marais, of Saambou and Volkskas

Formal

But none of the bank-building society relationships implicit in these cross directorships have been given formal expression before

Perhaps, therefore, now is the time for an official examination of this whole question so that increasingly the distinctions between these very different types of institutions do not in time become so blurred that there is a possibility of instabilities inadvertedly creeping into the financial system, or that the interests of certain sections of the population become unfairly subjected to others.

FM 27/1/78

ICAL/CLARKE CHAPMAN

Discussing merger

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Ical and Clarke Chapman are to merge Or at least that is what Northern Engineering Industries UK (NEI), parent of both groups, is proposing. NEI was formed last year when Clarke Chapman UK and Reyrolle Parsons merged. Then in December NEI took control of Ical's former parent, International Combustion Holdings UK, and is now intending to rationalise its SA operations.

At first sight the proposed merger makes sense. Both are engineering companies, serving the power industry, although Clarke Chapman also sells earth moving and road building equipment. Negotiations are still very much in the preliminary stages

But if the proposed merger does go through, it will be on the basis of independent evaluations of the companies by merchant banks and auditors And based on these evaluations, shareholders in Chapman and Ical will be offered shares in a new holding company. A combined Chapman and Ical will have a turnover in the region of R58m and pre-tax profits of R2,9m based on 1976-7 figures

The sharp move in Ical's share price over the last few days, from 97c on Friday to 125c on Wednesday, forced the parties to reveal that negotiations were in progress Since the beginning of January over 32 000 Ical shares have changed hands, about a third of the total volume traded during 1977.

However, Clarke Chapman's price has remained static at 100c since the beginning of the month and even the news of the proposed merger did not budge it. This leads me to suppose that it is other news that has sent Ical's share price soaring

In March, Ical is going to announce some very good profits for 1977, which will be substantially up on 1976's pre-tax level of R679 000 Also the group has just bought a 50% stake in Apex International Valves, a purchase that is projected to boost Ical's turnover by about R10m over four years

The acquisition of Apex Valves will mark a turning point in Ical's history, explains managing director Blitz Bieber "The jointly owned AIV is the beginning of a new major valve manufacturing and service company aimed at import substitution and export development in the valve field"

The market potential is enormous, says Bieber 75% of valves used in SA today are imported "We ourselves were major importers of high pressure valves, and it was while trying to find a local supplier that we came across Apex" Apex has the manufacturing expertise but not the marketing and importing resources of Ical

The joint company will supply and service the valve needs of the petro chemical/mining field, as well as the paper pulp and sugar industries, where the demand is high Ical's extensive overseas ties will also be very useful and AIV has already got licences to manufacture many of the imported valves AIV has a capital expansion programme in train, estimated at R750 000

Shareholders will have to wait until the annual report is released in March before the financial details of the deal are revealed I believe the purchase price is in the region of R1m for total assets of over R2m

Meanwhile, Ical's order book is up on 1977's level and it has just been awarded the site erection contract for the largest industrial boiler plant in the world at Sasol 2 This will be the largest construction contract ever undertaken by Ical

These development plans of Ical will complicate valuations for merger purposes Though, Ical looks underpriced on a prospective 9,2% yield its real value is more dependant on its relative contribution to the merged group Until this is known it is impossible to assess

Gail Pemberton

FM 3/2/78

REED INTERNATIONAL

Cash is the key

(232)

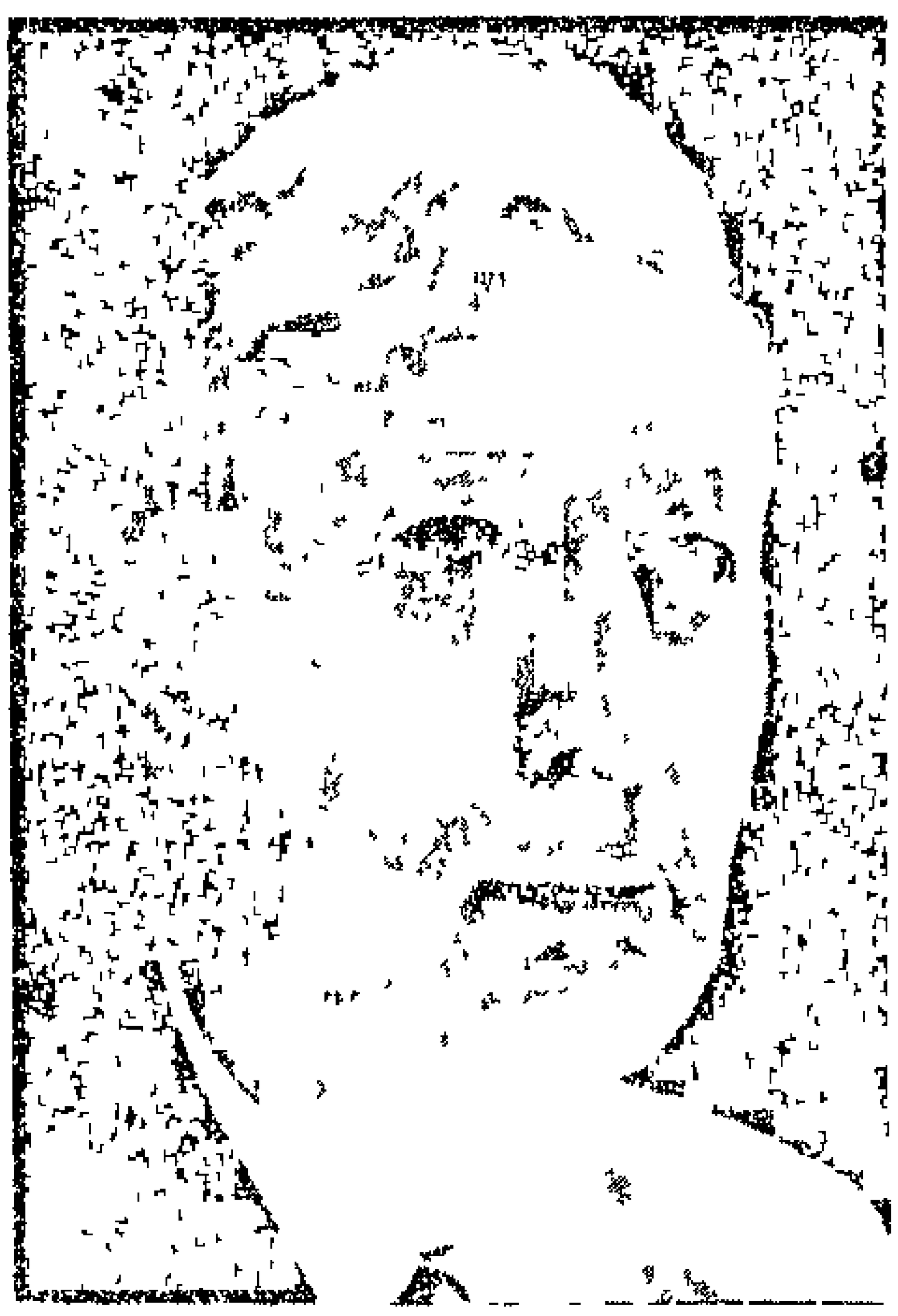
The rationale behind the contemplated sale of Reedpak and Stanger Pulp by Reed International and C G Smith can be found in Reed's balance sheet. And it's not based on political considerations. Sappi (and perhaps Kohler), supported by parent Union Corporation, is the prospective buyer.

As Reed chairman Alex Jarratt told the *FM*: "The sale is purely for commercial reasons connected with the parent company's finances and not for political reasons."

Reed is highly illiquid and is being forced to degear from the excesses of the Ryder era. Last balance sheet it had total borrowings of £485m against shareholders' funds of £412m — a debt equity ratio of 118%. Of the borrowings, £213m were repayable within five years, against cash and short term deposits of £50m and net cash flow of £43m. The leasing and interest bill was covered only 2,3 times by pre lease gross profits.

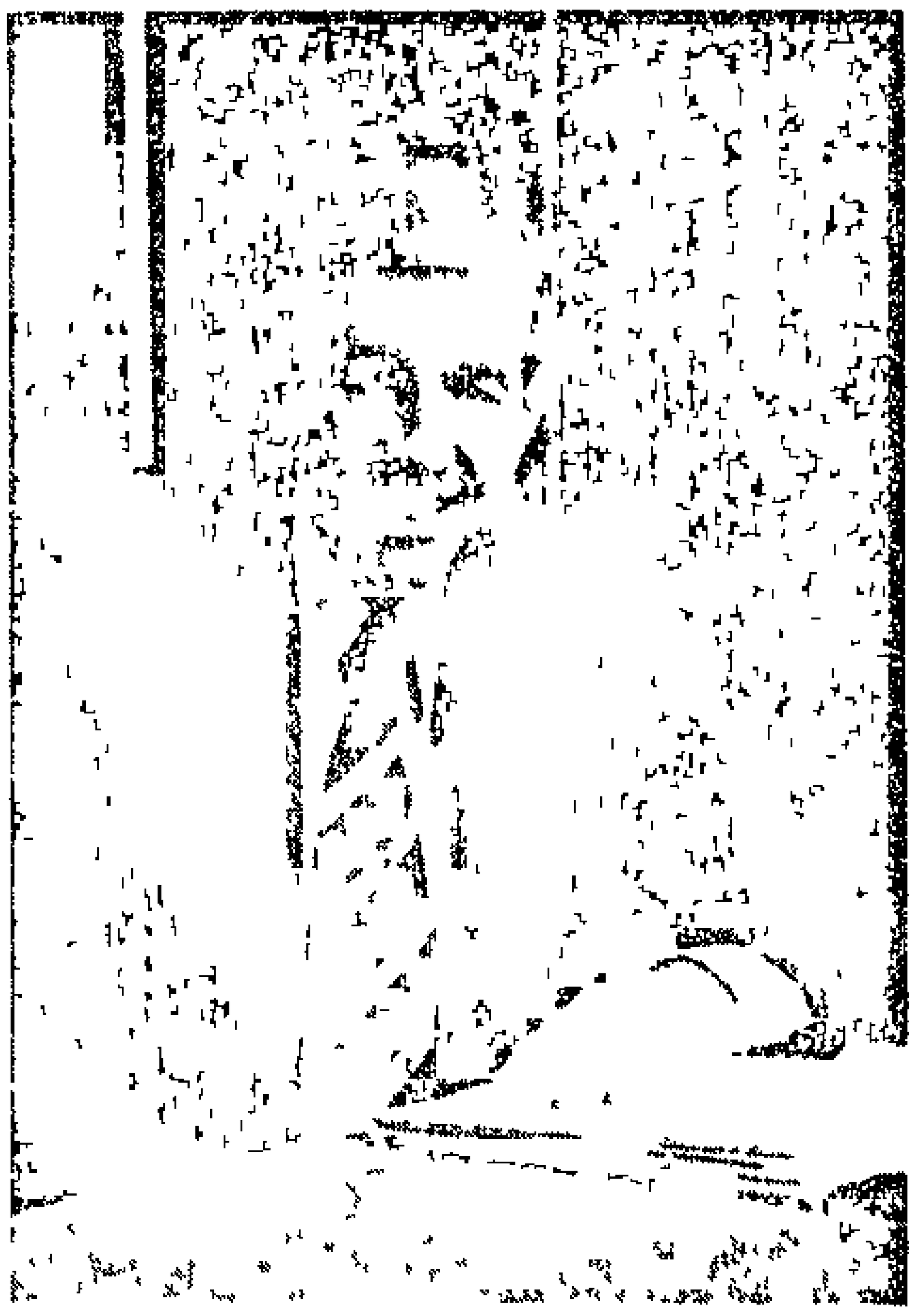
The most recent results, released this week for the nine months ended December 31 in the UK and to September 30 outside the UK, show operating and pre-tax profits up 7% but taxed attributable profits down 17%. So Reed can certainly use the cash.

All parties to the negotiations currently under way in Johannesburg are tight lipped and it's impossible to even start speculating about a price for the package. Nevertheless, Reed looks set to incur a large capital loss on the deal.



Reed's Alex Jarratt ... the past is catching up

Stanger's the major problem. It has cost R78m and in its first six months of operation lost R8m. Its very viability seems a matter of opinion. Reed's local chairman Bas Kardol is confident it can



Union Corp's Basil Landau ... a paper tiger by the tail

be turned around but other sources in the industry have grave doubts.

Worldwide, they say, bagasse pulp has yet to prove itself a viable feedstock. While eminently suitable for tissue making, there are problems with its use in fine paper. Furthermore, Stanger's 35 000 t annual capacity seems modest in relation to capital cost.

Stanger has been financed by guaranteed loan capital totalling R54m, a R14m plant leaseback and share capital of R10m. Reed and C G Smith will be lucky to get away with a transfer of assets and liabilities. Whether the share capital will be salvaged is extremely doubtful. C G Smith's Tony Norton won't be drawn on the subject but there is little doubt C G Smith wants out.

There's only one prospective buyer, and that's Union Corp. Neither Anglo, nor Barlows, the obvious alternatives, are interested, except at a very low price.

Reed looks to be in a rather weak bargaining position but is by no means a forced seller, so will not be giving the package away. Especially with the successful Reedpak in as the sweetener. Reedpak contributed £3m or 16% of Reed International's taxed attributable earnings last year. And that included only eight months SA earnings and on a 52% holding. The holding is now 62%, boosted by Oscar Fruman's holding which Reed was committed to buy at 545c a share.

Reed's 62% stake in Nampak cost R58,4m or an average of 392c per share, compared to the pre-suspension price of 310c and net asset value of 298c. The price paid is equivalent to about six times current earnings, which seems a lot to expect from Unicorp. One thing is sure: Reedpak minorities will never see Oscar's 545c.

Reed came into Nampak via securities rand and will presumably exit that way as well. It will have picked up Nampak at about a 30% discount. If its exit is sudden, the securities rand rate is likely to fall — reducing Reed's net realisation.

This makes an all-cash deal unlikely. Reed will probably extricate itself slowly from SA selling off Unicorp, Sappi or any other SA paper that it might accept for the deal. After all, the bulk of its borrowings are not immediately due.

Reed could negotiate the remittability of part of the proceeds in free rands — if it can persuade the Reserve Bank that the acquisition is in the national interest. Such free rand proceeds might also be slow in getting out. They would be released bit by bit, in line with SA's foreign reserve position.

The takeover will create a near monopoly in the SA pulp, paper and packaging industry (see *Business* p 313) but neither Anglo nor Barlows, the remaining contenders in the game, are likely to complain. Giants seldom complain about other giants.

Reed has another R20m of net assets in SA quite apart from Reedpak and Stanger, according to Kardol. This represents Spicers, Palladium Stationers, Tension Envelope, Pipekor, Twyfords, Allied Brass and Reed Irrigation.

Jarratt says these are not for sale, though this is hardly likely to deter local acquisitors.

David Carte

FINTEC (232) FM 10/2/78

Not passing control

German-owned Busch-Jaeger Elektro is negotiating to acquire a further 25% stake in Fintec, to bring its holding to 50%

In December 1976 when BJE purchased the first 25%, it negotiated the option of buying a further 25% from Fintec holders, with any shortfall to be provided by the late Rolf Goslar and Mercabank Goslar, former managing director of Fintec, died in August 1977 and was the single biggest shareholder with 38% of the equity, with Mercabank holding about 11%.

BJE does not want to acquire 100% control of Fintec, as a wholly owned foreign subsidiary's borrowing capacity is extremely limited and for the year to end June, Fintec's debt:equity ratio was 74,2% To obtain the additional 25%, BJE will make an offer to minorities to acquire one-third of their holdings, which is a fair way of acquiring the extra 1,02m shares

When the agreement was concluded in 1976 the terms of the offer for the additional 25% would be based "upon an auditors' valuation at the time of making such an offer."

In June, Fintec's net asset value was 70c per share.

Since Goslar's death the share price has been very strong, rising from 56c to a current 80c. When BJE bought out the first 25%, it offered 80c a share against a market price of 35c.

But it would seem that punters may well have pushed the price so hard that the share is already fully valued. BJE is unlikely to pay more than the current price, which puts Fintec on a PE of 7. Shareholders will have to wait a couple of weeks before the price is revealed.

Gail Pemberton

MILJOENE LOL HIER

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Deur DAVID MEADES Sake-Rapport

DAAR word nie verwag dat 'n oorname van Reedpak deur Union Corporation (en Sappi) 'n monopolistiese toestand in die verpakkingsbedryf sal skep wat teen die algemene belang sal wees nie.

12/2/78

Union Corporation sal egter ná so 'n transaksie met verreweg die grootste deel van die verpakkingsbedryf sit Sy Kohler Brothers is besig om 'n reus te word en het verlede jaar 'n omset van byna R77 miljoen gehad.

Reedpak is aan die ander kant meer as twee keer so groot as Kohler en met Reedpak in die Union Corporation-kraal sal hierdie groep seker goed 80 persent van die verpakkingsbedryf beheer

In effek sal dit daarop neerkom dat 'n potensiele monopolistiese toestand geskep sal word. Die algemene verwagting is egter dat dit in die praktyk geensins die geval sal wees nie.

Vir eers wil dit voorkom of Kohler apart sal bly as die samesprekinge met Reed slaag. Hierdie maatskappy spog met 'n indrukwekkende groeirekord en het pas vandeesweek aangekondig dat sy wins ná belasting weer eens met 36 persent gestyg het

Kohler het 'n sterk bestuurspan en daar sal waarskynlik nie sommer hieraan gepeuter word nie

Union Corporation besef aan die ander kant ook sy verantwoordelikheid teenoor die land terdee en sal uit sy pad gaan om te verhinder dat 'n ongesonde monopolie ontstaan. Voor die oprigting van Anglo American se Mondi-papierfabriek het Sappi in elk geval jare lank 'n feitlik monopolie gehad en daar was nooit sprake dat hierdie posisie uitgebuit is nie

Intussen vorder die samesprekinge tussen Union Corporation en Reed nog volgens die verwagtinge, het mnr. Basil Landau, uitvoerende direkteur van Union Corporation, aan Sake-RAPPORT gesê.

Meer kommentaar wil hy nie nou lewer nie, maar dit is duidelik dat die hele samesprekinge tot oorname moeilik en baie ingewikkeld is.

Die grootste probleem is blykbaar die manier waarop Reed betaal sal word. Daar word 'n bedrag van sowat R50 miljoen genoem, wat as dit alles in een slag die land uitgaan, groot druk op die sekuriteitsrand kan plaas

Hierdie aspek sal ook beslis 'n groot rol in die onderhandelinge oor 'n prys speel En dan sal Union Corporation ook eers wanneer hy finaal op 'n aanbod besluit het, kan bepaal of so 'n transaksie die seen van die Reserwebank sal hê

Daar is natuurlik ook ander weë wat gevolg kan word Dit kan onder meer 'n betaling of gedeeltelike betaling in die buiteland insluit. Union Corporation het toegang tot groot fondse in die buiteland en dan is daar ook nog sy verbintenis met die Rembrandt-groep deur General Mining.

Daar is juis nou weer sterk sprake dat die Rembrandt-groep saam met General Mining en 'n Amerikaanse biljoenêr planne maak om Goudvelde van Suid-Afrika uit 'n oorgeneemde Goldfields te haal As dit sou saamval met 'n oorname van Reedpak deur Union Corporation kan dalk 'n beter plan met die betaling gemaak word

Freightair nuwe ,lugmag'

232

FREIGHT Services, die gesamentlike vragonderneming van Anglo American en Sanlam/Federale, se afdeling vir lugvrag is in 'n nuwe groep saamgesnoer.

Die groep sal nou voortaan onder die naam Freightair sake doen, teenoor die ou naam, Freight Services Aircargo

Die uitvoerende hoofbeampte van Freight Services, mnr. Neville Organ, het aan Sake-RAPPORT gesê dat die nuwe naam logies en sinvol is

Dit sal die groep in staat stel om 'n eie identiteit vir sy lugvragbelange te hê en verdere stukrag vir samewerking en spangees wees, iets waarop die Freight Services-groep 'n baie hoe waarde plaas.

Vir Freightair is daar ook op 'n heel nuwe embleem besluit, wat basies 'n stroombelynde letter F behels in die groep se blou en wit kleure

Volgens mnr Organ het die groot sukses met die konsolidasie van Freights se belange sedert sy reeks samesmeltings die laaste paar jaar tot die nuwe beeld vir die lugvrag-afdeling aanleiding gegee. Hy meen ook dat hierdie afdeling nou nog sterker sal groei. „Ons noem ons nou die nuwe ,lugmag', omdat dit in werklikheid die geval is," sê mnr Organ.

Die groep het nou die grootste netwerk kantore in Suider-Afrika, met 'n werkspan van vierhonderd mense

Greatermans: for sale rumour persists despite denial

SUN-EXP. 12/2/78 (232)

IT can t be much fun being a company that expects to do badly Equally it can't be a hoot and a howl to be a company that is frequently rumoured to be for sale

Greatermans has laboured under this choking mantle for some years now and things just don't seem to improve The company's performance is not attractive — earnings have in the past four years moved from 90c to 94c in 1975 In 1976 things looked better with earnings up to 121c but last year a dismal retail performance meant that earnings fell to 23c

Not only that, the rumours that Greatermans is for sale persist. The speculation that the Herber family, who through Griffon and Gresham, control the company are keen sellers is once again circulating The question of course is who would buy Greatermans in its current shape? The ords current price of 240c is some way off the last balance sheet's stated net worth of 662c

Pre-tax profits for the year to June 1977 fell R2,2-m short of the previous year and scarcely look like improving in the current year The half-year figures which should have been released this week, are due out next week

Norman Herber has categorically denied that the group is up for sale Neither it seems are Greatermans subsidiaries Information from the market place confirms that approaches made to the family to negotiate the sale of certain assets have been thrown out

This is incomprehensible

Yours unfaithfully, Penelope

to me It seems logical that if you can find a buyer for an asset and receive payment to relieve the burden of your debt, one of Greaterman's biggest worries, it's a good idea

One can understand that Clicks and Checkers may not be for sale Both are doing nicely thank you but certain of the other operations strike one as eminently expendable

Rave which has accumulated a R4,3-m loss to date (R2,4-m notched up last year) is a headache for the group and could well be integrated successfully into another discount operation

Ackermans performed satisfactorily last year and its promise of continuing to do so could well make the chain appealing to another retail group, but why the fixed desire to hang on to it? Not so appealing is the department store chain which last year turned in a bigger than expected loss

Keeping department stores busy at a time of low volume retail activity is an unrewarding task and not one that other investors are likely to be clamouring to shoulder

However that isn't all that makes up Greatermans Prudential Shippers, although not consolidated, did marginally better last year and earned, before tax, R312 000 One hears that Prudential has been pitching hard for business, undercutting other houses, but that Greatermans is reluctant to let the group go Funny how some things work

Business at fault

PROFIT is not a four letter word It is in fact a perfectly acceptable six letter word and making a profit is a more than acceptable practice, but businessmen, worldwide, have failed to communicate this to the community at large

In a recently published Prentice Hall book, "Communicate", Professor C Northcote Parkinson and Nigel Rowe set out Parkinson's Formula for Business Survival in a free enterprise system

The authors point out that it is no longer adequate for businessmen to say little, pointing to silently to their achievements

The time has come for businessmen to speak out and communicate what business is all about "Communicate" in a very readable fashion sets out why and when a company needs to communicate and gives some practical guidelines for more effective communication, as well as interesting case studies to illustrate the power of communication

Peter Drucker in the foreword sums up the value of the book efficiently "Effective communication has four parts One has to know what to say, one has to know when to say it, one has to know to whom to say it and one has to know how to say it

"This book, to my knowledge for the first time, tackles all four elements of communication It makes the businessman literate and it gives him the competence which he needs"

Luyt night final

FM 17/2/78 (232)

The change of ownership of *The Citizen*, the morning paper started 17 months ago by Louis Luyt, could well be the start of a major new publishing group

Next step, according to *FM* sources, will be a Sunday newspaper in the *Citizen* stable Staff recruiting is expected to begin in earnest in April, with a likely publication date of August/September

New controllers of Luyt's tabloid are Hubert Jussen, Dutch publishing magnate, and Johannes van Zyl Alberts — chairman and MD respectively of African International Publishing Company (which publishes the weekly newsmagazine *To the Point*) — and an unnamed consortium of SA, US and European companies

Luyt tells the *FM* that this was the fourth group to approach him in the past eight months with an offer for the *Citizen* Apparently the *To the Point* publishers made an earlier offer for the paper which Luyt declined

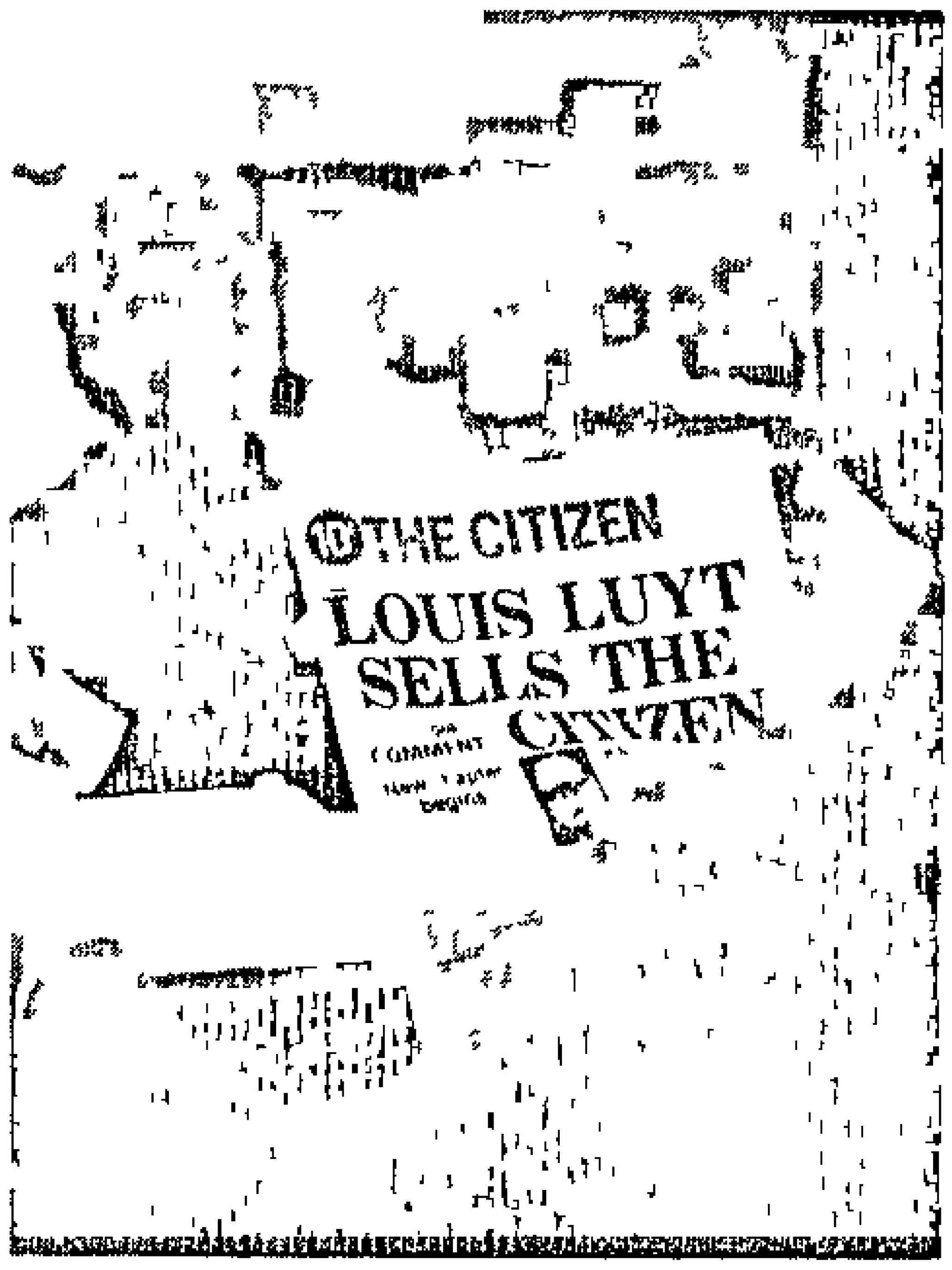
As to what was paid Luyt just grins "I'm very happy with what I got out of it The oportunity came along and I took it It was a financial proposition as far as I was concerned "

However, based on estimates of the *Citizen's* losses since first publication on September 7 1976, it appears likely that Luyt has sunk around R3,5m into the venture So from his general ebullience, he's either recovered this or, which seems more likely, got his money back with a bit of a premium

If so, he has played the game with a great deal of verve In turning down an offer eight months ago he effectively gave himself time to put the *Citizen* into a much better negotiating position Circulation is now over 70 000 a day

Nevertheless, it's still not a viable proposition as a daily newspaper on its own Guess is that Luyt had reached a crossroads with his publishing venture and that it had now got to the stage where either costs were cut to the bone in order to achieve a small profit — or Luyt would have had to break out into other publications and invest money in his own printing facilities (the present printing contract with Perskor ends in September 1979)

This Luyt was obviously not prepared to do But for an international publishing group such as that controlled by Jussen, who is reputed to pour millions into right-wing publications, and whoever else is involved (could it be American publisher John McGoff and/or the conservative German press magnate Axel Springer?), the *Citizen* could prove a base for the formation of a new and formidable newspaper publishing group

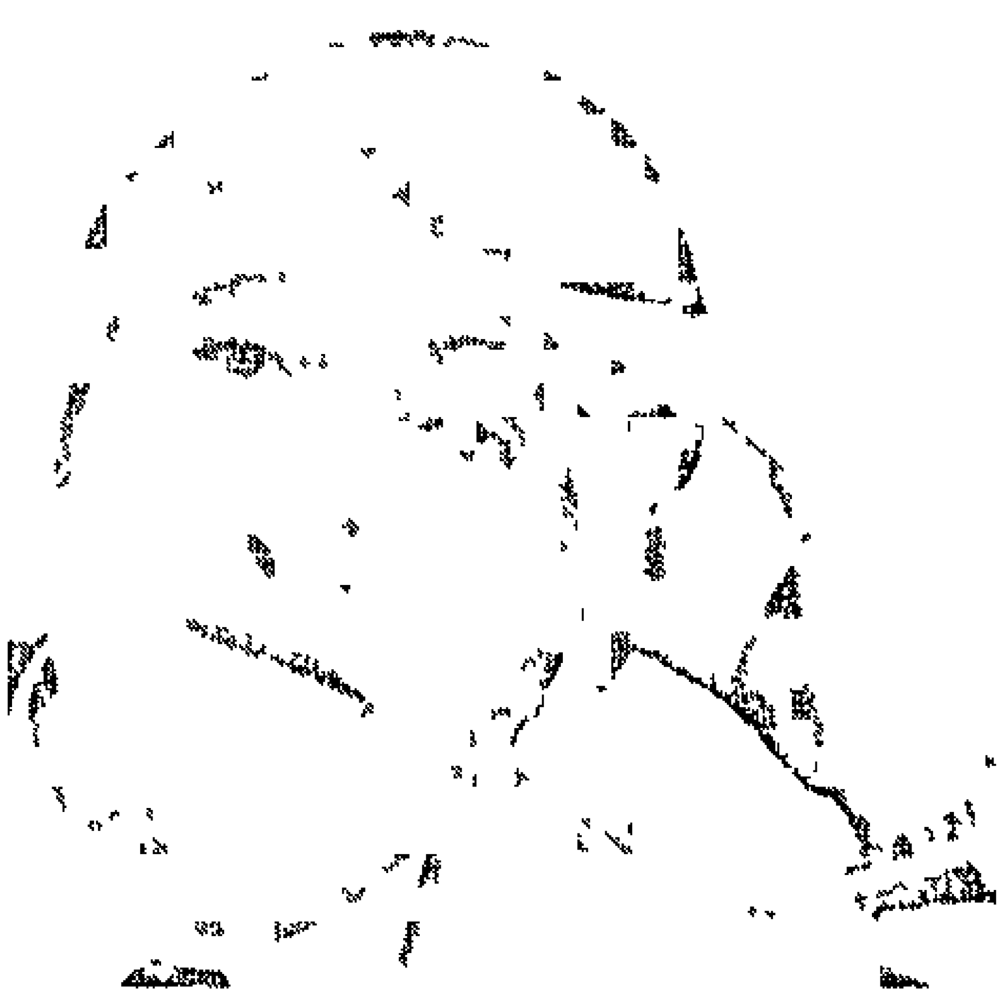


End of an era . . . but what lies ahead?

Luyt's tenacity, in holding off suitors last year, appears to have paid off Eight months ago the *Citizen* was much more shaky than it is today Moreover, the current fertiliser market is improving rapidly The price of phosphoric acid is strong at $240 ton, edging $245

It is now likely that the consolidated figures for Triomf Fertiliser Investments, when they come out, will show only a marginally worse position than last year's interim So Luyt's phosacid plant at Richards Bay could be coming right at long last

However, if Luyt had sold the *Citizen* last year, no doubt on much less favourable terms, immediate market reaction must surely have been to deduce that he had done so because he was on the bones of his backside and needed the money to help prop up Richards Bay



Luyt . . . nostalgic, but happy

Luyt got out from under his brewing business still smiling, and he appears to have done the same thing with his newspaper venture What now? "I'm going to sit back and watch the Triomf profits grow," he says "But I'm sad about the paper Sort of nostalgic "

His departure, however, only appears to have opened a whole new chapter in the newspaper industry

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STAATSKOERANT
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ALGEMENE KENNISGEWING

KENNISGEWING 168 VAN 1978

DEPARTEMENT VAN HANDEL

WET OP DIE HANDHAWING EN DIE BEVORDERING VAN MEDEDINGING, 1978

Die volgende konsepwetsontwerp om voorsiening te maak vir die daarstelling van 'n Mededingingsraad asook 'n Amalgamasietribunaal vir die handhawing en bevordering van mededinging in die Volkshuishouding, vir die voorkoming en beheer van beperkende praktyke vir die verbieding of regulering van die verkryging deur die houer van 'n beherende belang in 'n besigheid of onderneming van sodanige belang in 'n ander besigheid of onderneming, om die Wet op Reëling van Monopolistiese Toestande, 1955, te herroep en vir aanverwante aangeleenthede, word hierby ter algemene inligting en vir kommentaar gepubliseer

Kommentaar moet voor 17 Maart 1978 aan die Sekretaris van Handel, Privaatsak X84 Pretoria, 0001, gestuur word

WETSONTWERP

Om voorsiening te maak vir die daarstelling van 'n Mededingingsraad asook 'n Amalgamasietribunaal vir die handhawing en bevordering van mededinging in die Volkshuishouding, vir die voorkoming en beheer van beperkende praktyke vir die verbieding of regulering van die verkryging deur die houer van 'n beherende belang in 'n besigheid of onderneming van sodanige belang in 'n ander besigheid of onderneming om die Wet op Reëling van Monopolistiese Toestande, 1955, te herroep en vir aanverwante aangeleenthede

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Ingedien te word deur die Minister van Ekonomiese Sake

Daar word bepaal deur die Staatspresident, die Senaat en die Volksraad van die Republiek van Suid-Afrika soos volg

Woordomskrywings

1 In hierdie Wet, tensy uit die samehang anders blyk beteken—

(i) "beherende belang" met verwysing na enige besigheid of onderneming, enige belang van watter aard ookal wat die houer daarvan in staat stel om regstreeks of onregstreeks enige beheer uit te oefen oor die optrede of die sake van 'n besigheid of onderneming,

GENERAL NOTICE

NOTICE 168 OF 1978

DEPARTMENT OF COMMERCE

MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1978

The following Draft Bill to provide for the establishment of a Competition Board and Merger Tribunal, for the maintenance and promotion of competition in the national economy, for the prevention or control of restrictive practices for the prohibition or regulation of the acquisition by the holder of a controlling interest in a business or undertaking of such an interest in another business or undertaking, to repeal the Regulation of Monopolistic Conditions Act, 1955 and for incidental matters, is hereby published for general information and comment

Any comment should be forwarded to the Secretary for Commerce, Private Bag X84, Pretoria, 0001, before 17 March 1978

BILL

To provide for the establishment of a Competition Board and Merger Tribunal, for the maintenance and promotion of competition in the national economy, for the prevention or control of restrictive practices; for the prohibition or regulation of the acquisition by the holder of a controlling interest in a business or undertaking of such an interest in another business or undertaking, to repeal the Regulation of Monopolistic Conditions Act, 1955, and for incidental matters

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To be introduced by the Minister of Economic Affairs

Be it enacted by the State President the Senate and the House of Assembly of the Republic of South Africa, as follows

Definitions

1 In this Act, unless the context otherwise indicates—

(i) "acquisition" means the acquisition by the holder of a controlling interest in a business or undertaking involved in the production, manufacture supply or distribution of any commodity of such an interest in another business or undertaking so involved and "acquire" has a corresponding meaning,

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Shielding the state

The Maintenance and Promotion of Competition Bill contains a major disappointment It fails to come to grips with government's own involvement in monopolistic practices.

While it does provide for the creation of a competition board to investigate restrictive practices, the board will not be able to use its initiative in deciding whom to investigate.

Pretoria has not succeeded in taking politics out of monopoly busting — despite attempts by the Mouton Commission to do just that. It is still the private businessman, not the public one, who has to beware. The new legislation has powers that are much wider than at present. But its reach is no longer.

This freedom of action was one of the most important features of the Mouton Report's recommendations As the *FM* wrote (May 6, 1977) when the commission's report came out, its most welcome features were the independence of the board and its ability to investigate state and semi-state as well as private enterprises

Indeed, the commission stated its strong belief "that state enterprises and undertakings should be subject to the same monopoly control as the private sector" Moreover, it argued that "it is unrealistic to expect any minister to order an investigation into the economic activities of bodies under his own control or the control of his colleagues in the cabinet."

But the bill has rejected this vital function of the board Section 16(2) reads "The board shall not undertake an investigation . on its own initiative if such investigation involves any matter, firm or organisation in which, in the opinion of the minister, the state has an interest"

The proposed act is published in the most recent *Government Gazette* for comment by interested parties If the private sector ever needed to make use of its freedom to comment on a proposed act it is surely now This issue alone warrants response

In any event this is not the only weakness in the act Another problem revolves around the working of the other operating arm it introduces — the merger tribunal. This body is to be constituted on instruction by the Minister of Economic Affairs

The tribunal will investigate "whether or not an acquisition has been, is being or is proposed to be made," the nature and extent of the controlling interest that has been or will be acquired, and, whether there are circumstances *which justify the acquisition as being in the public interest*

"Acquisition" has a narrow definition: it means the acquisition by a controlling interest in one business of a controlling interest in another

Two problems are immediately apparent In the first place, the tribunal will be dependent on the minister for its creation and can only investigate acquisitions he chooses to query. Secondly, it has no defined criteria for deciding whether an acquisition would be in the "public interest" or not.

This second weakness in the legislation takes on a more meaningful aspect when the scope of the tribunal's investigations becomes apparent It is not designed — as the Mouton Commission recommended — to investigate acquisitions which threaten free competition this is the function of the competition board.

Reading between the lines, it seems the tribunal will investigate only those acquisitions which the minister considers might be contrary to what he considers to be in the public interest. Thus, for example, a tribunal would probably look into the take-over of a local newspaper by foreign interests or the proposed take-over of a strategic resource manu-

Minister Heunis . Commissioner Mouton . . not seeing eye to eye

P.T.O

POTENTIAL POWERS

The draft Maintenance and Promotion of Competition Bill introduces two new bodies with wide-ranging powers of investigation and control

In the first place, it proposes a competition board appointed by the State President to enquire into and advise government on "all aspects of economic policy, including the government's main economic policy objectives and the entrepreneurial activities of state and semi-state bodies and enterprises." Over and above this, the board will continuously study trends towards increased concentration through mergers, take-overs and other forms of acquisition

The board will consist of a full time chairman as well as one to four other members appointed either on a full-time or part-time basis In addition, the chairman of the Board of Trade and Industries will be an *ex officio* member

Two major differences compared with the existing act are the emphasis on acquisitions and the prevention of events that *may lead* to increased restrictive practices as opposed to situations that already exist Thus the board may, on its own initiative, or by direction of the minister, investigate any existing *or potential* restrictive practices, determine whether or not an acquisition has been, is being or is *proposed* to be made and the nature and extent of the controlling interest held and acquired, being acquired or *to be* acquired, and investigate any business arrangement or practice which is commonly adopted for the purpose of, or in connection with, the *creation* or maintenance of restrictive practices

In the second place, the bill proposes that a merger tribunal presided over by a judge or acting judge may be constituted at the discretion of the Minister of Economic Affairs to investigate any acquisitions or *proposed* acquisitions to ensure that they will be in the public interest However, the bill says that no instruction to investigate shall be given to a tribunal by the minister where restriction of competition is involved This is solely the province of the competition board

Once the board reaches a conclusion, it can arrange with the parties to a restrictive practice or acquisition to discontinue the practice, or to stop or dissolve the acquisition

He can follow a number of paths he can suspend import duties on goods affected by restrictive practices or acquisitions, he can call on the Price Controller to fix prices of affected goods, or he can prohibit the restrictive practice or acquisition

There shall be a right of appeal to a special court consisting of a judge and two experts in the business under review

Also the minister can prohibit business agreements or practices similar to those investigated by the board and found wanting. Such prohibitions will be announced in the *Government Gazette* as and when required

Penalties for contravening the minister's orders can be as high as R100 000 or up to five years imprisonment These penalties can be inflicted on the company and *also* on each of the directors separately.

facturer by a foreign company

But it would not have anything to do with acquisitions which are questionable purely from an economic point of view (ie which restrict competition) Consequently it will only be constituted by the minister on rare occasions

The danger of this sort of approach is that the minister — who appoints the two junior members of the three-member tribunal — is not an unbiased master. Merely by constituting a tribunal to investigate a proposed acquisition he does in effect publicly announce his suspicions

(232) FM 3/3/78

SUPERSONIC SALE

Rhodes to Rhodesia

Sale of Rhodesian radio and hi-fi maker Supersonic is being played low-key as the giant US International Telephone & Telegraph conglomerate gives up one of its least lucrative African assets

Surprise buyer is Johannesburg-based Nationwide chairman Peter Rhodes who pipped at least one other bidder for the 1 200-workforce Bulawayo factory during negotiations through his Centrachange company

He and ITT's southern Africa consumer goods MD Arthur Hodgkiss agree it's a "multi-million-dollar" transaction but say little else on the deal, which will shift ownership from the UK to SA

Reason for the reticence is a mutually-agreed March 31 deadline for the Bank of England, SA Reserve Bank and Rhodesian Reserve Bank to endorse the sale Supersonic is owned by the UK's Standard Telephone & Cables which is, in turn, an ITT subsidiary

Why sell? It's common knowledge in the trade that ITT has wanted to get out for a long time, but the main reason, says Hodgkiss, is increasing difficulty trying to control the company at arm's length as Bulawayo contact with its UK parent is circumscribed by sanctions

"It's reached the stage where we just can't be sure what's going on," says Hodgkiss

Apart from that, Supersonic has not paid STC a dividend since it was bought from previous owners including African radio pioneer Jacques Chassay in 1964 Recent boardroom upheaval (chairman Chassay and his directors are reported to have been ousted *in toto* by a December shareholders' meeting) have only added to STC-ITT frustration

Speculation that political pressure is on ITT to shed southern Africa interests is dismissed by Hodgkiss as irresponsible bunk

Why buy? Rhodes regards Supersonic as an investment (the Pietersburg assembly plant is part of the deal) with diversification potential While maintaining and even boosting radio and hi-fi production (Hodgkiss concedes its market share has slipped) Rhodes intends launching quickly in to other electrical consumer goods He's already had a scout in Europe digging up jigs, tools and know-how

"Hair-dryers, toasters, fans and steam irons are obvious lines lines we have to import (SA and Rhodesia) that can be made cheaper here and exported Import replacement and more jobs, that's what's in it for Pretoria and Salisbury," says Rhodes

Hodgkiss says tentative approaches for Supersonic go back several months but Rhodes became interested in September He already had a long association with Supersonic SA through television servicing contracts On New Year's Day Nationwide also took over (*FM* December 16) all responsibility for repair, warehousing and distribution of its radio and hi-fi equipment

During the next few months Rhodes seems to have negotiated for the Bulawayo plant mainly on the hoof for the chance to get back into manufacturing — he had interests in factories in the UK before emigrating to SA in 1975

The price is still secret "I'm not talking money," says Rhodes Hodgkiss's only hint is that "multi-million" means more than two million Nor is Rhodes saying where he is getting the cash

SANLAM SPA

RAPPORT 5/3/78

Ons se . .

DAAR het vandeesweek twee dinge in die Afrikaanse sakewêreld gebeur wat 'n mens moed gee vir die toekoms Dit het opnuut vertroue geskep in 'n sektor, nl banke, wat veral verlede jaar, om dit sag te stel, 'n uiters moeilike tydjie beleef het

Dit is juis as gevolg van drie dinge in die Afrikaanse bankwese wat tot sekere hoogte skokgolwe deur die Afrikaanse bankwese gestuur het Ons praat van die plasing onder kuratorskap van Randbank en Rondalia-Bank en die omstandighede wat daartoe gelei het dat Sanlam moes ingryp by Trust-Bank

Trust-Bank het vandeesweek met sy eerste tussenverslag ná die oorname deur Bankorp (in die Sanlam-stal) gekom En hoewel dit seker nog nie so blink is as wat die nuwe bestuur dit graag sou wou gesien het nie, is die bank klaarblyklik al klaar stewig op 'n nuwe winspad

Met die kat nou uit die sak oor waaroor Sanlam en Santam weke lank gesels het (berig hier langsaan) het ook hier weer bymekaar gekom wat bymekaar hoort

Vertroue kweek vertroue, en op die pad vorentoe sal ons nog baie te wagte kan wees van hierdie nuwe Afrikaner-krag op sakegebied

Groot plan met Santam

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Deur DAVID MEADES

HOEWEL Santam-Versekering voortaan net soos in die verlede as 'n afsonderlike maatskappy sy sake sal doen, is Sanlam nou stewig in die saal by hierdie grootste korttermyn-versekeraar in die land. In teenstelling met wat die posisie deur die ou Santam-Bank was, sal Sanlam nou regstreekse beheer met sy stemreg kan uitoefen.

In die proses het Sanlam ook sy „superbemarker", mnr Jack van Wyk, 'n direkteur van Santam-Versekeraars gemaak en nog groter prestasies kan nou van Santam-Versekeraars verwag word ná die aankondiging Vrydag dat Santam se ander bedrywighede deur Bankorp oorgeneem word

Daar kan ook aangeneem word dat 'n taamlike mate van rasionalisasie tussen Sanlam en Santam plaasvind Hier word veral gedink dat Sanlam op die gebied van die kompertegnologie sy uiters gevorderde stelsels met groot vrug aan Santam beskikbaar sal stel

Op die administratiewe gebied kan ook groter samewerking verwag word, hoewel dit waarskynlik hier sal eindig

Op beleggingsgebied kan aangeneem word dat sake soos voorheen gedoen sal word omdat 'n korttermynversekeraar se bates nie naastenby dieselfde verband met sy premie-inkomste as in die geval van 'n langtermynversekeraar het nie

Pynlik

En wat die werklike versekeringsake betref, is daar ook waarskynlik weinig waarmee Sanlam sal kan help. Hierdie kant van versekering het Santam baie goed ontwikkel, wat ook bewys word deur sy topposisie in die mark

Met die oorplasing van Santam se bank- en ander bedrywighede na Bankorp, het Sanlam nou ook uiteindelik 'n proses van rasionalisasie voltooi wat soms baie pynlik moes gewees het.

Die grondslag is nou finaal gelê vir 'n bankgroep wat tot een van die heel grotes in die land gaan ontwikkel en waarskynlik baie gouer as wat die meeste mense verwag.

Santam-Bank sal onder hierdie naam bly sake doen, hoewel aangeneem kan word dat waar nodig gerasionaliseer sal word En dit wil veral voorkom of die Bankorpgroep se bestaande trustsake baie sterk by dié van Santam ingeskakel gaan word

stal nou baie sterk op hierdie gebied word

Mercabank, waarin Bankorp voortaan 'n belang van 63,6 persent sal hê, gaan volgens die aankondiging Bankorp se beleggingsbank word Sy aksepbankbedrywighede sal dan waarskynlik ook na Senbank oorgedra word

Met die samevoeging van die Bankorp-groep het daar veral met die inskakeling van Trust-Bank heelwat beleggings buite die bankwese in eiendomme en die nywerheid in die groep gekom Heelwat hiervan verg spesiale aandag en dit lyk of dit dr Charles Ferreira, wat besturende direkteur van Mercabank bly, se taak gaan wees om hierna te kyk

Sancura

En dan is dit ook duidelik dat Santam se belange in Mondorp ook nou by Bankorp kom. In die verlede het sommige beleggers juis skepties teenoor Santam gestaan weens sy groot belang in hierdie eiendomsgroep.

Santam se versekeringsmakelaar, Sancura, word nou die Bankorp-groep se versekeringsmakelaar en dit is dalk 'n goeie raaiskoot deur aan te neem dat die sterk versekeringsafdeling van Trust-Bank dan ook hier ingeskakel sal word.

'n Nuwe maatskappy, wat bekend sal wees as Santamtrust, word hiervoor gestig om al die trustbedrywighede in die Bankorpgroep saam te trek. Santam het op hierdie gebied 'n baie goeie naam en kan met die steun uit die Bankorp-

So 'n ontwikkeling sal dan weer vir Trust-Bank die geleentheid bied om sy belang in Metlife te behou

Santamgroei, die groeifonds van Santam, word nou ook net soos in die geval met Trustgroei, by die Sanbes-groeifondse van Sanlam ingeskakel

Op die direksievlak word mnr. Carel van Aswegen, voorsitter van Santam, nou ook 'n direkteur van Sanlam sowel as Bankorp. Dr. Wassenaar, voorsitter van Sanlam, en mnr. Jack van Wyk, senior hoofbestuurder, word direkteure van Santam Beperk, nuwe beheermaatskappy van Santam-Versekering, asook van die versekeringsmaatskappy

Sanlam se regstreekse belang in Santam beloop nou sowat 38,5 persent, terwyl van sy verwante maatskappye 'n verdere 4 tot 5 persent hou Bankorp reik nou 3,5 miljoen nuwe aandele aan Santam uit, wat sy totale uitgereikte kapitaal op 30,7 miljoen bring

(1)

SANTAM/BANKORP (232)

Once bitten

FM 10/3/78

When Santam shares were suspended on January 16, the reason given was that negotiations were to take place on rationalisation of the group's insurance interests with those of Sanlam

But what has emerged from the talks is an exchange of Santam's banking side for Bankorp shares

The extent of the "rationalisation of the insurance interests" is that Sanlam will get voting rights in Santam proportionate to its 40% holding, once the banking interests have been hived off Until now, because of rules relating to banks, it has been restricted to only 1% of the voting rights despite its 40% holding

Sanlam's experience with Trust, where it was similarly hampered, have taught it that voting rights matter This was one major motivation for the present deal

So Santam will remain SA's biggest short-term insurer (showing over R100m of premium income last year) and will also hold 11,4% of Bankorp in place of its existing banking interests

How were Santam's banking interests valued in the current takeover by Bankorp?

"We reckoned Santam holders were due about 1,5c of dividend from the banking operations," says Bankorp's Professor Fred du Plessis "There were 35m shares in issue, so this would require R525 000 Bankorp's total dividend should be at least 14,5c (14c) per share this year, so, for Santam holders to receive an unchanged dividend, we worked out they would require 3,5m Bankorp shares"

There was only passing reference to net assets, says Du Plessis, as "banking assets are difficult to ascertain and, to tell the truth, we could not agree on an asset figure, so decided to concentrate on dividend potential"

Du Plessis says Santam holders are better off with their portfolio investment in Bankorp than with their Santam banking interests, as their dividend today is better covered than it was and it is derived from wider-spread assets of R2 000m, compared to R200m before.

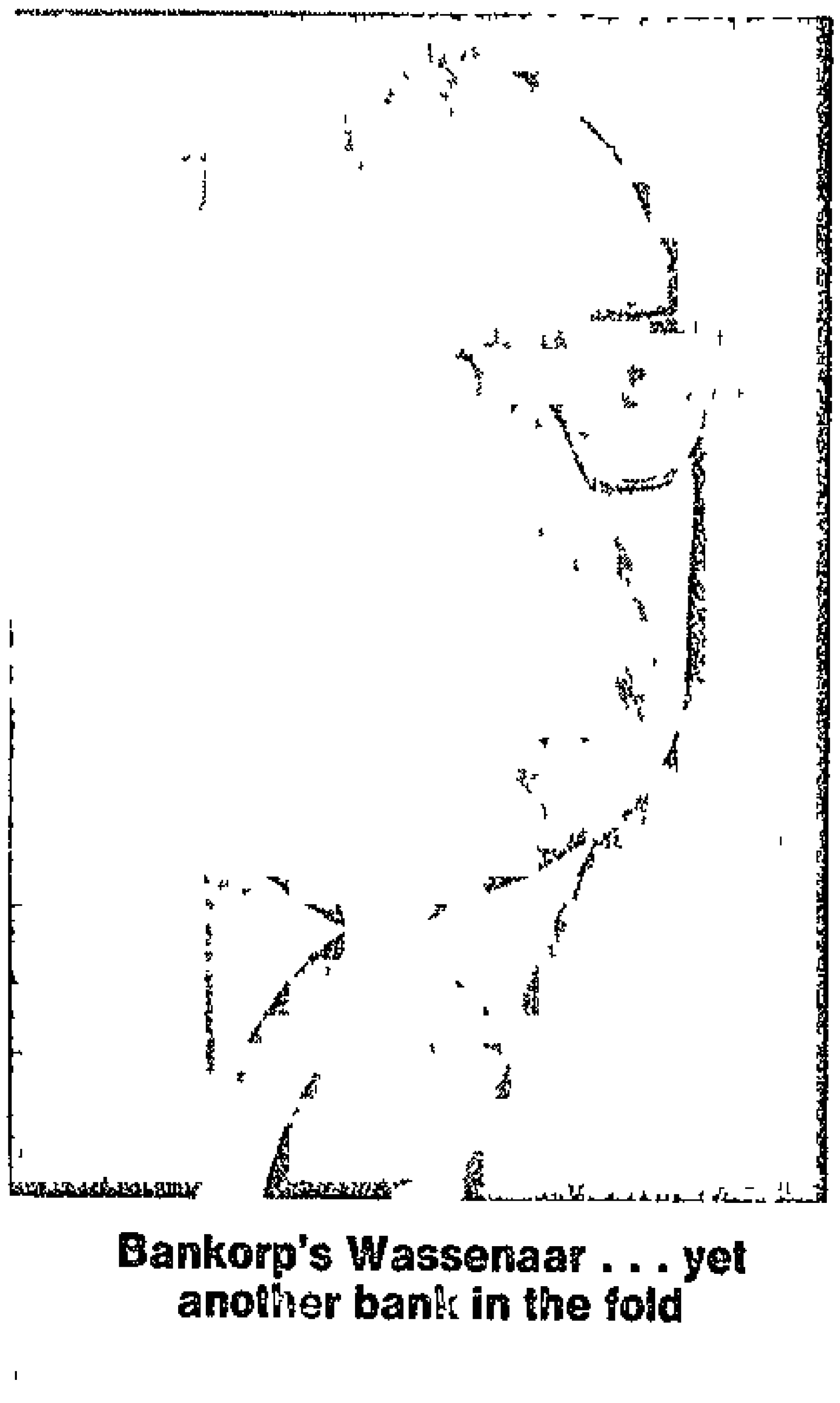
This seems an adequate motive for Santam, which is also getting rid of a potential trouble area in Mercabank and no longer has to fill the gap in Santam International left by the late Dr Robert Smit

Valuing its own net assets at 316c, Bankorp says it is paying R11,06m for Santam's banks Both Du Plessis and Santam's MD Izak Steyn agree that the R11,06m is "more or less" equal to the net assets of the Santam banking operations.

But the Bankorp share price was only 154c pre-suspension, so the market value of the 3,5m shares is only R5,4m.

According to Steyn, the unconsolidated Santam Bank balance sheet and income statement provide no clue to assets or earnings potential as the bank acts as holding company to certain insurance and hire purchase firms not affected He estimates the net profits of the affected banking interests to be "just over R1m"

Santam's earnings are bound to suffer in the wake of the deal, for instead of



Bankorp's Wassenaar . . . yet another bank in the fold

ERDERS

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(3)

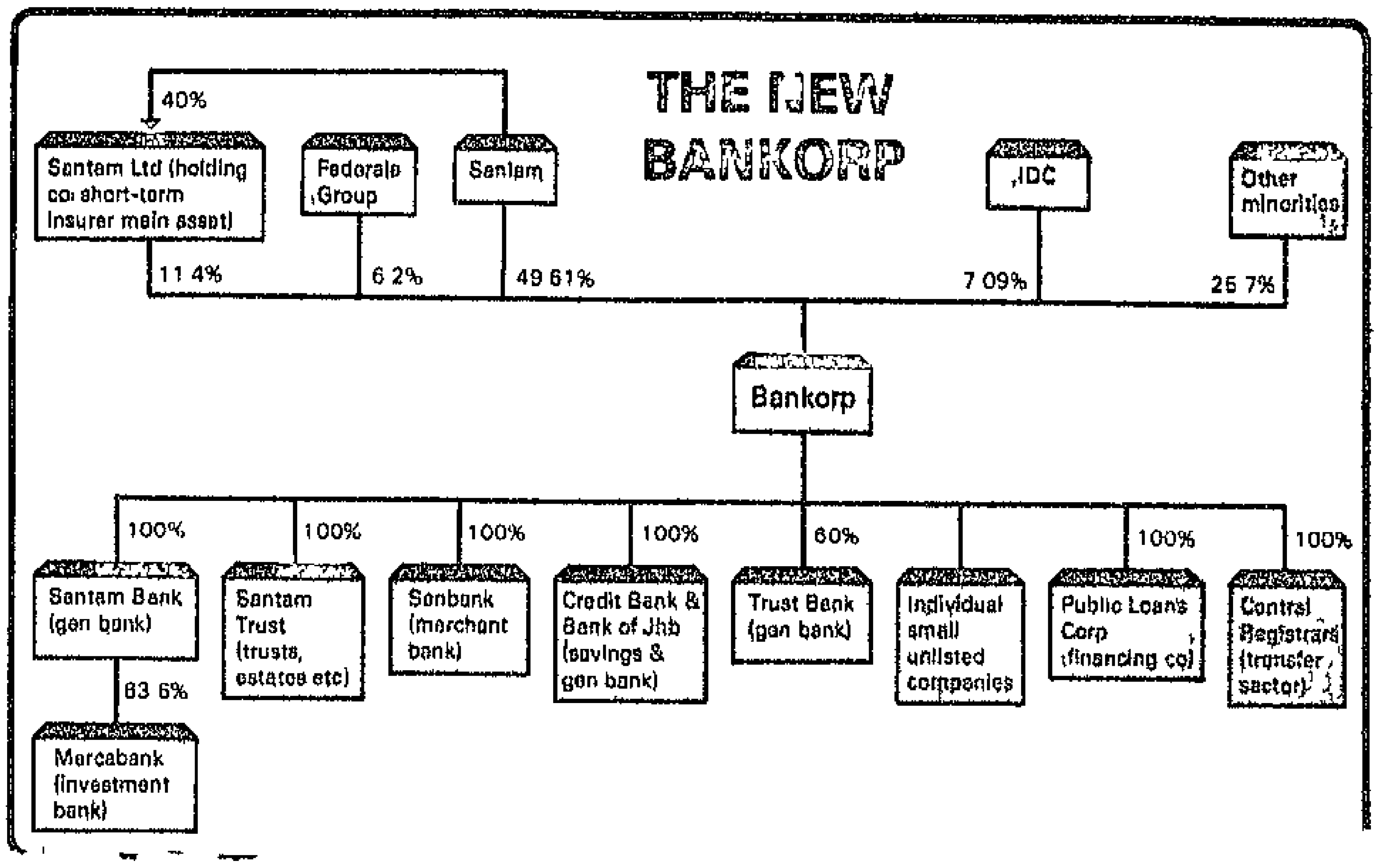
consolidating R1m from the banking side, in future it will take in only the R525 000 dividend from Bankorp However, this amount will be fully distributable

The issue of the additional shares has cost Sanlam direct legal control of Bankorp, for its shareholding has slipped from 56% to 49,6% (see chart) This will not worry Sanlam, which does not publish consolidated accounts and which still holds the dominant stake The Federale Group's holding has slipped from 7% to 6,2%, the IDC's from 8% to 7,1% and other shareholders' from 29% to 25,7% Santam Insurance holds 11,4% of Bankorp Sanlam's indirect holdings through Federale and Santam will see to it that control does not change

Santam shares, suspended at 60c, had not been unlisted by Wednesday because the JSE deemed the arrangements for publicising the terms of the deal to be inadequate

Each Santam share is now backed by one-tenth of a Bankorp share, or 15c per Santam So the short-term insurance interests, which apparently produce about 3,5c of dividend income, are in for 45c A price of 60c looks about right for the new Santam package *David Cain*

(2)



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NEWSPAPERS FM 10/3/78

Who's Citizen Jussen?

Still no word from the new owners of the *Citizen* on the make-up of the mysterious consortium behind the venture So far there's Hubert Jussen and Jan van Zyl Alberts, chairman and MD of African International Publishing Company, publishers of *To the Point* Alberts promises to disclose who the other backers are "when I'm in a position to "

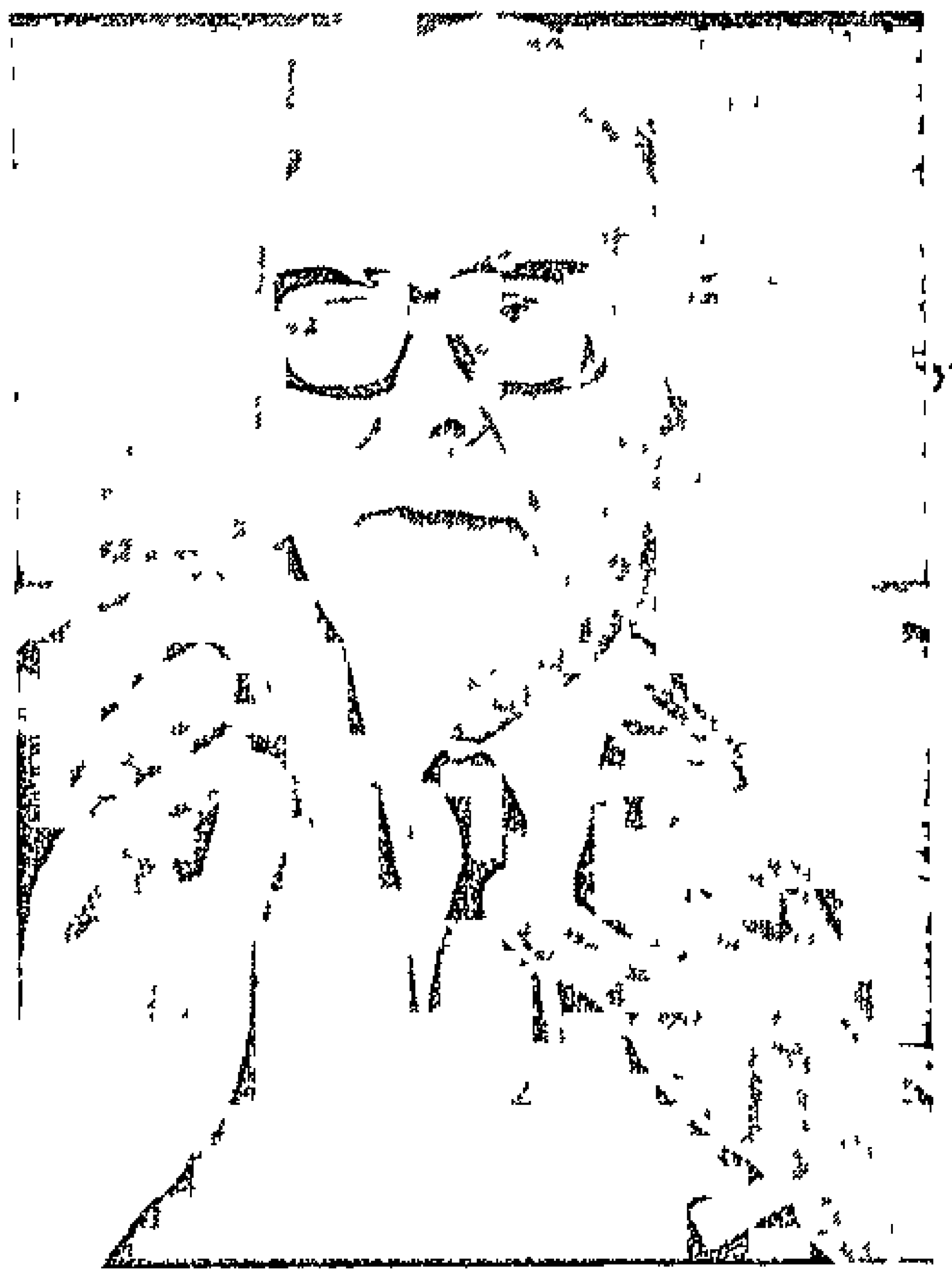
A major point of interest is who are the overseas interests alluded to when the *Citizen* sale was announced A representative of German press baron Axel Springer, Ernest Cramer, visited SA a few weeks ago but denied that his group was involved The view of an *FM* source close to the *Citizen* is that "Springer wouldn't dare be associated with an SA newspaper group "

Another contender, US right wing publisher John McGoff, is currently visiting SA But he's also denied any connection with the *Citizen* His comment "I don't put money into losing ventures "

As far as the *FM* can ascertain, local members of the consortium are two Afrikaans "groups" and two English speaking SA companies A source suggested "they might not want to be named "

Another suggestion is that the "overseas interests" might be Hubert Jussen himself Jussen came to SA seven years ago from Holland to found *To the Point* His popular image is of a rich Dutch publisher, but little is really known about him or where he got his reputed wealth

Jussen was born in March 1913 in Vaals, Limburg, has a secondary school education and since around 1930 has been a publicist and journalist on various newspapers In 1959 he worked for *Elseviers Weekblad* in Amsterdam



Jussen . . his career had a sudden take-off

In April 1966 Jussen married a Miss O Kreymborg After this his career seems to have taken off. In 1968 he was a director of the Verenigde Nederlandse Uitgevers Bedrijven NV (United Netherlands Publishing Company) and president of the Nederlandse Organisatie van Tijdschriften Uitgevers (Netherlands Organisation of Magazine Publishers)

Jussen came to SA in 1971 At that time he was still working on *Elseviers* He then started *To the Point*

Where, one wonders, did Jussen get the money to start *To the Point*? From Holland? In SA? And the cash to buy the Citizen? Attempts to talk to Jussen about both the past and the present have been met by a "no comment" reply from his secretary in Johannesburg

Why the secrecy?

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arl'ks)

(g) Bonus (jaarliks)

(h) Geskenke (jaarliks) artikels

Koste aan boer:

(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) Gesondheidsdienste:

Jaarlikse koste aan boer vir: doktersrekeninge betaal

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vervoer na en van geriewe

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(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

REED NAMPAK

FM 17/3/78

Profits not suspended

(232)

The outcome of the Reed/Sappi negotiations should be known next week, say sources involved in the talks.

Reed International, which is strapped for cash, and CG Smith & Co are negotiating the takeover of Reed Nampak and Stanger Pulp & Paper by Union Corporation, Sappi and possibly Kohler. Reed International owns 62% of Reedpak and an equal 50% share in Stanger with CG Smith & Co. The shares of all the JSE-listed participants have been suspended since the negotiations started on January 27.

As Reedpak's report emphasised this week, Reedpak is the carrot and Stanger the hurdle. Success of the deal depends largely on whether or not Sappi feels it can integrate and turn around the loss-making pulp-from-sugar cane plant.

Reedpak's solid balance sheet and a still rising earnings curve are the cherries on top of a cake that offers the prospective buyers almost complete domination of the pulp, paper and packaging industries.

Changed year-end

The changed year-end and consolidation of the Reed International printing and packaging interests acquired in January 1977 complicate comparison of the 1976 and 1977 results But chairman Bas Kardol says that group turnover excluding the new acquisitions rose 10%, pre-tax profits 13% and attributable profits 17%.

Including the new acquisitions, earnings have grown 24% from an annualised 54c to 67c.

The new printing and packaging subsidiaries, which were bought for R8m cash, returned 7,7c per Reedpak share, compared to the 5,7c forecast at the time of the acquisition. This means they earned R1,84m in their first year or 23% of their cost to Reedpak.

This is slightly less than the annualised 30% return on capital achieved by Reedpak in 1976 and the 28,9% earned by the enlarged group in 1977 But the new acquisitions make Reedpak even more attractive to the buyers Their inclusion enhances the potential Reedpak/Kohler domination of the print-pack market

The new companies knocked Reedpak's liquidity Short term borrowings rose 66% to R13,9m, while cash balances dropped 74% to R1,8m and total net borrowings soared from R3,1m to R14,2m, despite a net cash flow of R11,9m The effect of this is that the debt equity ratio rose from 14,6% to 23,2% The interest and leasing bill was covered 15 times by pre-lease gross profits

Reedpak has taken the conservative step of deconsolidating its Rhodesian and other foreign subsidiaries In future only dividends will be included in the results The effect on group earnings will be slight but deconsolidation knocked R2,2m off reserves and therefore net assets, which grew from R68,3m (285c) to R69,1m (288c)

The Reedpak share price was steady near the pre-suspension level of 310c for at least eight weeks before the talks with Sappi were announced. So the price takes no account of the talks or of the latest results The results should underpin the shares even if the talks fall through.

David Carte

PRIMROSE

The bricks begin to fly

Ever since Abercom took over the Wit Brick, Brickor, Primrose group, and dismantled the control structure in the process, the emergent Primrose has been one of the few open situations available to acquisitors. In removing its first line of defence, it also forfeited its long-term independance. For the odds of it surviving a prolonged bear market and an unavoidable recession-induced profit collapse were virtually nil

As I wrote, when reviewing the accounts in October last year. "The prospect of a bid is very real" and "it appears simply a matter of time before some party sets the game in motion with a cheeky bid." Whether Tongaat's 130c share cash bid can be considered cheeky or not, and whether it will ultimately prove to be the best forthcoming, there seems little doubt that it is considered as such by Primrose. Chairman David Lurie's immediate opinion was that the bid was "well below the fair and reasonable value taking into account the asset value of Primrose, the potential of the company and its current performance in the worst brick market experienced in recent history."

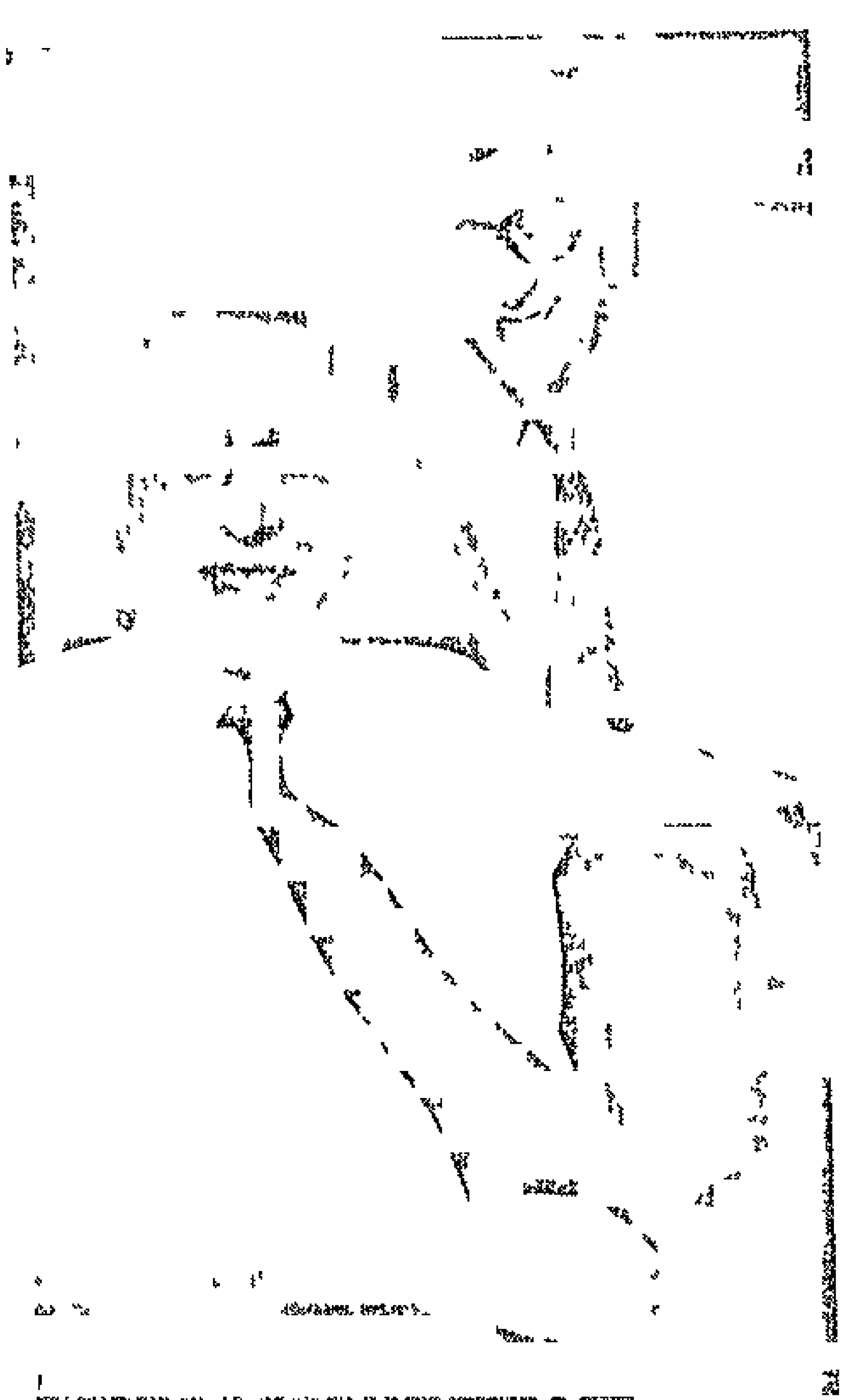
Besides saying that, it is difficult to see what other defensive options are open to the board unless they drag in Abercom Though in fairness it should be pointed out that Lurie has never sought to entrench his position by bringing in a dominant shareholder.

What am I bid?

Effectively, now that the door has been broken down, Primrose is up for auction to the highest bidder Since the bid announcement the share price has remained ahead of the 130c bid in high volume, which would seem to indicate either that some other party could be accumulating stock as a platform from which to launch its own bid, or that Abercom is attempting to establish a blocking shareholding. David Lurie, however, tells me categorically that Abercom is not. Tongaat itself can't be buying above its bid price because it would then be forced to extend a revised offer at the highest price paid in the market to all shareholders.

Primrose's attractions are obvious. It has an asset value of 320c, which is probably about 100c understated on a second-hand basis before attaching a value to the clay deposits In addition it has just completed the acquisition of Roodepoort Brickworks, for R100 000 and 340 000 shares, from which substantial rationalisation savings will flow by diverting turnover through Primrose For what amounts to virtually the whole Transvaal brick industry plus part of the Cape's capacity, Tongaat is bidding R14,5m

Should Tongaat succeed, Primrose and Tongaat's Coronation subsidiary will virtually have total control of the face brick market and over 50% of total brick production This immediately raises the question of whether Tongaat's bid will not fall foul of the proposed Maintenance & Promotion of Competition Act,



Lurie, Gevisser . . . not so much a brick group, more a way of life

Tongaat is unlikely to have made its move without having considered what government's attitude to the acquisition would be Tongaat's probable answer to the monopoly argument is based on the geographical division of the existing brick industry and that it operates under a fixed price formula Only in the Western Cape do the two group's compete directly, and there they are hurting each other Geographical monopolies to all intents and purpose already exist in the Transvaal, Natal and Free State.

The two are not competing in each other's markets because it is not economic to ship low value bulky items like bricks over long distances

The profits of Coronation have never really been adequate to justify Tongaat's original acquisition Then why is Tongaat planning to get more deeply involved in bricks?

Tongaat's rationale is that either it is in bricks or out of bricks And being in, it sees the Primrose acquisition as providing a golden opportunity to rationalise the industry and restore adequate returns on capital For exactly this reason, Tongaat is probably in a position to pay more for Primrose than any potential rival bidder

When the shares were briefly suspended at the end of last August because of a potential offer which never materialised, the interested party was Darling & Hodgson, a 52% subsidiary of Union Corp Having looked at it seriously once, it might be enticed to try again But for any bidder other than Tongaat, matching the timing of a bid to a basic recovery in demand is crucial

On Tuesday the Primrose share price closed 8c ahead of the bid, clearly signalling that the battle for control had only just begun But in the final analysis, even though Tongaat's initial bid might turn out to be a sighter, they must remain favourites to gain control

Senbank, which is Abercom's merchant banker, is acting for Tongaat. After all it has been through with Abercom recently, Senbank must have a shrewd appreciation of the workings of David Lurie's mind And now that the fate of Primrose is in the balance, can Abercom's be far behind? This could put Senbank in an interesting situation.

Richard Stuart

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24/3/78

Werkerbesonderhede

(b) melk: hoeveelheid

prys (as nie gratis

waarde aan boer

waarde aan werker

(c) ander kos

(d) Weiplek toegelaat

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BARLOWS/NMI FM 24/3/78

Mercedes franchise

A R4m deal for a group capitalised at over R330m is hardly of great significance But besides having little impact in financial terms, Barlows' proposed acquisition of NMI does not seem to adhere to its current acquisition philosophy

In the past, Barlows management has regarded the motor sector as a low priority area, almost to the extent of it being disposable at a suitable price Low returns on capital and the sector's inability to produce a consistent profit pattern has curtailed expansion in this area

But having said that, NMI does slot in rather well to the existing Barlows motor division Barlows' exposure to motor retailing in Natal until now has been virtually non-existent And the company it is buying, NMI, is a long-established Natal company with a fine reputation, solid balance sheet and holding the sought after Mercedes-Benz franchise

Given the prevailing circumstances in the motor sector, and in particular chairman Jim MacIntosh's concern over the profitability of the current trading period, expressed in his interim statement the 200c per share agreed price is satisfactory In fact, it is not much below the 225c price at which the company went public in 1973

Over 70% of shareholders have agreed to the terms and there is no reason why other shareholders should not eagerly accept and hasten NMI's smooth absorption into Barlows

Although the net asset value must now be close to 300c, the shares were recently below 100c before firming in the six weeks before the bid announcement to 115c The price offered is a 74% premium over market value and gives an exit yield of 3,5% on last year's 7c dividend (though no dividend will accrue to shareholders for the current financial year ending March) and 8% on the 16c dividend paid in each of the preceeding three years

Although having agreed to sell NMI, this deal does not signal the complete withdrawal of the MacIntosh family from the motor world in Natal A condition of the transaction is that the MacIntosh family repurchase the Pinetown branch at an agreed price. Details of this additional transaction will be included in the offer document.

Richard Stuart

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(g) Bonus (jaarliks)

(h) Geskenke (jaarliks)

(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) Gesondheidsdienste:

Jaarlikse koste aan boer van: doktersrekeninge betaal

medisyne

vervoer na en van geriewe

ander

(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

Flextube in GSTA-stal

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GENERAL TIRE SA het Flexible Tube Holdings van die Tube investments-groep oorgeneem, het mnr. R. G. Nicholson, besturende direkteur van die General Tires-groep, gister in Johannesburg bekend gemaak.

Flexible Tube Holdings is nou 'n volfiliaal van General Tire in Suid-Afrika, 'n maatskappy wat geheel en al Suid-Afrikaans georienteer is en 'n plek onder die land se tien top maatskappye inneem.

Mnr. Alan Roberts, besturende direkteur van Pigott, Maskew, 'n verwante maatskappy van General Tire se Nywerheidsrubbergroep, aangesien albei produkte met onderlinge verband verskaf aan Flexible Tube Holdings, is aangestel as besturende direkteur van die nuwe onderneming

Onafhanklik

Flexible Tube Holding vervaardig o.a. metaalagtige rubber- en plastiekslange, brandstof- en chemikalieleidingskabels, asook hidrouliese en elektriese leidingkabels

Vroeer vandeesmaand is General Tires se dogtermaatskappy, General Belting, amptelik in Port Elizabeth geopen deur dr Bas-Jan Kleu, voorsitter, raad van Handel en nywerheid Hierdie maatskappy sal Suid-Afrika onafhaklik maak van ingevoerde brandwerende PVC-bande wat hoofsaaklik in steenkoolmyne gebruik word

METKOR/FOWLER (232)

A place to hide

FM 7/4/78

Fowler, the troubled construction group will soon disappear from the JSE listings Parent Metkor Iscor's listed investment company, is planning to buy out the minority shareholders

Metkor already owns 59% of Fowler and its bid has full support from the board The offer is four Metkor ordinary shares for every five Fowler shares which values Fowler at 31c based on Metkor's current price of 39c This offers Fowler shareholders a 35% premium over the 23c price ruling immediately prior to the bid announcement and more than 70% above the low

The bid will oblige Metkor to issue an extra 3 9m shares expanding its equity 7% from the 54m shares currently in issue

Although Fowler's theoretical asset value is near the 110c price at which shares were listed in 1973, the losses presently being incurred and the uncertain outlook make it extremely difficult to value On asset considerations, the Metkor shares being offered are also heavily undervalued, so I can't imagine ther will be many quibbles with the price

In fact, it provides shareholders with an attractive way out of an investment that has gone sour Being a subsidiary of Metkor's, Fowler's problems were essentially also those of its parent By eliminating it from public exposure, it will be easier for Metkor to apply the necessary corrective measures to put the construction group back onto a sound footing.

The deal is being handled by Volkskas Merchant Bank, which is rapidly establishing itself as a force in the corporate finance field It is also involved in discussions for Volkskas acquiring Bankovs and was called in to advise on the Primrose defence against Tongaat.

The interesting question that the Fowler bid raises is whether this could presage a shift in policy towards its other investments. Wispeco, in which it has a 51% interest, is the perpetual subject of takeover speculation At 20c it is being traded at only a fraction of the value of its vast under-utilised assets.

Richard Stuart

Metkor's Tommy Muller . will Wispeco be next?

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7/4/78

VOLKSKAS-BANKOVS

A case of toenadering

Volkskas is "not seriously" negotiating the takeover of Bankovs Of this both parties are adamant But I have it unofficially that Volkskas is having an "informal" look at the idea It's so exploratory at this stage that the shares were not suspended.

The attraction for Bankovs would seem to be Volkskas's financial muscle, while Volkskas could conceivably use a general banking license. The main common interest between the two is Bankovs' 20% stake in Volkskas Merchant Bank (VMB). Volkskas also manages Bankovs' insurance broking operation

Bankovs probably has most to gain from a deal. Volkskas does not really need a general bank It already has VMB and Volkskas Industrial Bank and does HP and leasing — Bankovs' chief business — through its 580 branches all over SA, though Volkskas's leases are worth only R40m, so it might be interested in Bankovs' leases of R70m. Bankovs has nine branches in areas where Volkskas is already represented

A key figure in arranging any deal could be Rentmeester's Joggie Vermooten Rentmeester companies hold 21% of Bankovs and the Iscor Pension Fund, of which Vermooten is chairman, another 10%, making up by far the biggest block of holdings

Squeezed by giants

As one of the last little banks caught between the giants, Bankovs is inevitably paying more for its deposits than the big four The public sector and local authorities have continuously held a high proportion of the bank's deposits — so much so, it looks as if they could be steered there by the paternalistic authorities.

Bankovs has shown a chronic liquid asset shortfall and, since the Trust Bank debacle, has had to borrow from the Reserve Bank on occasion and trim its lending It has also closed a number of branches and marketing offices

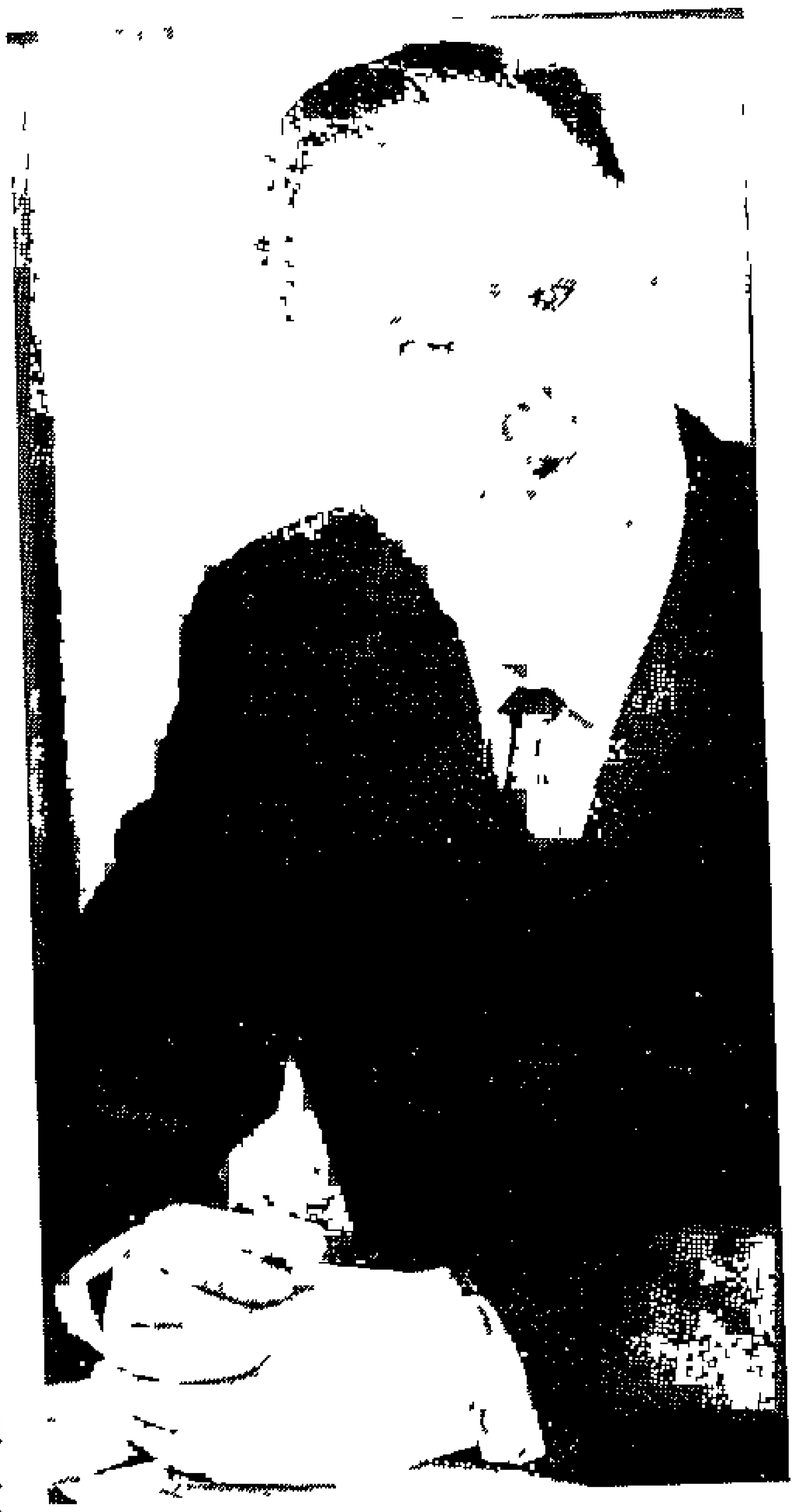
In the December quarterly statement, Bankovs had advances of R95m against capital and reserves of R7m Its liabilities to the public were R108m, made up of R5m in short-term deposits, R59m in medium-term deposits and R44m in long-term deposits. The advances comprised R70m in leases, R12m on HP and R13m in other loans

The bank looked overtraded even though chairman Professor H J Samuels told me this week: "We have no problems"

But if only 5% of the advances turned sour, capital and reserves would fall to R2,2m

Clearly Bankovs could use a big brother The Reserve Bank and Registrar would probably be all for a takeover by one of the big banks

Of course Volkskas is not the only big bank that could take over Bankovs Bankovs is nominally neutral in the north-south rift in Afrikaner business Though there would be a "culture gap," in the words of one insider, a get-together



Rentmeester's Vermooten . . . man in the middle

with the southerners is not entirely out of the question on this score But Bankorp already has a formidable problem rationalising its present welter of banks and would not want another to fit into the jig-saw

Perhaps Barclays or Standard would also be interested Bankovs would enhance their Afrikaner links and reduce their foreign shareholdings slightly.

The Bankorp share price, which at 44c values the bank at R2,2m, has moved up 4c on the takeover rumour But victim banks in recent takeover situations have not been treated generously so there is unlikely to be much gain for speculators

David Carte

(232) FM 14/4/78

CORPORATE FINANCE

Watch those men

Watch Manchusa Holdings. It recently flashed into the limelight with the purchase of listed spice processor Crown Mills (*FM* December 23 1977) in a move which seemed quite unrelated to the normal diversification of its Murray & Roberts associate But with cash in its pocket and defined growth objectives, Manchusa is a potentially powerful conglomerate in the making Crown Mills obviously was only the kickoff.

Murray & Stewart MD Des Baker says as much. In the past, M&S has concentrated primarily on diversifying to the fringe of its existing operations and on selling its skills overseas. Manchusa represents a fresh departure

It is 50% owned by M&R through M&S, and 50% by Anchusa The latter, which emerged from cash-filled G H Starcke (bought by the late Douglas Murray for M&S in the good old asset-stripping days of the early Sixties), is in turn owned 55% by the Douglas Murray Trust (entirely a charitable organisation) and the balance by the public Anchusa itself owns 33% of M&R

Explains Baker. "We had to decide whether Anchusa would be purely a pipeline receiving dividends from M&R, or whether to make a go of it in its own right. Construction has marked cyclical swings, and Anchusa was heavily invested in M&R. We decided to invest in activities completely disconnected from construction."

But to do so could have conflicted with M&R's own aspirations. So Manchusa was formed to pool the M&S and Anchusa resources, to broaden the M&S investment spectrum, and for Anchusa to spread its risk investments from M&R In addition, it would avoid a conflict with M&R

What does Manchusa have, and for what is it looking? Anchusa alone has R20m assets, R17m of which are in M&R, and Baker sees 60% as a sensible gearing This makes R12m available for acquisitions Of this, R8m has been earmarked for Manchusa With the same amount from M&R, Manchusa has a whopping R16m available for acquisitions of which the best part of R7,5m has already been spent on Crown Mills So Manchusa is in the market for another R8,5m of purchases

Baker's objective is firstly to buy second management which will "form a pyramid parallel to the M&S team Our whole philosophy is one of decentralisation In Manchusa, we will build a group of companies staffed by people completely unrelated to construction management and skill "

Secondly, Manchusa will look particularly at foods and mass manufacturing — especially when there are opportunities for export of products or skills (using M&S overseas connections) or both It is highly conscious of the increased buying power of non whites and will also look closely at industries likely to benefit from the imposition of sanctions "Anything which will show opportunities for better than-average growth," is how Baker defines it

Manchusa normally talks of buying for cash rather than paper But before companies which think they have what it takes go running with propositions to Manchusa, they should remember this — Manchusa never will take less than 50%.

A lot more is sure to be heard on the takeover trail from this Cape posse

232 FM 14/4/78

RAVE TAKE-OVER

Well executed coup

Last Monday morning the executives of Dion Discount Centres marched on Rave with military precision and executed as perfect a coup as you could hope to encounter Not only did Dion eliminate its most important competitor, it picked up Rave at a knock-down price and arranged other favourable terms into the bargain

Having your competitor in your own camp is a "good feeling" says Dion's MD, Norman Cohen

"I can see exactly where Rave went wrong," he claims, adding, "I wouldn't like to say we will put it right at this stage, but ask me in three months' time "

Dion Friedland is simply buying back what he sold to Greatermans some 10 years ago, plus a few additional outlets

These are in Melle Street (Johannesburg), Church Street (Pretoria), Randburg, Springs and Vereeniging The other stores which Dion will definitely take over are in Cape Town, Market Street (Johannesburg) and Vanderbijl Park. Dion has options on the Rosebank and Sunny Park (Pretoria) outlets

The stores which do not interest Dion in the least are Durban, Hillbrow, Les Marais (Pretoria), Germiston, Florida, Kempton Park and Port Elizabeth Greatermans has agreed to keep the leases on these premises and the stock in the stores The same will apply to the Rosebank and Sunny Park premises if Dion chooses not to take them over

"If the premises stay empty and Greatermans has to pay the rent until 1994, it has nothing to do with Dion," says Cohen

"We have already made arrangements for most of the stores," says Greatermans' vice-president Doug Dawson, adding, "most of the leases lapse in two or three years."

"Rave will cease to exist because the Rave stores will trade under Dion's name in future," says Cohen. (Homestock, which was taken over by Dion last year, trades under its own name.) Dion bought Rave for between R4 and R5m (see *Fox*).

Cohen expects the take-over of Rave to benefit consumers. However, Dion now has a monopoly in the discount business.

"The prices of those items taken over from Rave will be reduced to Dion's levels due to improved buying, lower overheads and an expected saving of R1m a year in advertising costs," Cohen says. He adds: "Prices of all Dion's items could be reduced."

Dion will employ only about half of Rave's 700 total staff.

News of the take-over must have come as a bitter blow to Trevor Koen and Derek Cohen who resigned from Dion's executive team to join Rave last month. In the words of Koen three weeks ago: "We intend to teach Rave the technique of discounting "

"They will continue to be in the employ of Greatermans," says president Lawrence Herber.

It is obvious that Dion drove a hard bargain and Greatermans gave little resistance, allowing itself to be talked into claiming no goodwill and keeping up the rentals on expensive premises which might stand empty if they are not sub-let.

"Greatermans is, however, pleased with the deal and are sure shareholders will be delighted with the news," says Herber (see *Fox's* comments).

Whether Dion in its enlarged form will prove Norman Cohen correct and reduce its prices, only time will tell.

TONGAAT FM 21/4/78 (232)

The Primrose path

The Group's expressed philosophy presents a continuing challenge and gives positive direction to its endeavours to act with integrity, to set, achieve and maintain high standards, and to recognise our responsibility towards the community — Tongaat Annual Report 1977

Control of Primrose was ultimately decided in the marketplace. And though some of the ethics and principles involved in the control battle need to be aired, the debate should not be allowed to cloud the essential function performed by the market The bidder acted entirely through the market, created the demand and paid the price necessary to prise out sufficient sellers, in the process allowing shareholders a chance to get out at double the price of a month ago

When seemingly rejected by the market, Tongaat took the bit and paid the price for control The 33% holding that it had acquired by the time the shares were suspended must have cost it little more than R5m, or an average price of around 140c Thus it has gained control for roughly a third of the R14,5m it was originally prepared to lay out for 100% of Primrose at 130c

Price for control

But while one can take the attitude that all's fair in love and war, many shareholders, particularly small shareholders, find Tongaat's morality hard to bear When the market ran the shares above the 130c bid price, Tongaat reviewed the situation and let it be known to all (although no official statement was actually put out) that it considered Primrose to be worth not a cent more than 130c While this was obviously a tactic to collapse the price, it did not work. But for Tongaat then to pop up two weeks later buying control at up to 170c per share is difficult to reconcile with the company's stated principles

Tongaat maintains that the 130c price applied to 100% of Primrose, and that 33%, or any other number, could command a different price

The question of whether a bid should be extended to other shareholders is another point of debate There is no question of any obligation under JSE rules to extend the offer. In London, there certainly would have been. But here, if all transactions are placed through the market as ordinary and not special bargain transactions, then control can pass without an offer to other shareholders.

Unfortunately, this rule got obscured by last year's February 1 circular which stated that "Where no 'control' situation can be identified it shall be the responsibility of the board of directors of a company to draw to the attention of anyone who has acquired or intends to acquire a block of shares and seeks to exercise control of the company, that the provisions on similar offers to minority shareholders may well apply, and that a ruling should be sought from the JSE "

In this case Tongaat's merchant bankers, Senbank, got a ruling that the offer would not have to be extended

Tongaat's Saunders . . . fighting with the gloves off

Shareholders in general had no way of telling what the JSE's attitude would be But I know of at least one investment manager who took the trouble of establishing the official attitude before deciding to sell his shares

While I appreciate the problems of drafting a firm set of rules to cover all situations, it is vital that the situation be clarified to avoid such ambiguities in future. But the JSE's action in requesting Primrose to suspend its shares, when it was clear that a takeover battle was in progress, so removing market opportunities for sellers is extremely hard to justify

While Primrose had announced negotiations were in progress for an acquisition (Aloe Minerals, from Rembrandt) these negotiations were not affecting the share price. Does the JSE believe a company should employ these tactics as a defensive measure to forestall acquisition? Could the suspension have been requested two days earlier, leaving Tongaat out on a limb with only a 20% shareholding?

On the Friday when the shares were suspended, Senbank wrapped up sufficient proxies from remaining shareholders to give Tongaat over 50% voting control The source of these proxies remains a mystery and even David Lurie, who has agreed to stand down as Primrose chairman, does not know their identities. All Primrose has is a letter from a Senior Counsel, Arthur Suzman, verifying the existence of the proxies which gives Tongaat the right to vote the shares at the next general meeting

But who still owns (18%) 2m shares in Primrose? Shareholdings were widely dispersed and most of the substantial shareholders have sold Sanlam is out, Liberty Life is out and even Murray McLean has sold his holding One conclusion that can be drawn is that the so-called mystery buyer was not necessarily acting in opposition to Tongaat, even though the competitive bidding in the market made it appear so

I am assured that no conditions attach to these proxies other than the voting arrangement But it does seem an act of amazing largesse for these shareholders to hand Primrose over on a platter, without any compensation

As yet, Tongaat has no firm plans for welding Primrose into its existing brick empire. One obvious option is to reverse Coronation into Primrose and thus create a single entity On the other hand, it could, when the shares are relisted on completion of the Aloe Minerals takeover discussions, consolidate the control through additional market purchases

With the Primrose outcome resolved, the action is now spilling over to Abercom. Volume is picking up and the price has advanced 40c to 190c over the past week Having successfully conducted the assault on Primrose, will Senbank's Alex Melrose be allowed to conduct the defence of Abercom?

Richard Stuart

STANBIC/UDCH (232)

The good, the bad . . .

FM 21/4/78

The clean-up of the small banks continues. Stanbic is buying UDC Bank from its listed holding company UDCH, itself jointly controlled by SA Breweries and UDT International.

UDCH is made up of good parts and bad parts, the Ryan Nigel bits being the bad. The bank itself had net assets of R13,6m at September last year and profits were said to be up 14% at the halfway stage. In the previous full year to March, it paid a R900 000 dividend

Stanbic will be issuing shares for the bank and will be getting it at a discount to net assets. Assuming UDC Bank now has net assets of around R14m and Stanbic is paying R12m for it, Stanbic will be issuing around 3,5m new shares on top of the 52,8m already in issue This allows for another dilution in Standard & Chartered's interest in its local subsidiary, reducing its holding 4% to 63%

The interesting question is where these shares will end up, because it does not make much sense for UDCH to continue owning listed shares. It needs cash. Presumable UAL and SMB, who are joint advisors, will have no difficulty placing such a parcel

UDCH shares have been suspended. In what form they return to the listings, if indeed at all, is an interesting question. The Ryan Nigel part of the business is loss-making and of dubious value. Half of Metboard must be worth about R1m. Add on a hypothetical R12m for the bank and there is about R13m or 85c a share of net asset backing. That is before applying a negative value to the other bits

The market obviously got wind of the transaction and moved the shares smartly higher from 45c to 55c in the few days before suspension. Whether this will still look cheap once the re-organisation of UDCH is completed depends how bad Ryan Nigel is

The attractions of UDC to Stanbic are that UDC's leasing and acceptance business can be neatly slotted into Stannic and SMB respectively. Over time UDC will quietly disappear. So, probably, will the listed UDCH. *Richard Stuart*

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Rapport 30/4/78

MNR Eugene van Rensburg, nuwe baas van Bankovs

BANKOVS NIE IN DIE MARK

Deur DAVID MEADES

DIE aanstelling van mnr. Eugene van Rensburg as besturende direkteur van die Bank van Oranje-Vrystaat (Bankovs) dui baie duidelik daarop dat Bankovs nie in die mark is nie. Dit behoort ook alle spekulasie dat Volkskas vir Bankovs wil intrek, die nek in te slaan.

Mnr Van Rensburg, 'n gebore Vrystater en oud-Kovsie, bly nog tot die einde van Mei aan as hoofbestuurder van Finansbank. Hy is terloops die derde oud-Finansbankman wat hoof van 'n ander bank word. Die ander twee is mnr. Laurie Korsten en Ron Rundle, wat onderskeidelik in beheer van Volkskas-Aksepbank en Volkskas-Industriele Bank is.

Bankovs het tot nog toe geen besturende direkteur gehad nie. Daar is 'n senior hoofbestuurder en dan het mnr. Jan Venter oud-Senbank-baas, op 'n deeltydse grondslag as 'n uitvoerende direkteur ook gehelp.

Die besluit om nou 'n besturende direkteur aan te stel, beteken dat Bankovs voornemens is om sterker op 'n streekgrondslag te werk.

Die moeilike toestande wat die laaste paar jaar geheers het, het talle van die kleiner banke in 'n hoek gedruk en dit was veral diegene wat in die groot sentrums met die grotes meegeding het, wat die swaarste gekry het.

Nadat UDC-Bank nou by Standard Bank ingeskakel is, bly daar, as 'n mens die paar klein buitelandse banke buite rekening laat, eintlik net Boland-Bank, Finansbank en Bankovs oor.

En dit was waarskynlik juis van die sterk streekinslag van Boland en Bankovs dat hulle die storms kon weerstaan, terwyl Finansbank weer weens sterk klem op gespesialiseerde bankdienste en onafhanklikheid so mooi gevorder het.

WILLIAMS HUNT (232) F:L 19/5/78

Inadequate returns

Activities: *Motor dealer, with GM Franchise Subsidiaries include Farmec, Tarrys and Motor & General Controlled by the chairman*

Chairman: *Dr H Khazam.*

Capital structure: *8,6m ordinaries of 50c, 610 000 6% cum prefs of R2. Market capitalisation R7,3m*

Financial: *Year to February 25 1978. Borrowings long and medium term, R7m, net short term, R12,5m. Debt equity ratio· 56,4% Current ratio: 1,7. Net cash flow R3,6m.*

Share market: *Price· 85c (1977-78· high, 85c; low, 70c, trading volume last quarter, 38 000 shares). Yields· 32,9% on earnings; 11,8% on dividend Cover: 2,8. PE ratio 3*

	'75	*'76	'77	'78
Return on cap %	10,1	12 0	8,4	7 8
Turnover (Rm)	74 4	83 0	88 1	85 2
Pre-tax profit (Rm)	3 5	4 0	2,5	2 2
Gross margin %	4 7	4 8	2,8	2,6
Earnings (c)	28 7	35,0	31 6	28,0
Dividends (c)	10	12	12	10
Net asset value (c)	327	361	382	407

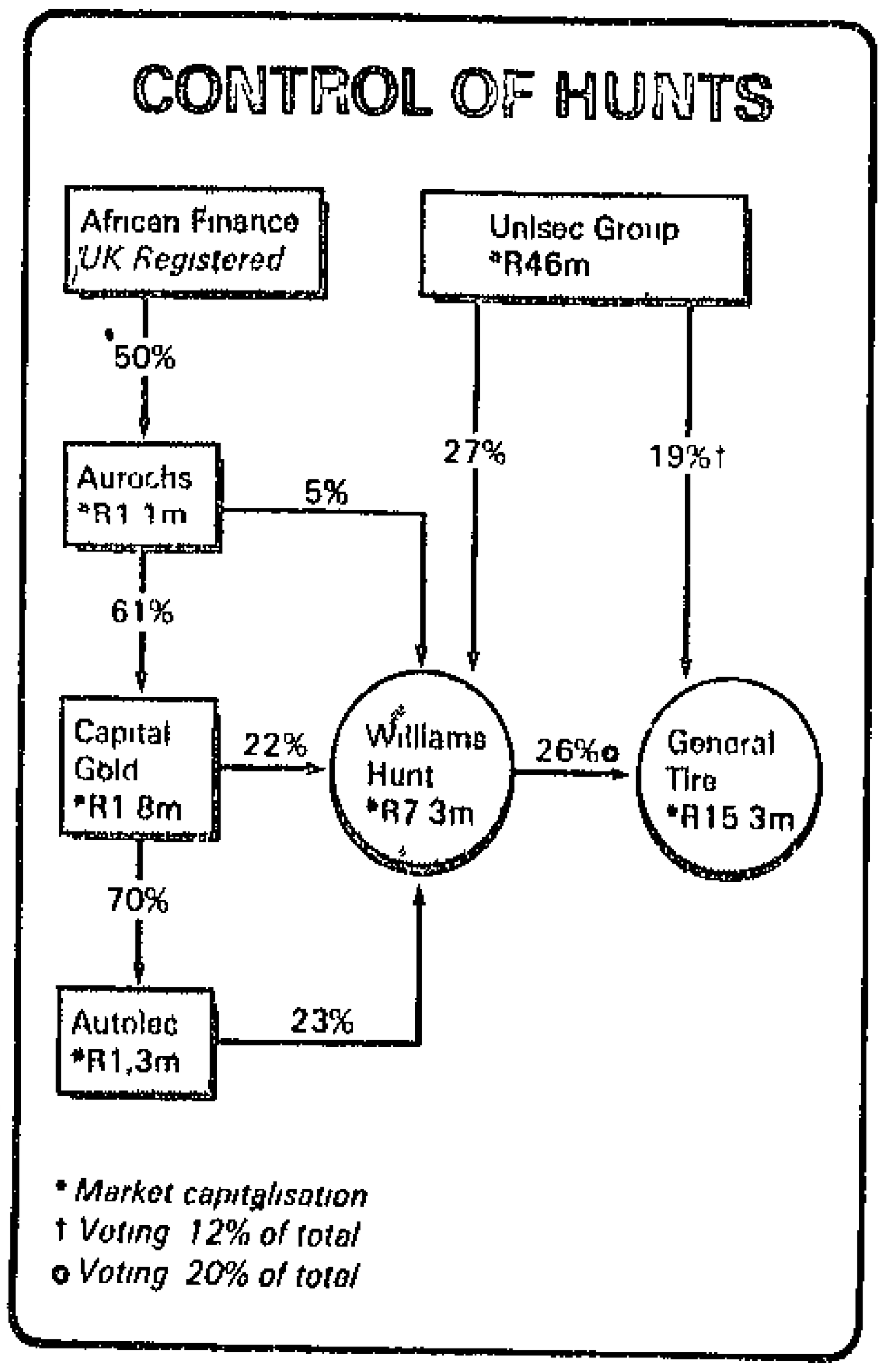
*Annualised

The change to equity accounting associates, namely the 20% interest in General Tire plus some small Zambian associates, has completely altered the profit picture presented to shareholders Out of earnings of 28c, 16,5c was contributed by associates By far the greater part of associates' earnings are retained, only 3c a share flowing up to Williams Hunt in the form of dividends

But even though the new accounting procedures have the cosmetic effect of making profits look respectable, it cannot hide the real problem at Hunts And that is the abysmal return on capital Taking only the dividends from associates, return on capital is 7,8% and is on a declining trend. For a group that has borrowings of R20m and a debt ratio of 56%, this inadequate return could spell trouble in the future Right now, the group is approaching a reverse gearing situation on borrowings If decent returns cannot be restored, priority should be given to degearing.

Overall, however, profits were much the same as last year. Net assets of R26m produced around R1,3m of after-tax profits.

Total motor operations contributed R2m (R2,4m) or 46% of operating income. Motor & General increased operating income by 20%, and this helped counteract the drop Tarrys' contribution to operating profit dropped sharply from R1 5m to R928 000 but although gross margins from this division are down from 11,7% to 7,6% these are the highest of the main profit contributors Margins on the motor companies are a mere 3% (3,7%) while Motor & General's are slightly higher at 5% Farmec's margins were also under pressure at 5,8% (8,1%) Farmec missed out on sales by only having a small stock of tractors available, unlike competitors, when the new import duty was introduced



The General Tire investment has been a real winner Bought at a cost of only R807 000 Hunts 20% interest is capitalised on the market at R3m and is worth R6m in attributable net asset terms At the last figure it is worth 70c a Hunts share, equivalent to the market price that prevailed for most of the last 12 months

Hunts shares are now off the bottom and have moved up to 85c in the past few weeks on very low volume The yield is now 11,8% Hunts remains a most frustrating stock for investors It has vast unrealised potential, which looks as if it will remain locked away under present management

Gail Pemberton

There was in addition a further locked general purposes room.

There followed six doors. The one which was open was a converted bicycle room. There were 6 beds in it occupied by four contract workers and two local men. From the men it was established that generally only contract workers occupied the ground floor.

At the end of the passage there was a lar
men had created out of this, five separat
titioning off four rooms from the centra
fifth room. The partitions were expertl
conditions, and were made up of wood, an

In the central section there were six si
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FIRS

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ABLUT

On th porcela
only. Floor 1
porce 58 men
There

EDWORKS (232) FM 19/5/78

Last of the Dodos 19/5/78

Suspension of Edworks shares on both the London and Johannesburg Stock Exchanges is the prelude to an offer by the Dodo family to minorities. The family currently controls Edworks by virtue of owning a majority of the 2,5m ordinary shares, though there are another 3.5m non-voting A ordinaries also in issue.

The official Edworks statement simply said that the board was "examining a proposal which, if implemented, would have a material effect on the share capital." In fact what is being contemplated is another leveraged buy out of outsiders along the lines of Hendler and Gregory Knitting.

The disparity between break-up values and market prices is so vast in many second line stocks that numerous family-controlled firms have the opportunity of making their companies wholly-owned yet at the same time satisfying most investors in their shares by offering a substantial premium to market price.

Edworks is one of the classic asset situations. The shares were suspended at 85c after having been less than half that price in the course of the last year. At the last balance sheet date, the net asset value was 331c and by now must be over 350c. The company is virtually ungeared with only R3m of long term liabilities against R22m of shareholders funds. The current ratio is more than 3:1 and net current assets alone must now be worth 210c per share.

Pitching a price when presented with such a yawning disparity in values presents a problem to the merchant bankers concerned. In this case Barclays is acting for the Dodo family, but because of the obvious arguments that could arise from outside shareholders, Hill Samuel has been appointed to look after their interests.

The profit slump that was responsible for taking the share price down to the depths now appears to be over. The interim report released in February showed that interim profits were 50% up on the previous year and the company could be heading for earnings of around 25c per share. That recovery in the footwear industry's fortunes is underway is supported by SA Breweries comment in its prelim that Shoe Corporation made a satisfactory profit improvement. ABC is also in a strong growth phase.

Another problem with Edworks' market rating over the years has been the miserly dividend policy that the family has pursued. On average the dividend has been kept at least four times covered.

While this naturally affects the share rating, it does not affect valuation of the company. But because of the control structure, which allows the family absolute control by owning only 20% of the equity, investors are trapped into accepting this low payout ratio as a fact of life and must adjust values accordingly.

Having not been over generous in the past, I can't imagine that the Dodo family are contemplating a change in strategy at this moment. It really adds up to pitching the price at the lowest level they can get away with. That price would seem to me to be around 130c.

Edworks has a high quality share register and institutions are strongly represented. Barclays will have to canvas tacit acceptance of the terms before proceeding with the scheme. But in the final analysis, an immediate 50% premium to the pre-suspension price is difficult to resist even when one knows one is not getting full value.

Richard Stuart

Financial Mail May 19 1978

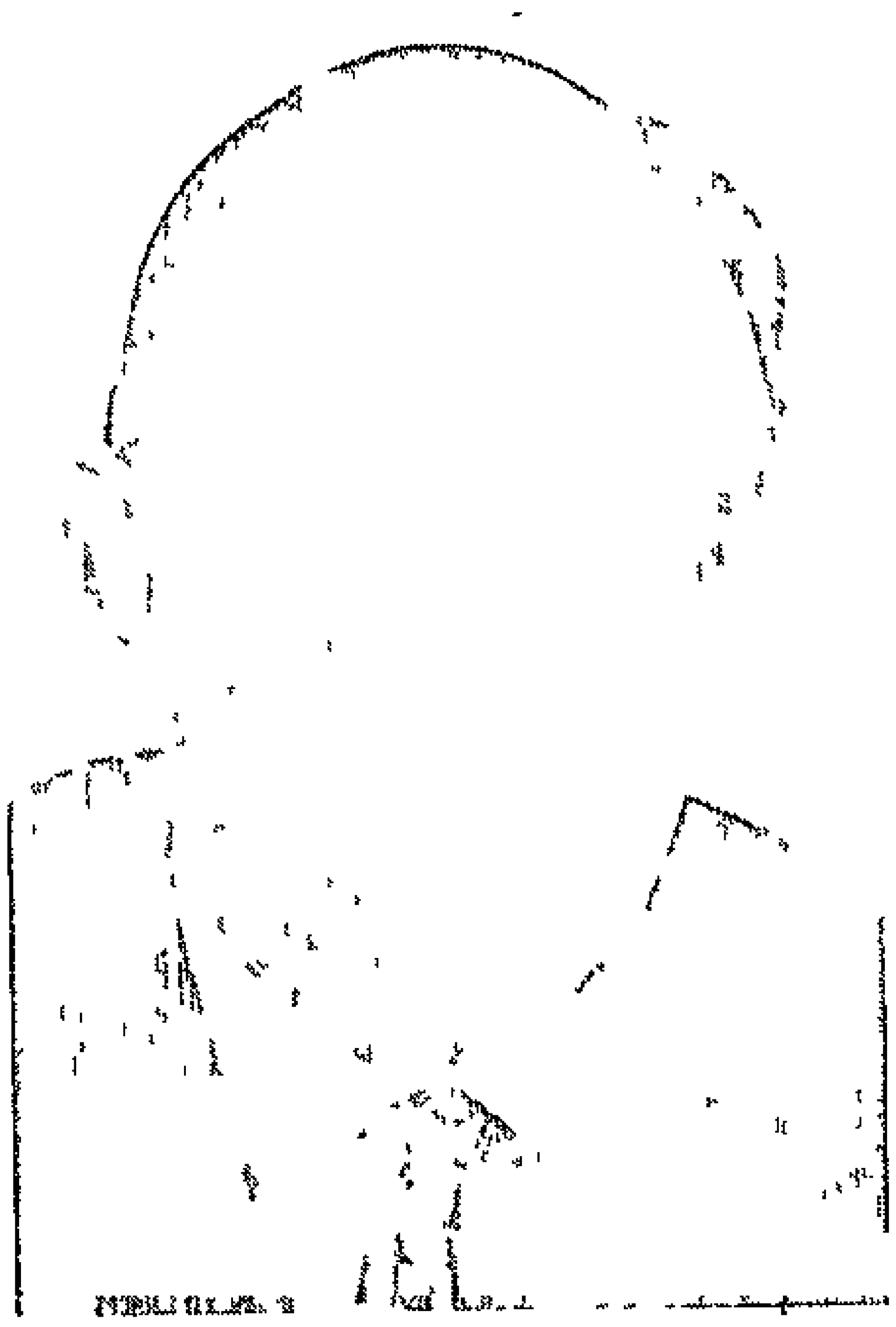
FM 19/5/75

FRASERS — FRAME UP?

(232)

Donald Campbell, chairman of Frasers, says Frasers is definitely not up for grabs Market speculation has been rife since volumes in Frasers and the share price moved upwards over the past four weeks The price hardened from 300c at end-April to 350c last week This week it moved back to 320c

One guess had it that Natie Kirsh, fronting for the Frame Group, was the buyer but Kirsh denied this "Why should I front for anyone?" he asked Neither he, nor Metro Cash, would be interested, he added Frasers was primarily a retailer and was far from an all-cash operation, so was not a prospect for Metcash, or him



Frasers' Campbell . . control entrenched?

The name of Philip Frame was a logical suggestion as it was Frame, via Natal Distributing who made a bid for 6% of Frasers in February This bid, of $3,50 per share, was made with offshore funds and was aimed at mopping up the London minority At the time, no one connected the deal with the Frame Group

Frame already has a stake in Frasers and might like control, as it is vertically integrated right up to, but not including, distribution It is also a trade creditor of Frasers

But Campbell is adamant the Fraser family's 50% stake will not be sold, even though Lady Fraser, the biggest single holder, died recently Most of her shares now belong to her grandson C A F McDonald, present group secretary of Frasers and a SA resident

David Carte

M&T 232 FM 26/5/78

A spot of action

"Good old reliable Nathan ... if you're looking for action, he'll furnish a spot"
— Guys and Dolls

At 107c, up 32c on the price at which control passed from the Nathansons to Kirsh Industries and its UK partner, Alexander Howden, Marine & Trade shares have reached a level not seen since 1974 The forecast dividend, for the year ending June 30, is 7c, and net worth, shown at 89c a year ago is probably nearer the 75c level at which control changed But new chairman Natie Kirsh has some impressive ideas on how M&T's earnings can be made to move

M&T, like other short-term insurers, needs to maintain a 1 10 ratio between capital and business written On the face of it, M&T's 1 10 ratio was intact, but a key section of the Kirsh M&T announcement suggests that M&T was really undercapitalised It records that M&T's net asset value was adjusted "to reflect market value of investments, excluding deferred acquisition costs and calculating the Insurance Fund in accordance with the rules of the Registrar of Insurance "

Behind this apparently technical phraseology lies the fact that M&T's capital base for calculating the key 1 10 ratio was nearer R1,4m than the R2,3m shown in the last balance sheet Hence about R6m of business written in the current year had been reinsured at a small loss to M&T Despite this it still expects a profit of R500 000 pre-tax this year

The transactions involving the Nedbank Mall building (which Kirsh says, is fully let with blue chip clients such as British Airways and PanAm as well as M&T) will leave M&T with 10% of the building and this will probably be raised to 50% The yield on the building is 9,5% on purchase price

More important, the capital base of M&T, with share capital rising immediately from 2m to 3,5m and with another 500 000 shares likely to be issued for more of Nedbank Mall, will rise to R3m, enabling R30m of business to be written Kirsh believes this "will enable it to extend the scope and nature of its insurance business without materially increasing overhead costs" In fact, profitable business can be built up from the present R15m to R30m without major overhead changes

The object is to move M&T away from its heavy dependence on motor business Here, Kirsh Industries' connections, notably through Metcash, could play a major role More fire and allied insurance, long recognised as the better end of the market, should upgrade earnings

Kirsh believes that his contacts can ensure that M&T becomes nominated as an insurer on a much increased number of big companies' schedules Certainly the initial aim of R30m of business for M&T looks reasonable out of R1 000m of short-term insurance written annually in SA Alexander Howden, which will equity account M&T, will prove a powerful partner

It is the fastest growing UK insurance combine over the past 10 years, according to a recent UK broker's survey. Its main role in M&T, apart from channelling business through it, will be to help with technical assessments and personnel It is easy to see the favourable impact on profits of all these developments, but less easy to quantify it But if M&T can make R500 000 on effectively R15m, business on R30m annual profits could reach a rate of about R1,5m pre-tax in the year to February 1980. With 4m shares in issue by then earnings per share of about 22c-23c seem in sight The shares have potential

Richard Rolfe

TABLE 10. ACCOMMODATION FIGURES

Name of Company... Key to Statistical data overleaf.	No. of permane[nt] dormitories
Brice Bros - 16, 17.	
Cape Concrete Works - 5, 9.	1
Christiani & Nielsen - 26 to 32.	7
C.T. Stevedores - 39 to 42.	4
Dept. Posts & Telegraphs - 5 (huts)	
Dumans Crane Rentals - 61.	1
Dura Construction - 21,25,64,65.	5
Fraser and Chalmers - 33,34,49.	3
Hud Construction - 60.	1
Hugh Tyler - 70.	1
Joseph Rubbi - 8, 9.	2
L.T.A. Construction - 47, 48.	
Murray & Stewart C.T.	5
Paramount Construction - 6, 7.	2
Railway Construction - 1 to 3.	3
R.H. Morris 50 to 52.	
Robert ...	

2020 83 1452 127 3472

The number of bunks actually in each dormitory differs
[nu]mber of bunks in its turn does not indicate how many bunks are

..., 46, 53, 57.

1 N[o]
[b]unks

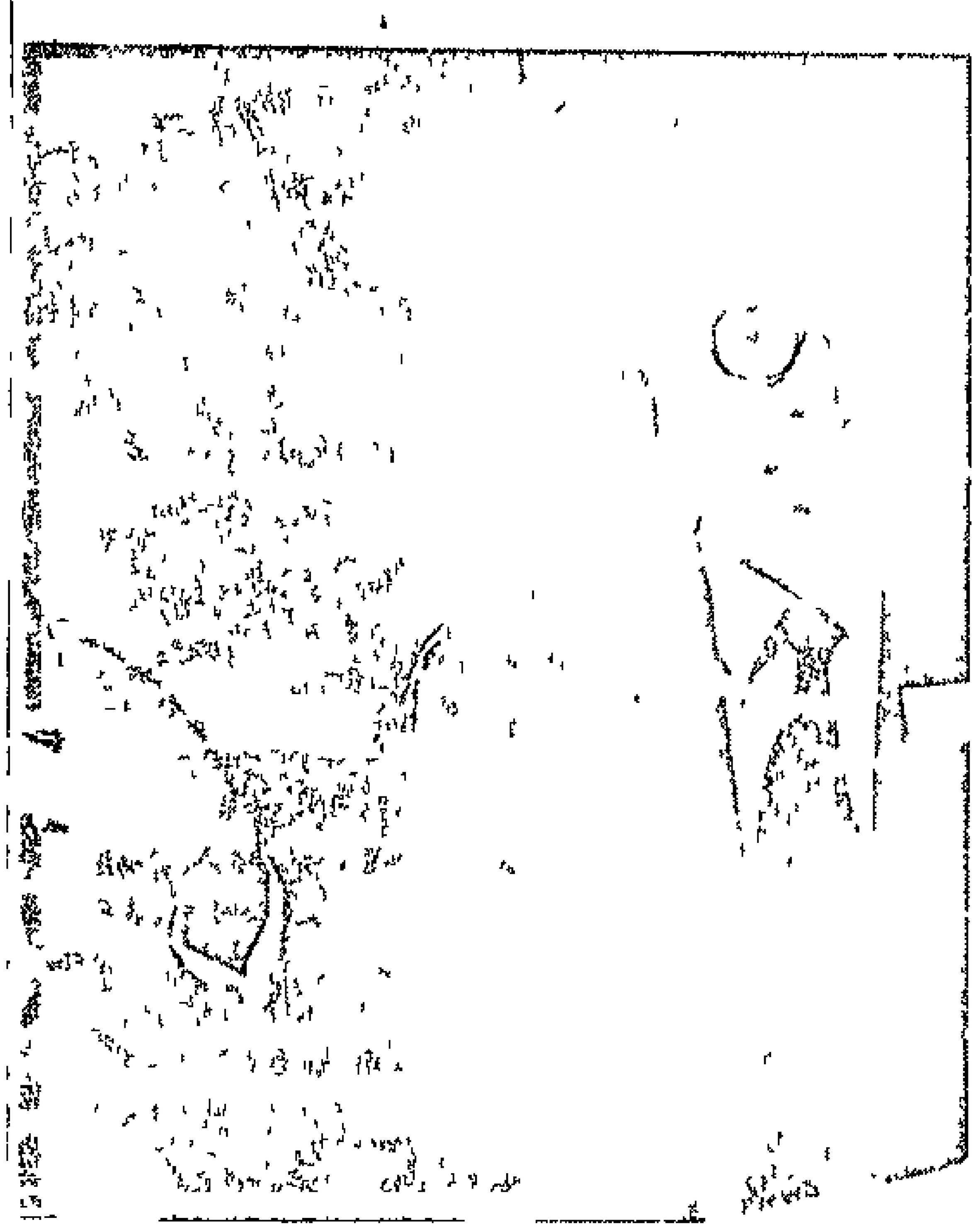
Monitoring the mergers 232 FM 26/5/78

There have been few abuses so far, but both the Companies Act and JSE rules need amending

Neither the Companies Act nor the Regulations of the Johannesburg Stock Exchange adequately safeguard minority shareholders in companies involved in mergers or acquisitions.

This sweeping statement emerges from a detailed survey of mergers (defined as the case when both companies are listed) and acquisitions (where the acquisitor is listed but not the acquiree) between 1961 and 1975, undertaken by Ian Macgregor, senior lecturer at the Wits University Graduate School of Business Administration, for his doctoral thesis

While Macgregor generally approves of the provisions of the Companies Act regarding straightforward takeover offers, he points out that more and more



JSE's Lurie . . . there's a gap to be filled

mergers are being done through schemes of arrangement

While there is no inherent objection to schemes, the information that has to be provided in scheme documents is (contrary to the recommendations of the Van Wyk de Vries Commission) less comprehensive than in offer documents. Moreover, there are no penalties on directors for untrue statements in scheme documents, so that shareholders are less well protected

Macgregor therefore concludes that while agitation to ban schemes is misguided, there is a need to amend the Companies Act to ensure that the formalities and penalties should be the same as with offers.

He also points out that, to avoid Stamp Duties, in recent years there has been a tendency to effect mergers through a reduction in capital of the acquiree This entails no statutory disclosure or other requirements, and the Act should be amended to remove this anomaly as well

One disadvantage of schemes, however, is that — contrary to what is sometimes asserted — they actually take longer to implement than straight offers, the mean difference being about 30-40 days

Big time lags

The longest time lag between preliminary announcement and despatch of cash and/or share consideration during the period he covers was no less than 349 days, for a 1972 scheme, for a straight takeover, the longest gap was 282 days, in 1973 (Although Macgregor processed by computer a remarkably exhaustive set of statistics relating to 666 cases during his chosen period, he identifies no individual instances)

Both offers and schemes seem to take longer to bring to fruition in SA than in other jurisdictions he studied, in spite of requirements here generally being less rigorous

Although, with academic reserve, criticism of the JSE is mostly implicit, it is nonetheless far-ranging, in matters of both omission and commission

Macgregor argues that the widespread use of suspensions actually makes the market less efficient and can cause hardship to outside shareholders He feels that suspensions should normally only be for a single day, instead of the more than 14 days which was the mean during the period of his study

Restrictions on bidders dealing while an offer is in progress also interfere with the efficient working of the market They should be permitted, as in London, subject to timeous and regular disclosure

In safeguarding against abuses on both these heads, the JSE should place greater reliance on the fact that insider trading is a criminal offence

Considering that JSE acting president Richard Lurie has just warned the Press not to overplay the importance of the JSE's sporadic announcements that it is investigating possible undue price fluctuations, and considering also that there has not been a single conviction for insider trading, this alas seems a counsel of perfection.

But it is in its failure to insist on adequate disclosure that the JSE comes in for most criticism

Macgregor, like most others who have considered the matter properly, argues aginst the imposition of an outside statutory SEC-type regulator of mergers. But, he says, when the Van Wyk de Vries Commission agreed that no such body was necessary, it imposed an obligation on the JSE to fill the gap.

Less information is required by the JSE in takeover documents than is the case in (among others) the UK, Australia, Canada, Hong Kong or Singapore. Perhaps because they need less "selling" of the benefits of a takeover, shareholders of acquisitor companies are treated even worse than those of acquirees.

Such a basic figure as the effective date of the deal, for instance, was provided to acquisitor shareholders in only 28,6% of mergers and 64,9% of acquisitions Macgregor even suggests that the JSE itself seems to have no adequate checking procedure to ensure that its own requirements are complied with.

This lack of adequacy of information is, paradoxically, combined with a presentation of documentation that is too complex for the average investor to grasp readily.

Few serious abuses

Macgregor concludes that if the threat of an SEC is to continue to be warded off, the JSE must accept the implicit invitation extended to it by Van Wyk de Vries and impose greater demands than are contained in the Companies Act. In fact, when its Requirements were republished after the new Companies Act they contained only two, purely technical, changes

When mergers are being considered, the Listings Committee should be expanded to include representatives of other parties with real interests in takeover matters generally. It should also on such occasions have an independent chairman

Surprisingly, in view of his theoretical strictures, the only serious abuses Macgregor has been able to identify came at the time of the battle for Huletts, which saw many practices that would not be acceptable today. Interestingly, this implicitly clears the controversial Reed-Nampak takeover, which fell just within his period

But the moral is clear: if the securities industry wishes to retain control of its own destiny, it will have to accept broader responsibilities.

This point has been argued time and time again Is nobody up there on the JSE committee listening?

Rowland's, no one is prepared to forecast the result What is certain is that Lonrho is playing for bigger stakes than ever before. Failure could permanently impair Lonrho's chance of gaining the respectability it needs more badly than ever

John Bell

markets

232 ~~58~~ FM 9/6/78

BANKING

Now Santambank

The merger between Santam Bank and Credit Bank, announced on Monday, puts the final touches to the Bankorp group's programme of rationalisation. Earlier moves were Mercabank's incorporation (with assets of some R130m) into Santam Bank (assets of R190m) and Bank of Johannesburg's (R190m) merger with Credit Bank (R250m).

The streamlined Bankorp stable will now have one merchant bank (Senbank) and two general banks — Trust and the new Santambank. Trust will concentrate on commercial banking and on the medium to large corporate sector, while Santambank will focus on savings, short- and long-term deposits, money market, HP, leasing, import and export finance. Santambank MD, Roeland Perold, confirms that the bank, amongst other things, will be actively pursuing the lucrative leasing and HP markets.

At the same time, says Perold, the bank will be concentrating on the retail market ("man-in-the-street"), particularly those areas in which it has strong traditional links, such as the agricultural sector in the Western Cape.

And, says Perold, he's following developments closely on the proposed new transmission accounts — a field in which the new bank could prove a tough competitor.

FM 9/6/78

CONGLOMERATES (232)

US and SA compared

To the extent that SA conglomerates copied US practice, they were formed for all the wrong reasons. At least, that's one of the interesting side conclusions of Ian Macgregor, in his doctoral thesis on acquisitions and mergers in SA, 1961-1975, for the Wits Graduate School of Business (*Finance* May 26).

Macgregor restates the main reasons advanced for US conglomerate growth:

- Anti-trust pressures, which by hindering vertical and horizontal integration made conglomeration the only feasible avenue of growth by merger;
- Tax laws that supplied the incentive to merge;
- Easy credit — a money supply that expanded faster than real economic growth, enabling companies with slender resources to take over huge corporations with "Chinese paper";
- A high level of market sophistication permitting speedy and secret acquisition of many a loosely held share;
- The pursuit of rapid and uninterrupted growth in earnings per share as a central objective of conglomerate policy; and
- The "High Multiple Myth" — the belief that a company whose shares sell at a high earnings multiple because of a steep historic growth rate can maintain this position indefinitely by issuing shares to acquire companies with low multiples.

None of these factors, says Macgregor, existed in SA. Well, perhaps; but there were certainly those in the late Sixties who behaved as if the High Multiple Myth, in particular, was a naturalised citizen of Hollard Street. And although, as the accompanying tables show, the picture is very different if one looks at the value of acquisitions rather than their number, half of the most active acquisitors in 1961-1975 were avowed conglomerates, and some of the rest behaved as if they were.

The subsequent misfortunes (even if, in many cases, the reverses may still turn out to be only temporary) of the four most active acquisitors certainly lends substance to the suggestion that conglomeration, almost by definition, is self-destructive.

The successful acquisitors, long-term, seem to be those who pick big, but few, opportunities. The point is hammered home by the unholy botch-up made by [illegible] of the otherwise most successful, SA [illegible]eries and Barlow Rand, when they [illegible]yed the conglomerate trail via the late and very unlamented Barsab

TEN MOST ACTIVE ACQUISITORS

Company	No of acquisitions	Total value (Rm)
Protea Holdings	22	43.5
[illegible]	19	32.4
[illegible]	13	37.1
Slater Walker (SA)	13	59.0
Barlow Rand	12	112.5
A[illegible]col	11	[illegible]
FSNB [illegible]	11	5.8
[illegible]	10	10.5
[illegible]	10	[illegible]
[illegible]	9	4.0

TOP TEN ACQUISITORS BY VALUE

Company	No of acquisitions	Total value (Rm)
SA Breweries	–	255.0
[illegible]	–	247.0
[illegible]	1	[illegible]
Barlow Rand	12	112.5
[illegible]	6	111.[illegible]
[illegible]	6	44.9
Slater Walker (SA)	13	59.0
Premier Milling	6	48.[illegible]
[illegible]	3	44.1
Protea Holdings	22	43.5

CHAPTER 6. RECOMMENDATIONS AND CONCLUSIONS

Whether or not the migrant labour system lies at the heart of the problem of contract labour housing, is a highly relevant political question. It is however not within the scope of this paper to present the arguments on this question. The migrant labour system is accepted in this paper as a de facto situation and whatever one's political persuasion the housing problems it has created cry out most urgently for attention.

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CAl NS 1972, AS AMENDED

MERGERS (232)

Undue delay FM 9/6/78

One of the major weaknesses of merger activity in SA revealed by Ian Macgregor's researches (*Finance* May 26 and this week) was the time taken for mergers to be completed Another unenviable addition to the list of excessive delays will be the Charmfit-Seardel merger, discussed in *Fox* last week

Tucked away in the small print of the announcement, dated May 30, is a statement that "meetings to give effect to the implementation of the scheme will be convened as soon as possible" after Charmfit's audited statements for the year to June 30 are available

They are not expected to be available until early September So by the time the documentation is prepared and the necessary notice given, it will be at least the end of September before the meetings can be held, and probably mid- to late-October, at the earliest, before Charmfit shareholders are paid out

First news that a merger was planned came on May 19, and the terms were announced — promptly enough — on May 31. But from then to finality looks like taking another five months

Charmfit shareholders can, of course, sell their shares on market in the meantime, and the current price is close enough to the offer price for this to make little practical difference But a delay of this extent certainly would not be tolerated on most sophisticated capital markets

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o conform to these standards. The photo-

s' dormitory-shed in Langa illustrates

Sanitation:

For every 12 men living in 'residential and institutional occupancies' there must be 1 water-closet pan and 1 bath or shower.3/ It is a criminal offence for a person to allow more people to occupy a building than the sanitary regulations cater for.4/ In general no person may erect any building which is unhealthy or insanitary.5/ There is no doubt that a considerable number of the single men's quarters are in serious breach of these standards. Mention may be made of the most glaring examples: the Langa Barracks, the ground floor accommodation of the Flats, and the employers' dormitory-sheds in Nyanga.

Grinaker praat met Racall

RAPPORT 11/6/78

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VRYDAG se opskorting van die aandele van Grinaker Holdings op die Johannesburgse Effektebeurs omdat onderhandelinge oor 'n nuwe aankoop gevoer word, lê waarskynlik by samesprekinge deur Grinaker met een van die grootste elektroniese maatskappye in die land, wat van oorsee beheer word.

'n Goeie raaiskoot is dat dit Racall Electronics is met wie gesels word.

Grinaker sit volgens sy jongste gepubliseerde state met 'n beskikbare kontant van meer as R10 miljoen, wat hy waarskynlik alles nodig sal hê as hy sy huidige samesprekinge vlot verloop.

Dis nogal interessant dat Volkskas-Aksepbank, wat namens Grinaker optree, met sy stigting sowat 'n jaar gelede as eerste transaksie vir Fuchs Electronics by Barlows help bring het. — Willem Laubscher.

Page No.

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Grinaker bids FM 16/6/78

In an interesting diversification move, Grinaker is expected to bid R10m for the unlisted but highly profitable Racal SA, the electronics group which has substantial SADF contracts as well as a foothold in the mining business.

ACKNOWLEDGEMENTS

Francis Wilson read and gave valuable advice on the drafts of this paper. Valuable aid was provided by Rick Granelli of Urban Problems Research Unit, who also wrote the concluding section on Family Housing. Ronnie Levitan of Urban Problems Research Unit took all the photographs. Farouk Stemmet drew the Figures and did the additional map work. Ken Behr of the U.C.T. Geography Department, reduced the maps for publication. Eileen Hughes and Valerie Firth did the typing.

I am grateful also to the Bantu Affairs Administration Board and its Black and White officials who provided me with information and directed me around the townships. I am grateful too, to the contract workers who gave me access to their quarters, and provided additional information on their housing conditions.

This report dovetails with the wider study of Black housing in Cape Town being undertaken by the Urban Problems Research Unit at the University of Cape Town.

PHOTOGRAPHS BY: RONNIE LEVITAN

Grinaker Holdings is offering "just under R10m" for Racal Electronics of Pretoria, a subsidiary of Racal UK, say sources close to the deal. Racal apparently makes R3,5m before and R2m after tax, so Grinaker is offering about five times earnings. I understand net assets are about R7,5m. The deal has been approved in principle by both sides and is expected to be sewn up within two weeks

While a history of unlisted Racal SA is not available, on the face of it, Grinaker has a good deal. Most of Racal's sales are to the government, so long-term demand for its products seems fairly assured. The group's speciality has been communications electronics and in particular back packed radios. In addition, it produces a new radio that miners can use underground.

There's no question, I'm told, of Racal losing management or technical know-how once the UK company disengages Most of Racal's present management and technical personnel is South African and will stay on after the acquisition. Dave Larsen and his management team will retain the small stake they have in Racal SA. Much research has been done locally and Racal SA has been an exporter of technology not only to the UK parent but to other foreign buyers as well.

The deal represents a diversification out of construction for Grinaker, which, like M&R, D&H and Group 5, seems to have taken the view that the construction industry will not return to former heights in the near future All are diversifying with cash which is still flowing from big contracts started years ago.

Volkskas Merchant Bank is acting for Grinaker and Hill Samuel for Racal. Senbank is known to have run strenuously for the brief from Racal and actually submitted proposals. But Hillsam's UK connections and past dealings with Racal seem to have swung it.

Indications are that Grinaker's earnings will benefit to the tune of R717 000 or 15c per share. Grinaker earned 75,8c per share in the year ended June 30 1977, so Racal should provide a 20% boost. Grinaker's half time forecast was for "an improved taxed profit at the year end despite a heavier tax burden," so earnings other than those from Racal look secure.

If the market will also pay five times earnings for Racal, the Grinaker share price should gain 75c on relisting. It was suspended at 295c, so a rise to 370c looks possible. This would put the share on a yield of 8,4% based on last year's 29c dividend.

Grinaker's February interim statement said it did not expect to raise the total for the current year. But with a full contribution from Racal in the year to June 30 1979, a total of 33c-35c seems possible At 370c this would put the shares on a minimum 8,9% yield, which looks reasonable.

David Carte

GRINAKER FM 30/6/78

Undervalued

(232)

Of the R8,6m cash consideration Grinaker is laying out for the acquisition of Racal Electronics SA (Resa), the goodwill content is R2,66m. While this reduces Grinaker's net asset value by 14% from 393c to 338c per share, retained earnings from the existing operations should restore net assets to above 400c per share by the end of this month, the end of its financial year.

Over and above the net purchase consideration Grinaker will assume additional gearing in Resa to the tune of R3,4m. This is made up of R770 000 of preference shares that Resa's UK parent will redeem and the repayment of R2,6m of loans to the parent. This latter figure arises essentially from an adjustment in the creditor relationship with the parent.

The ultimate gearing of the enlarged group must await the pro-forma accounts due to be published in the formal offer document and will largely depend on the gearing inherent in Resa But the simple cost of the acquisition will put no strain on Grinaker's finances. The latest available balance sheet (June 1977) showed cash balances of R10m Against that capex for the current year is put at R7,4m, all but about R1m of which should be funded from retained earnings.

Long-term borrowings were only R2,8m against net assets which must now be in excess of R19m After assuming the extra liabilities in Resa, new cash that Grinaker must find is exactly the amount it is planning to raise by way of a pref issue to be underwritten by Volkskas Merchant Bank — R3m

The acquisition effect on earnings is to add R900 000 or 19c a share. At the halfway stage Grinaker earned 50c (35% up on the previous period) which was a repeat of 1977's second half. For the full year to June 1978 the group must be expecting around 100c. If the Resa earnings are added, then the current 370c share price is valuing earnings at just three times. About 25% of these earnings will now represent the Resa contribution

Inside Mail

SA will change itself — Michener

RDM 19/7/78

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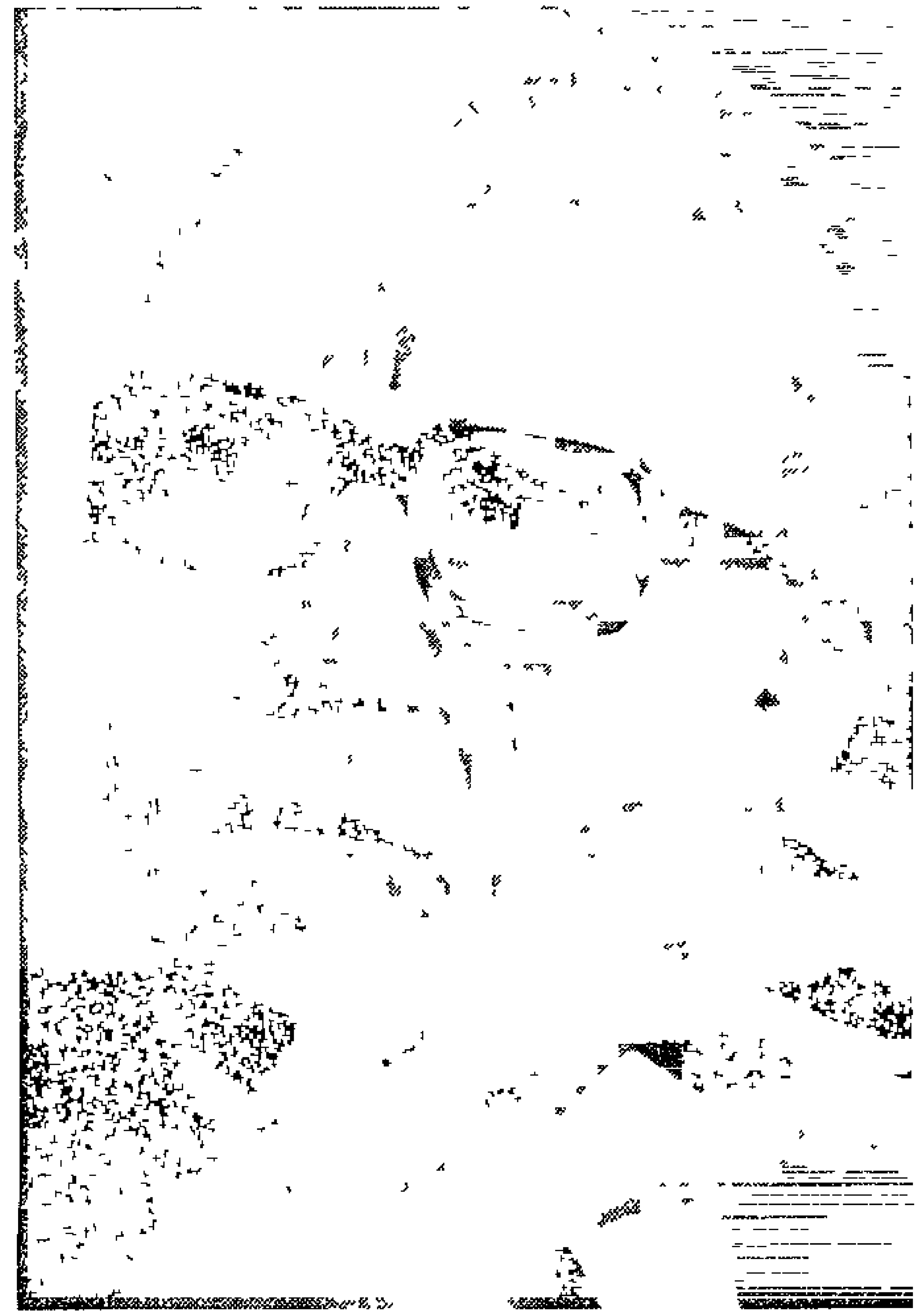

James Michener . . . "Carter is my boy".

CHUCK MITCHELL

JAMES Michener always thought of himself as a politically-aware person, until he "slept through" the collapse of the Portuguese empire in Africa

"Talk about surprise," the author of such epic novels as "Hawaii" and "The Source" said "Probably the most surprised man in the world following the collapse of the Portuguese colonies in Mozambique and Angola was me I lived in Mozambique for several years prior to the revolution there and I never thought it would go I simply did not foresee it but in retrospect I can't see how I could have missed it "

And, according to the 71-year-old author, his lack of foresight has cost him a great deal of confidence

"I no longer have great confidence in my political judgments," he said "But, then, I am not in South Africa to make political judgments As they say in the navy I am just 'conning' the territory

"I am more interested in the history of this country up to 1902, with a view to writing a book " Mr Michener said "Research is the most vital and hardest part of writing You can only learn so much in a library and what you learn there is subjective anyway because someone else has written it You have to get a feel for the place "

So to get his own personal feel for South Africa Mr Michener said he will spend most of his time here "in the boondocks"

"I want to follow the route of the Great Trek and study some of the commando actions of the Boer war "

But why come to South Africa now to do an historical work when so much is happening on the current scene?

"The Afrikaner is unique and not well understood in America Without understanding him it is hard to make judgment on current affairs I hope to shed some light on how the Afrikaner got to where he is

"South Africa is inherently interesting because of the decisions it must now make about its future and the Afrikaner is the one who will make those decisions "

But what about English South Africans? Are they not important too?

Mr Michener replied smartly "The English settled in America The same type of person you find in Cape Town or Durban can also be found in Boston or Philadelphia "

But as the interview continues it becomes difficult to leave current politics out of the conversation

"An outsider isn't qualified to shoot off his mouth about South African politics, he doesn't know enough," Mr Michener said

So he qualified his statements as being personal from an American viewpoint

He deplored the deteriorating relations between South Africa and the United States "They ought to be corrected," he said But the Carter administration is not to blame for the strained relations according to Mr Michener

"Carter is my boy, so to speak," he said He worked hard for President Carter during the key Pennsylvania primary election in 1974 and feels partially responsible for his victory over Gerald Ford

"But regardless of whether Ford or Carter was in power, it would be impossible to keep South Africa out of the spotlight because of the fall of the Portuguese empire and the acceleration of the war in Rhodesia I feel the Carter administration inherited the situation It didn't cause it "

Asked what changes should be made to help relations between the two countries, Mr Michener said concessions should be made by both sides South Africa had one lesson to learn — a lesson that the United States learnt the hard way

"America would be impoverished if it hadn't allowed all its people to use their talents You cut yourself off from so much if a whole group of people are excluded from contributing to a country It is a case of not only those that are excluded losing but everyone losing," he said

For the future Mr Michener said he saw a parallel between South Africa's position and the one the United States found itself in in the late sixties and early seventies

"Leaders of the radical element in America tried to force confrontation and were successful like at Kent State in 1970 Violence was the only way to create change but suddenly the country decided 'hey, that isn't the way we want to go'

"The people diffused the police and the radicals at the same time The attitude change comes from a moment of revelation That revelation will come to South Africans as well "

But the author adds "South Africa could be in bad shape if this revelation comes and is not recognised because the people have little say in how the country is run People see things more clearly than governments " he said

CAPE TIMES 6/7/78

SA motor giants in R30 million merger

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By BRIAN GROBBLER
Motoring Editor

ANGLO AMERICAN-OWNED Sigma Motor Corporation and Peugeot South Africa were yesterday "married" in a R30-35m deal that should next year see Sigma the top passenger car manufacturer in South Africa, above such foreign gaints as Ford and Volkswagen.

Sigma, which came about as a result of a R100m merger between Illings Mazda and Chrysler SA 18 months ago, also announced yesterday that it was "still negotiating" with Leyland SA, but that the proposed takeover deal had "not crystalized"

The latest takeover in the motor industry was announced at a press conference at Anglo American headquarters in Johannesburg by Mr Chris Griffiths, chairman of Sigma

In April, Mr Griffith predicted that by 1980 there would only be five or six of the 14 motor manufacturers left in South Africa Last month Mr Colin Adcock, managing director of Toyota SA, said he agreed with Mr Griffith "if Anglo American buys out all the other motor manufacturers"

300 vehicles a day

It would seem that Sigma is now on a buying spree that could see Sigma Park (formerly Chrysler Park) in Pretoria become the centre of the South African motor industry, producing about 500 cars a day – the original target set by Chrysler when it set up the R25m manufacturing plant 10 years ago Current production is about 300 vehicles a day

The Peugeot takeover was announced by Mr Griffith and Mr George Ward, managing director of Peugeot/Citroen SA Mr Griffiths said the deal had been finalized for Peugeot products to be made by Sigma with effect from January 1, 1979, but that negotiations still had to be concluded with Citroen in France This would not be done till about September, when he (Mr Griffith) visits France to meet Citroen officials

Mr Griffith told the press conference that Sigma's investment in the local motor industry was now R130m, and "we view the marriage of Sigma and Peugeot as extremely important – a milestone in our development and our interest in building a strong South African company with relationships with motor manufacturers all over the world We are satisfied with the Peugeot product and there is no doubt we will benefit from the cost saving.

"The rationalization between Sigma and Peugeot is in line with the policy of Minister Heunis, and Sigma has become identified with rationalization in the local motor industry"

"No damsel in distress"

Mr George Ward, who once headed Ford Rhodesia, said the Peugeot takeover was "a wedding and not a funeral Peugeot was an attractive bride which had to have a prince charming, but was no damsel in distress We are very happy with the arrangement"

Just before the press conference, Mr Ward spoke to the 1 700 white and black workers at the Peugeot/Citroen manufacturing operation at Natalspruit, near Johannesburg He said the French company was extremely generous and was taking its social obligations seriously – some R1,7m would be paid out in a "golden handshake" compensation Those employees who wanted to could apply to be taken on at Sigma

3.2.2 Agricultural exports

In S.A., mineral discoveries initiated a process of export led growth. Moreover, given that S.A. is not naturally well-endowed agriculturally, it seems unlikely that agriculture has made a significant contribution to export led growth. In the previous section, it was shown that food imports have been small so agriculture has not been a lagging sector. The proposition that this sector has played an important supporting or balancing role by providing foreign exchange without which a serious constraint on growth would have undoubtedly become operative (39) will be examined.

The net contribution of agriculture to the current account of the balance of payments is shown in Table 6. While the overwhelming importance of mining (gold and other minerals) is clearly visible, it appears that agriculture has also made a significant contribution. Total net negative contributions are accounted for largely by secondary industry. From this, Brand concludes that "agricultural products have performed an essential permissive function by obviating foreign exchange constraints, which in their absence may well have inhibited development. If agricultural exports cannot claim to have been S.A.'s engine of growth during the twentieth century, at least they have helped to provide the lubricant without which the engine may have ground to a halt."(40)

TABLE 6 - Absolute and relative net contribution of agriculture, forestry and fishing to the current account of South Africa's balance of payments, 1948 to 1964

Year	Total positive net contributions[1]	Net contribution of agriculture, forestry and fishing		Total negative net contributions	Total
		Absolute value	Percentage of total		
	R million	R million	%	R million	R million
1948	..	11	..	..	..
1949	..	60	..	..	..
1950	..	80	..	..	..
1951	..	108	..	..	..
1952	..	142	..	..	..
1953	..	133	..	..	..
1954	..	133	..	..	..
1955	..	152	..	..	..
1956	669	161	24.1	-669	0
1957	738	178	24.1	-749	-11
1958	655	129	19.7	-808	-153
1959	779	144	18.5	-613	166
1960	781	129	16.5	-760	21
1961	888	182	20.5	-685	203
1962	982	222	22.6	-671	308
1963	1,053	237	22.5	-905	148
1964	1,115	249	22.3	-1,171	-56

Sources For 1948 to 1955, Swanepoel, op. cit., p.254, for 1956 to 1964, J.C. du Plessis, op. cit., pp. 329-40.

1) In addition to agriculture, forestry and fishing, contributions here are mainly from mining, which in turn means mainly gold mining.

Source: Brand (1968) p15

(39) Brand (1968), p.8 (40) Brand (1968), p.15

3.2.3. Forward and backward linkages

(a) Forward linkages - The forward linkages from agriculture are difficult to evaluate due to the lack of information Brand concludes (41) that they have been small.

(b) Backward linkages - Of the inputs into agriculture of

Sigma takes over Leyland SA

CAPE TIMES 20/7/78 ~~1978~~ 232

By BRIAN GROBBLER
Motoring Editor

ANGLO AMERICAN-OWNED Sigma Motor Corporation yesterday took another R100m bite of the South African motor manufacturing cake by announcing that it and British Leyland had agreed to it taking over the entire operations of Leyland SA on a 51-49 share holding that will give Sigma an additional R180m annual turnover

Sigma and Leyland will merge on their truck, bus, tractor, construction and mining activities on October 1, and Sigma will take over the distribution of Leyland cars and move the car plant from the Cape to the Transvaal during the next 12 months.

The latest Sigma "buy-out", which was expected from the motor industry, comes 18 months after the South African company which was then Illings Mazda merged with Chrysler South Africa in a similar R100m deal, with Sigma taking 75 percent of the shares.

Last month Sigma and Peugeot South Africa were "married" in a R30-35m deal in which it was agreed that Sigma would manufacture all Peugeot models in this country.

Thus, in less than two years, Sigma has invested more than R250m in acquiring three of its competitors in a giant "rationalization" programme.

For the Western Cape it means that it will lose its last car manufacturing plant, the Leyland operations at Blackheath where Jaguar, Rover, Marina and Mini cars are made Chrysler moved from Elsie's River to Pretoria more than 10 years ago But there is not likely to be much lay-off of the 2 600 workers as Sigma will be moving its Mazda commercial vehicle operation to Blackheath in "an orderly transfer of the Leyland passenger car production to Sigma Park"

The joint statement by Anglo American Corporation and BL yesterday said the agreement was subject to final negotiations with the SA Government

A spokesman for Sigma told me from Pretoria yesterday that all Leyland dealers would be cancelled in due course and would have to re-apply for franchises to Sigma Leyland – in the case of the local Leyland dealer, Robb Motors The other part of the group is already a Sigma dealer

He said that the 2 600 workers at the Blackheath plant were not likely to be seriously affected as the passenger car manufacturing operation will be phased out over the next 12 months while the Mazda commercial vehicle operation will be phased in.

... responded to the rural-u... ...ential have been more than compensated for by an increase in the employment of Africans up to 1971. Despite increased mechanisation since 1940, the labour force in capitalist agriculture did not decline absolutely until 1971, so that capital intensification has been yield increasing

(41) Brand (1969), p. 186 ff (42) Lipton (1975), p.5
(43) du Plessis, p. 22-23 (44) du Plessis & Swanepoel, p.6

SIGMA/LEYLAND MERGER FM 21/7/78 ~~192~~ 232

Anglo in the driving seat

At last, after months of rumour, soothsaying, predictions and smokescreens, we've been put out of our misery. Anglo has taken over Leyland And Sigma becomes the undisputed king of the motor industry.

It is a very interesting deal which exemplifies rationalisation in its true sense. A new company, Sigma Leyland, will from October 1 handle the combined commercial vehicle side. Shareholding will be 51% Sigma, 49% British Leyland

Sigma Motor Corporation (still owned 75% by Anglo and 25% by Chrysler), will take on all the passenger cars at its Pretoria plant — Rover, Jaguar, Marina, Mini, Mazda, Colt, Chrysler, Peugeot and Citroen.

A gradual process

It won't happen overnight, of course. But by the end of next year the Sigma plant will manufacture passenger cars only, while commercial vehicles, buses and tractors will be made solely in the Cape at the (Leyland) plants in Elsies River and Blackheath.

The commercial range will include Leyland truck, bus and tractor products, Mack trucks, Mitsubishi Fuso trucks, Land-Rover, Aveling Barford and Komatsu construction and mining equipment, Hitachi excavators and mobile cranes, Ameise and Komatsu material handling equipment, Ditchwitch trenching machines, Michelin passenger and earthmover tyres and a host of other specialised vehicles and equipment.

The wisdom of the move is self-evident The switch of Leyland's cars, as well as those of Peugeot and Citroen (following the Pacsa deal two weeks ago), to Pretoria will bring plant utilisation there up to near optimum level. Likewise with the transfer of Sigma's commercial vehicle interests to the Cape plants. The Mack assembly plant at Uitenhage, employing about 180, will close.

Sigma Leyland will be chaired by Chris Griffith. Leyland's departing MD Peter Murrough (see *Profile*) will be on the board. Other board nominees from Anglo and British Leyland will be "announced in due course."

This leaves wide open the question of who'll run the new company. Sigma itself hasn't got an MD and Griffith constantly calls the shots. Richard Newby has taken over from Murrough in an acting capacity, but there's no indication whether he'll step into the Sigma Leyland top slot (though it would make a lot of sense)

Further questions arise over the Leyland car range Apparently Sigma will manufacture and assemble (in the case of Jaguar) them on a "contractual basis" and will also handle distribution. If this is so, it puts British Leyland in n., h the same position as any of the other overseas "source" companies which supply the SA market.

Therein may lie the key to the deal, and to why, on a redistribution of assets basis, Leyland — the stronger company in commercial vehicles — has taken the minority holding Leyland itself says: "A relatively small amount of money will change hands, being the amount of money required from Sigma by British Leyland to adjust the shareholdings"

It appears fairly clear that British Leyland would prefer *not* to control a motor company in SA. Politically the new arrangement makes it more able to counter UK pressures to disinvest here Murrough told the *FM* some months ago that BL sells around R50m of parts and equipment a year to the SA company. Under the Sigma deal, it will continue to do so, plus reap the benefits of increased market share and improved profitability that the rationalisation must surely bring about

Motor mogul Griffith . . . in top gear

It is estimated that Sigma Leyland will secure some 25%, or an annual turnover of R180m, of the total bus and truck market. Assets will exceed R100m

Figures on the car side are very much the same. Based on first six months of the year sales figures, the car model ranges of Sigma, Pacsa, Leyland combined would command just short of 25% of the market On last year's retail sales turnover estimates, the new grouping's turnover is about R185m.

That's motoring

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Fei J C H and Ranis, G (1961) A Theory of Economic Development in C Eicher and L Witt (ed) Agriculture in Economic Development. McGraw Hill (New York, 1964)

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(1) 232 ~~186~~

FM 21/7/78

C G SUGAR

Two deals

C G Smith Sugar chairman Frank Jones announced two major acquisitions at this week's agm in Durban.

The company is buying Smithchem (Pty) which produces furfural at Sezela from parent C G Smith & Co for R3 550 000 "financed from the group's current cash resources." Last year, Smithchem made a R362 000 profit and said Jones, "whilst the acquisition is not expected to have any significant effect on the net asset value nor any immediate favourable impact on earnings per share it is, nevertheless, a sound long term investment."

Second, C G Sugar is buying, jointly with Tongaat, Melville Sugar Estates [illegible] an Amic subsidiary held through Mondi [illegible] for a total of R7m, of which Smith['s] half share will also be financed from its own resources.

The Melville mill, which produced 41 236 t of sugar, or 2% of the industry's total last season, will be closed down as soon as possible and its cane supplies will be diverted equally to Gledhow and Tongaat. Jones notes that "The additional throughput at our Gledhow mill will yield sufficient marginal profits for the group to make the investment an attractive one, more particularly in the present conditions of restriction in the industry."

C G Sugar and Tongaat will thrash out the division of fixed assets, including

(2)

C G Sugar's Frank Jones: how high is pr[illegible]?

2 162 ha of registered cane land, over next few months.

Referring to C G Sugar's investment in the parent company, Jones told [share]holders that "Assuming [illegible] maintains its dividend rate and payment [illegible] our income from this source will be [illegible] by R749 000 to R[illegible] 060 000." The dividend was reduced last year from R[illegible] to R23 a share. C G Sugar's first crop estimates are that production will be 83 000 t — down on last year's 692 000 t [illegible] about 75 000 t of the drop is due to output restrictions.

Factory performances for the current season have shown further improvement and five of the company's six mills are exceeding the industrial recovery [illegible] their recoveries and we are ahead of budget with our crushing programme," Jones told shareholders. "What does all this add up to in terms of dividends? Taking into account the inherent strength of the group your directors will endeavour to keep the level as high as is practical,"

(3)

declared Jones. C G Sugar hit a new low of 135c this week — an historic yield of 17,4% and a prospective yield of 11,6% on the FM's suggested 50c dividend.

Michael Brown

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Food for thought

SA's basic food companies are seeking new pastures. With good reason, it seems

FM 21/7/78

Food giant Premier Milling last week bought the well-known Hillbrow book shop, Exclusive Books, and its sister company United Book Distributors (which represents Prentice Hall, Granada Paperbacks and other well known publishers in SA).

And talk is that Premier and its arch-rival Tiger Oats, have bought blocks of shares in Frasers, the wholesale and retail group specialising in soft goods and furniture.

A far cry from food, one may well say. But, then, the most notable aspect of both Premier's and Tiger Oats's development in recent years has been their moves into non-food sectors. Last year Tiger took over pharmaceutical leaders Adcock Ingram to add to its shipping and bulk handling interests and its 30% stake in Metro Cash & Carry wholesalers. Premier, through its subsidiary Westdene Services, controls the distribution of about three quarters of SA's medical books. It already owns bookstores in Johannesburg and Durban, not to mention a camera and calculator distributor, several liquor outlets, a travel agency and a pharmaceutical wholesaler.

So has mealie meal lost its punch? Do the diversifications mean that food is no longer a growth industry? If so, what openings are left to Premier and Tiger, not to mention basic foods newcomer Federale Voedsel (Fedfood)?

In his latest annual review Premier chairman Joe Bloom noted that the food industry is not immune to "the effects of high unemployment and resistance to higher prices." It's well known that Premier and Tiger's vast poultry and egg operations have taken a beating, though they are now recovering. The two firms are fighting an expensive battle over pet food. Even bread sales have shown no real growth in the past year.

As Premier's economic adviser Dr Stephanus Smit put it: "When you've got a big slice of the market, growth is difficult." Fedfood MD Johan Louw adds: "The potential in the food industry is now limited."

It's not only [illegible] that is holding back the growth of private enterprise in the food sector. For a start, several of the products involved are price controlled — such as wheat.

Farm co-operatives are nipping ever more fiercely at the heels of private enterprise. [illegible] Sentraal-Wes, for example, is into maize milling [illegible], poultry feed manufacture, seed and [illegible] processing and [illegible] packing. Its [illegible] division earned R4,5m from exports last year.

Join them, says Fedfood

"We're not competing on equal terms with the co-ops," complains one industry executive. Another, however, shrugs off the threat: "We've been living with them for 40 years and will continue to live with them. What they get in favours, we can make up in efficiency."

If you can't beat them, join them. That's Fedfood's philosophy. Bethal-based Oos-Transvaalse Ko-op (OTK) already has a 40% [illegible] in Fedfood [illegible] expressing [illegible] Noli Industries. The idea, says Louw, is to contain and control OTK — whose members provide Noli with various raw materials. And talk is that Fedfood has been casting a hungry eye on the 50% of Maizecor (the Pretoria maize millers and animal feed manufacturer) not owned by OTK.

Most agree that the Wheat Board's surprise decision to block Tiger's bid for the Ruto milling group last year has cast a shadow over future mergers and acquisitions. The effect should not be exaggerated, however.

Tiger Oats might argue that the rejection was a blessing in disguise. Had it coughed up R8,8m for 51% of Ruto, it may not have been inclined to find another R44m for Adcock Ingram.

Nonetheless, "everyone has taken note of the Ruto affair," observes one industry executive. The Mouton Commission revealed that four fifths of margarine and edible oil production is in the hands of just five firms. And while there are many (big and small) millers and bakers countrywide, in many towns one or two firms dominate the trade. Takeovers are thus inhibited.

The three giants of the food industry also see little chance of integrating themselves further backwards (into farming, crop handling and storage) or forward into retailing.

One group estimates that to buy out all the farmers who grow its wheat requirements would cost around R2bn. What's more, farming is a risky business, calling for different skills from manufacturing and distribution. Co-ops are unlikely to want to sell their silos or give up their lucrative handling and storage business, says Fedfood's Louw. One subsidiary, Bechmalt, already controls 18 wholesalers in Botswana and on the platteland. Adds Louw: "We've traditionally been in the country areas, but there is scope for expansion."

As far as manufacturing of basic foods and cereals goes, Premier and Tiger agree the future lies in the expansion and modernisation of existing facilities rather than in scooping up the remaining independents. One group argues it might have difficulty finding competent managers to run a bigger network of mills and factories. There are exceptions of course: Maizecor and Kempton Park based millers and cotton ginners, H Lewis, are frequently mentioned as possible takeover situations.

Observers reckon all three companies may not be averse to entering other food sectors. Talk is that Tiger showed interest in Simba Chips before Fedfood took it over last year.

"It is our policy to diversify into other food activities," says Louw. Moreover, he asserts, direct competition with Premier and Tiger would not be wise.

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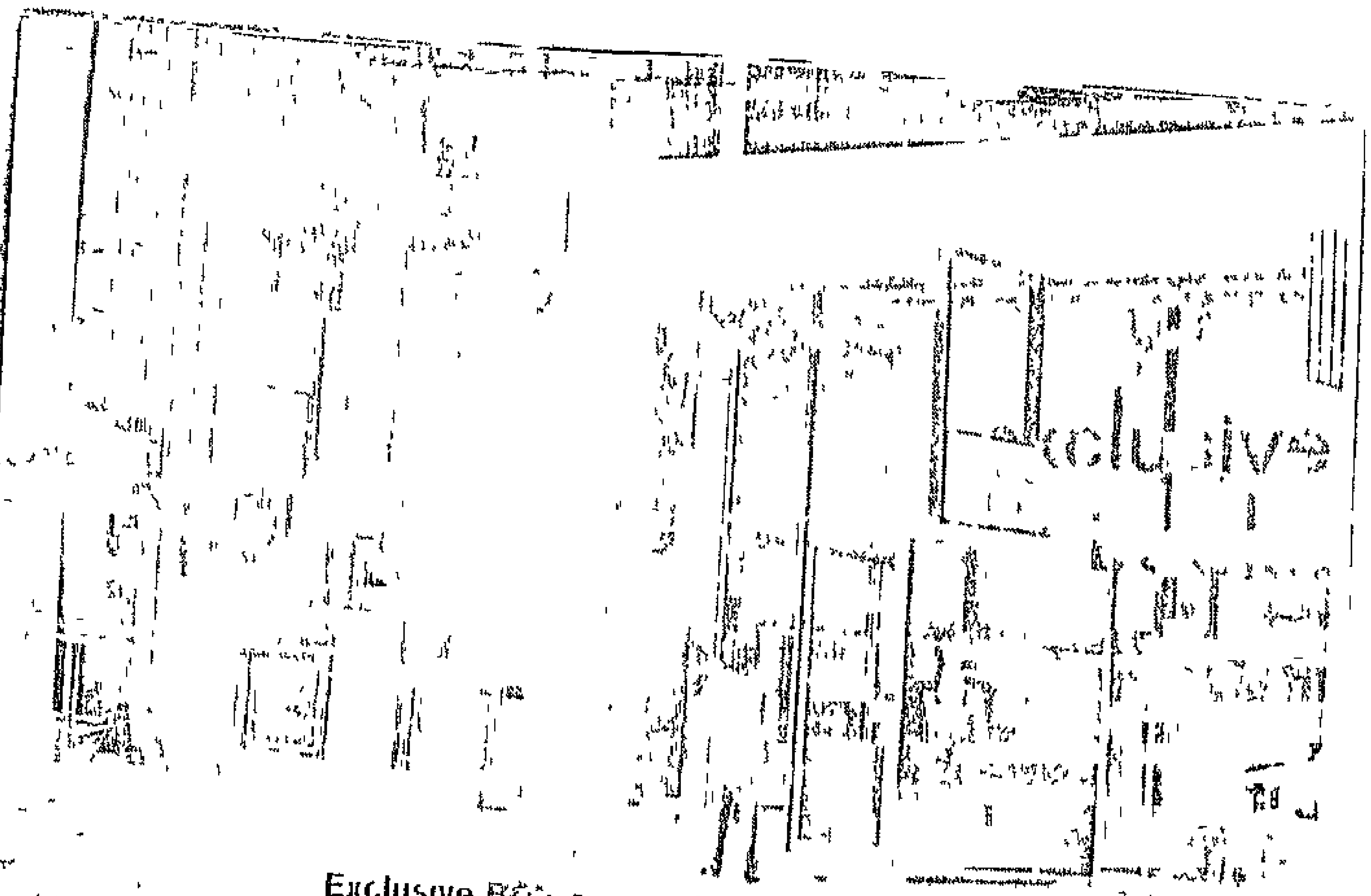


Exclusive B... a far cry from maize mills

Premier tried its hand at food retailing in the late Sixties through its stake in Gray Smith. At least one supermarket chain stopped buying from Premier, and Gray Smith now sells only liquor. "We don't want to compete with our customers," is the unanimous view of all three groups. As a top supermarket man puts it: "I don't think any of them would dare get involved in the food retail business."

Nevertheless, Tiger maintains its 30% share in Metcash, and Premier its indirect interest through its holdings of preference shares in Kinet (which has 50% of Metcash).

"We're doing some soul searching on wholesaling and retailing," comments ... We're going for the grey areas."

Some industry watchers reckon Fedfood may benefit from its establishment connections, through fish quotas, bakery licences and so on. But these links could also be to the advantage of the food industry as a whole in negotiations with government and control boards. One expert concedes that Fedfood "will grow faster than the industry average."

One of Louw's competitors takes a different view of Fedfood's expansion. "They've accumulated a lot of rats and mice. They'll have an uphill battle."

As for Tiger and Premier, most agree that their expansion into non-food areas has not stopped at pharmaceuticals, book stores and liquor outlets.

Argus 21/7/78 (232)

End of an era for city business firm

THE announcement of the sale of the prestige Stuttafords chain of department stores marks the end of an era in South African business that goes back for more than a century.

Since the first store was opened in Adderley Street by Cornishman Mr Samson Rickard Stuttaford, soon after his arrival in Cape Town in 1857, the business has remained in the hands of the Stuttaford family.

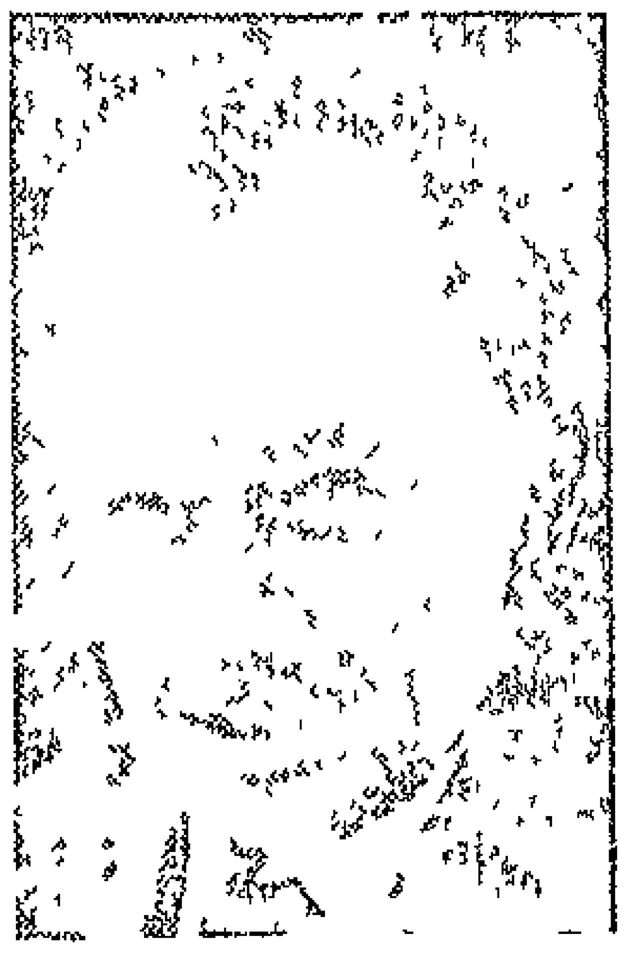
At the time the sale was announced a third generation Stuttaford was chairman of the company and a fourth generation Stuffaford was an executive director.

EXPANSION

And in the intervening years the company has expanded to include two stores in Cape Town, two in Johannesburg and one in Durban.

In an interview today the outgoing chairman, 68-year-old Mr Richard Bawden Stuttaford, told The Argus the reasons for the sale of the company.

"It's quite simple, really. We received a fair and reasonable offer and it seemed desirable to diversify the family's investments in the light of increasingly complex financial considerations.



Mr R B Stuttaford

SHAREHOLDERS

"Three of us are major shareholders — my brother Jack Stuttaford, my sister Peggy Murray and myself. But I am the only one directly involved with the business."

The chairman's son, Mr Richard Emory Stuttaford, 37, is not a major shareholder although he is an executive director. It appears likely that he will stay on after the switch to the new owners.

And as far as the buying public is concerned, there will be little if any noticeable change. It is understood that one of the conditions of the sale is that the new owner, mining magnate Mr Graham Beck, undertakes as far as possible to maintain the prestige and the image of the Stuttafords group.

HOLIDAY HOME

For Mr Stuttaford senior the sale means that he will be able to spend a lot more time at his holiday home in Hermanus and devote more attention to Garden Cities Trust, of which he is still chairman.

In his 45-year association with the Stuttafords group he has presided over major changes, including the rebuilding of the Adderley Street store and the establishment of the highly successful Stuttafords stores in Claremont, Cape Town and Sandton City in the Transvaal.

He considers that the development of suburban trading instead of an emphasis on central city areas was the most significant trend in his career.

(232) FM 21/7/78

STUTTAFORDS

Coal man into pantihose

What's a guy like Graham Beck, a dealer in coal mines, doing with "a little piece of Africana" like Stuttafords? Even his friends can't understand it. But he's bought it all on his own. No partners, he assures me, does he have in mind at the moment.

Beck, one of the great free-dealing capitalists of our time, has pulled of a spectacular, even bizarre, deal. For years, Stuttafords has seemed sacrosanct, protected by the old Cape family and a gentleman's voting agreement with Old Mutual. Like Table Mountain it looked impregnable.

The vast asset base, and the unutilised debt capacity, has attracted many others in the past. Scotts Stores' Des Scott tried with a plan to merge his Uniewinkels subsidiary into Stuttafords but failed to get approval from Old Mutual.

Beck's base for his assault was the legacy of an old strategic stake built up by Dudley Sanger, late of Wesbank. This stake was established in the name of SO Nominees, the old Schlesinger Organisation nominee company. When Joe Pamensky moved his office to the Trump's headquarters and with it S O Nominees' address, it was wrongly assumed at the time that the Trumps were behind the move. This time, if Beck is to be believed, not even his second cousin Mandy Moross is involved.

Winning over the Mutual

This 14% stake found its way into Beck's hands and with additional market purchases he took his holding to 349 000 shares (19,3% of the equity) which he has registered in the name of his coal company, the recently delisted Natal Ammonium. Ranged against this holding were Old Mutual with 26% and the Stuttaford family, in its widest interpretation, including the pension fund holdings, of a little over 20%.

There was always a certain amount of sentimentality attached to Old Mutual's relationship with Stuttafords, but in the final analysis, when Beck came up with 650c cash giving an exit at a 4,3% dividend yield and 13 times last year's earnings, the interests of the policyholders had to be put first. With Old Mutual won over, there was nothing else the family could do, but however reluctantly, capitulate.

Beck says he won't move rapidly to make changes. He will sit back and examine his options and get to find out more about what he's bought. But at the price he's paid he can't afford to wait too long before moving to unlock the book net asset value of 1 200c a share.

Graham Beck . . . new assignment for a fast learner

He has undertaken a commitment to retain the character of Stuttafords, but that won't, for instance, preclude him selling off the Van Lines division. His cost for the shares already committed is around R6m while his initial stake must have cost about R1,4m. If all other shareholders accept it will cost another R3,5m to put the total price tag at close to R11m That's an awful lot of cash for a single individual to commit.

Beck says. "I don't know anything about stores, but I can learn. Harry Oppenheimer knows nothing about cars, but he's spending R100m on Leyland. When it rains in Cape Town I'll go into the pantihose department and study form."

Richard Stuart

SIGMA

RAPPORT 23/7/78

Drama agter skerms

(222)

VANDEESWEEK se samesmelting van Sigma en Leyland Suid-Afrika sou in alle waarskynlikheid 'n ander vorm aangeneem het as Chrysler van Amerika wou saamspeel.

Mnr. Chris Griffith, Sigma-Motorkorporasie se voorsitter, het die laaste klompie maande geprobeer om die samevoeging van Leyland met sy maatskappy onder die groot sambreel te laat plaasvind.

Maar Chrysler wou nie kopgee nie, want die Amerikaners se beswaar was hoofsaaklik gemik teen Leyland se Land Rover wat in Suid-Afrika aan die Weermag en Polisie verskaf word.

Daarom het mnr. Griffith uiteindelik geen ander keuse gehad as om 'n tweede motoronderneming van stapel te stuur nie. Die nuwe, wat op 1 Oktober begin funksioneer, heet nie Sigma Leyland en hiervan is hy ook voorsitter.

Die verdeling in die Sigma-Motorkorporasie is 75 persent vir die Suid-Afrikaanse onderneming en 25 persent vir Chrysler van Amerika. In die Sigma Leyland-opset is die verdeling 51-49 in Sigma se guns.

Maar laasgenoemde maatskappy is 'n suiwer Suid-Afrikaanse onderneming wat die plaaslike Leyland-opset se hande in alle opsigte losmaak van British Leyland.

Citroën

Die jongste samesmelting, wat deur Sigma aangevoer is, is 'n aanduiding van die intensiteit waarmee die Regering se beleid van rassionalisasie toegepas word. Die verwagting is dat mnr. Griffith binne enkele weke ook die finale besluit betreffende die Citroën se toekoms in die Republiek sal aankondig.

Met die samesmelting tussen Sigma en Leyland het eersgenoemde nou sonder twyfel Suid-Afrika se grootste vervaardiger van motors en handelsvoertuie geword. Volgens die jongste beskikbare syfers is Sigma se markaandeel vir passasiersmotors nou 'n raps meer as 22 p.s. en vir swaar voertuie in die omgewing van 40 p.s.

Dit is geen geheim in die plaaslike motorbedryf nie, dat Sigma deur sy mededingers letterlik gevrees word sover dit die vervaardiging van swaar vragmotors betref. En hierdie trokvrees is te danke aan die koms van die Mitshubishi se Fuso-vragmotors.

Heel beste

Aanvanklik het Sigma se mededingers gehoop dat indien Leyland onder die Sigma-sambreel plek kry, daar afgesien gaan word van die planne om die Fuso-vragmotors na Suid-Afrika te bring. Maar 'n Sigma-woordvoerder het 'n paar dae gelede bevestig ...

Fuso-vragmotorreeks, beskou as van die heel beste beskikbare produkte. Die verwagting is dat hierdie luukse Mitshubishi-produkte in die Republiek ewe gewild en gedug sal wees.

Die samesmelting van Sigma en Leyland het geen ekstra kapitaal die afgelope week gevorg nie, aangesien beide maatskappye oor voldoende fondse en bates beskik het om die nuwe bedeling te finansier.

Net 'n „geringe bedrag" is landuit — na British Leyland. Die bedrag is nie bekend nie, maar 'n Leyland-woordvoerder het gesê: „Dit was nie veel nie."

INSURANCE — 1 (323)

Sanlam's merger (232)

FM 28/7/78

The merger between Homes Trust Life and Metlife was a predictable rationalisation of Sanlam's insurance interest following its recent purchase of Metlife from Trust Bank

Homes Trust was already owned by Sanlam, and it is planned that the amalgamation will include Homes Trust subsidiaries, Dove Insurance Corporation and Saffas, (SA Federation of Funeral Assurance Societies) So there will now be only two insurance companies in the fold

The combined assets of the new group yet to be named, will be nearly R250m, making it the eighth largest life assurer in SA, with a net premium income of R53m

The new group's management team will have Dr A D Wassenaar as chairman and J H (Johann) Sohnge, at 39 one of Sanlam's outstanding younger executives, as MD

The other executive directors are Homes Trust's GM, I A (Fanie) Jacobs and deputy GM, E D K Franck, and Metlife's MD, David Bloomberg

Sohnge foresees one of the main advantages as savings in costs, while the two companies should complement each other Metlife, an erstwhile proprietary company with a go go image should have a lot to contribute to the (much larger) Homes Trust, with its large funeral insurance business, and premium income some three times that of Metlife It is expected that the new company will continue to operate in all fields, including funeral and industrial insurance, where Sanlam doesn't operate

The terms of the merger have still to be worked out and will then have to be submitted to the Registrar and are subject to confirmation by the court By the time all the legal and technical formalities have been sorted out, and the Registrar's requirements met, Bloomberg predicts that the "physical merger" will only take place next year — at least 8 months hence He has told his staff he doesn't expect any redundancies Jacobs doesn't either

Meanwhile, it's "business as usual" for both companies

GRINAKER FM 28/7/78

Electronic growth

(232) (199)

Racal UK will repatriate R5,2m of the R7,5m proceeds from the sale to Grinaker of its SA subsidiary, Racal SA (Resa), in free rands by way of a dividend.

The move already has exchange control approval and could lend weight to speculation that the sale was prompted by government, intent on the localisation of strategic industry. However, the deal was in the interests of all parties. Racal UK, with important Middle East and African defence force customers, not to mention UK sensitivity to "arms deals" with SA, will have been a very willing seller. Grinaker needed a profitable diversification.

Though there is unofficial talk that the balance of R2,3m might be left in SA, there seems little point as far as Racal UK is concerned. Likelihood is that the funds could stay here for a while until the securities rand rate improves.

Grinaker is to pay R8,6m for all of Resa, R1,1m of which goes to the directors and other minority shareholders who together hold 12%. In addition, Grinaker will repay loans totalling R2,4m and redeem pref's worth R770 000.

Grinaker had R10m in cash before the deal but will use only R5,6m of this, using a R3m pref issue privately placed with Volkskas Merchant Bank to finance the rest. A *pro forma* balance sheet published in this week's circular shows that Grinaker remains comfortably geared even after the deal with total net borrowings plus the prefs amounting to only 31% of equity

The circular also reveals Resa's spectacular growth of the past five years. The company got into gear in 1975, when pre-tax profits rocketed from R189 000 in 1974 to R1,2m. In 1976 they jumped to R1,8m, in 1977 to R3,1m and 1978 to R3,3m. Taxed profits over the period went from R93 000 to R2m.

Without the benefit of Resa, Grinaker probably earned about 100c in the year to end-June. Interim earnings were 50c (37c) and higher second-half profits were forecast despite a heavier tax burden, although the dividend was not expected to be increased If Grinaker alone is rated on a PE of 4 (the current average for comparable companies, Group 5, LTA and M&R) on next year's earnings, it is worth 400c without Resa.

With Resa on board there seems to be upside potential from the current 425c.

David Carte

GUARD-LIFE NOU HEEL S-AFRIKAANS

(232) RAPPORT 30/7/78

Dour ALPHONS DU TOIT

MET vandeesweek se uitkoop van die Britse beherende aandeelhouers in die Guardian Liberty Life-groep deur 'n plaaslike konsortium, word 'n jong reus in die land se versekeringswese nou ten volle Suid-Afrikaans. En dit kan die hare in daardie bedryf laat waai.

Dié aankoop ten bedrae van R27 miljoen (plus verwagte dividende van sowat R3 miljoen) — wat terloops nie eensklaps uit die land sal verdwyn nie, maar in kanale in Suid-Afrika belê sal word — was die volvoering van drukke bespiegeling in Beurs- en ander kringe

Die konsortium bestaan sit mnr Donald Gordon, die stigter en voorsitter van Guardian Assurance Holdings (South Africa), en van Liberty Life Association of Africa, mnr Michael Rapp, 'n uitvoerende direkteur van die Guardian Liberty Life-groep, en die Standard Bank-groep Dié konsortium sal 'n maatskappy stig waarin mnr Gordon 50% van die aandele, mnr Rapp 25% en die Standard Bank 25% sal besit

Guard-Life se nuwe bedeling beteken dat mnr Donnie Gordon nou met kontant en verpligtinge vir sowat R13 miljoen betrokke is

Ander naam

Die ooreenkoms is aangegaan tussen die konsortium en Guardian Royal Exchange Assurance, die Britse maatskappy wat die Guardian Liberty Life-groep beheer het

Mnr Gordon het aan Sake-Rapport gesê dat 21 500 000 gewone aandele is van GRE gekoop teen R1,25 per aandeel (dividende uitgesluit) Die aankoop van hierdie aandele in Guardian Assurance Holdings (South Africa) beteken dat die nuwe Suid-Afrikaanse maatskappy 'n beherende aandeel van 52% in GAH sal hê GAH, op sy beurt, beheer 81% van Liberty Life en 100% van Guardian Assurance Company South Africa Guardian Royal Exchange behou 'n minderheidsbelang van ongeveer 10,7% in Guardian Assurance Holdings

Die naam Guardian Assu- spieël maar sonder enige verwysing na Guardian

Die aankoop deur Suid-Afrikaanse belange van die grootste deel van GREA se aandeelhouding volg op die onlangse transaksies waarin aandele in Liberty Life, wat deur The Manufacturers Life Insurance Company of Canada, en Sun Life Assurance Company of Canada, aangekoop is

Die stappe is ooreenkomstig met die aanbevelings bevat in die derde verslag van die Franzsen-Kommissie, wat die wenslikheid beklemtoon het dat langtermyn-versekeraars wat in Suid-Afrika bedrywig is, wel deur Suid-Afrikaanse belange beheer moet word

„Hierdie aankoop," het mnr Gordon gesê, „beteken die begin van 'n nuwe era in Suid-Afrika sover dit die versekeringswese betref

„Hierdie nuwe ontwikkeling is van die grootste belang en stel 'n uiters opwindende tydperk in die vooruitsig Die Guardian Liberty Life-groep is nou suiwer Suid-Afrikaans, en is ook die derde grootste versekeringsgroep in die land"

Die notering van die aandele van Guardian en Liberty Life, wat op 17 Julie opgeskort is, word môre op die Johannesburgse Effektebeurs hervat

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FM 4/8/78

REEDPAK/BARLOWS

Structuring the deal

Acquisition of Reed's 62% of Reedpak would make Barlows the biggest paper manufacturer in SA Barlow Packaging Investments produces corrugated packaging and the group also owns C E Hudson, retailing packaging machinery and systems, Cosmos Paper Products, manufacturing tissue paper products; and Peters Papers, merchandising paper

Total turnover of these interests was R38,1m (R32m) in the year to September 1977 for pre-tax profits of R3,8m (R3,6m), and an average pre-tax margin of 9,9% This compares with Reedpak's pre tax margin of 17% last year, which will be higher this year, with sales likely to reach R190m and profits R19m

Reed's 62% stake in Nampak, brought in via the securities rand in 1976, cost R58,4m or an average of 392c per share, and has yielded R6,7m in total dividend income The present share price is 520c backed up by a net asset value of 288c. The chances are that Reed would sell at a discount to the market, so Barlow would not have to make an offer to minorities

The bulk of the deal would probably be funded by Barlows paper If the price for Reedpak was 450c and Barlows bought only 51% control, the deal would cost R55m, or 13,6m Barlow shares at the present price of 403c assuming they could be underwritten for cash at this level Reed can repatriate its funds via the securities rand market

Once Reedpak has been sold, Reed is left with Stanger and quoted Spicers as its major investments It will also have Palladium Stationers, Tension Envelope, Pipckor, Twyfords, Allied Brass and Reed Irrigation These apparently have a total turnover of about R50m It seems likely that they will also come onto the market in due course *Gail Pemberton*

FM 4/8/78

(232)

FRUIT JUICES

Eyes on Appletiser

Discreet negotiations over the sale of Appletiser Pure Fruit Juices are in limbo. Talks between a group of Cape fruit growers and the Edmond Lombardi-Coca Cola (51%-49%) company have been broken off at around the R6m mark, though spokesmen for both sides say cash is not the stumbling block

Elgin Fruit Packers GM, Dr Adriaan du Toit, says. "Appletiser was not on sale to anybody and everybody We (local applemen) considered buying it but our options expired."

Adds Coca Cola division manager Fred Meyer: "We were approached by apple co-ops a few months ago and had certain negotiations. It was not our intention to sell the business and the talks were suspended "

Du Toit explains that, from the farmers' point of view, a takeover of a top pure fruit juice manufacturer sited in the middle of their growing area makes a lot of sense. It makes even more sense with the outlook for apple exports next year decidedly gloomy — other producing countries, notably Chile and Argentina, are virtually sure to swamp Europe with their massive surpluses

Why the Appletiser talks fizzled out is not being revealed, but it's a fair guess that the advantage for growers of having a processing company right in their midst was offset by the disadvantage of having the plant right in the middle of the Lombardi estate "Servitudes and stuff like that," as one appleman put it.

2D - ATHLONE

Age group	E			Known pensioners	Average income per month (R) Known earners	Known pensioners
Unknown				13.	97.92	35.23
<15				0.	91.50	-
15-19				0.	60.84	-
20-24				6.	91.52	34.17
25-29				7.	120.56	32.29
30-34				5.	117.33	54.00
35-39				9.	108.87	39.22
40-44				4.	114.21	42.50
45-49				6.	103.67	35.83
50-54				6.	112.09	42.00
55-59				5.	87.67	29.80
60+				23.	113.30	32.04
Totals				84.	106.54	36.13

2E - LANSDOWN

Age group	E			Known pensioners	Known earners	Known pensioners
Unknown				0.	120.20	-
<15				0.	-	-
15-19				0.	67.60	-
20-24				0.	65.37	-
25-29				0.	102.45	-
30-34				0.	110.58	-
35-39				2.	144.17	51.00
40-44				5.	99.22	28.80
45-49				1.	89.40	30.00
50-54				0.	118.83	-
55-59	2.	0.	2.	0.	61.50	-
60+	3.	3.	2.	3.	135.50	28.67
Totals	84.	11.	77.	11.	105.10	32.91

2F - RETREAT

Age group	E			Known pensioners	Known earners	Known pensioners
Unknown	4.	1.	4.	1.	85.50	30.00
<15	0.	0.	0.	0.	-	-
15-19	21.	0.	20.	0.	68.80	
20-24	44.	3.	42.	3.	87.67	46.00
25-29	59.	2.	57.	2.	103.05	21.50
30-34	44.	0.	42.	0.	107.12	-
35-39	26.	8.	25.	8.	106.40	41.37
40-44	16.	6.	16.	6.	99.87	50.33
45-49	15.	3.	15.	3.	102.47	40.00
50-54	9.	3.	9.	3.	72.78	29.00
55-59	3.	2.	3.	2.	99.33	35.00
60+	3.	20.	3.	20.	106.00	40.80
Totals	244.	48.	236.	48.	96.78	40.35

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PACKAGING

The wraps are off

FM 11/8/78

The merging of Reed Nampak, with its 50 or so packaging subsidiaries, and Barlow's packaging interests into a composite to be known as Barpak (see *Fox*), means that the new company, in turnover terms, will be almost twice as big as its sole major rival, Kohler Brothers.

In fact industry estimates suggest that between them Barpak and Kohler will account for around three-quarters of the packaging business. That is, discounting other major areas such as glass and cans, and focusing on the wood pulp-sourced products and plastics on which both groups concentrate.

At the risk of putting a few noses out of joint it's fair to say that very few packaging companies of any real consequence will remain outside of the two major camps Lion Match's Interpak, Robinson's and Cape & Transvaal Printers come to mind. For the rest it's left to a host of smaller printing houses and so on to fight over the thin end of the business.

In short, three-quarters of the packaging business will now be split something like 65:35 between the two majors with Barpak taking the thick end of the action. This is also reflected in each group's estimated turnover of R200m and R120m respectively.

The packaging industry structure is such that pulp and paper materials continue to dominate (at an approximate 80%) over plastics usage. Within that framework Barpak is likely to remain retail and consumer orientated while Kohler tends to emphasise industrial application.

That's likely to be re-emphasised now that Kohler is set to acquire [illegible] Plastics of Durban, for example.

Meantime, the rest of the industry is sitting back and taking stock. There's bound to be particular interest in watching just how Barlow's original companies are to be dove tailed into the new scheme of things.

Results of a straw poll earlier this week hardly suggested that the minor companies in the packaging industry are living in fear of the new giant. Most seem relieved that the *original* Sappi Reed deal didn't go through. Had that been the case, say those in the know, the market ratio would have been closer to 80:20 rather than the existing 65:35.

REED NAMPAK

AMALGAMATED PACKAGING INDUSTRIES
including
Corrugated Containers
Safepak
Consol Container
Central African
Paper [illegible]
Polyfoil Packaging

NATIONAL PACKAGING
including
Atlas Box
Transvaal Box
Keartlands
Paper and Packaging Industries
[illegible] Mullins
Phoenix Corrugated Packings
Printpak
(50% with [illegible])

BARLOWS
including
B[illegible] Packaging
[illegible] Paper Products
[illegible] Manufacturing
[illegible]

KOHLER BROS
including
[illegible]
[illegible]
[illegible]
[illegible]

Is big bad?

FM 11/8/78 (232)

It is tempting to look for a common denominator in recent large mergers and acquisitions On first glance it looks as if foreign companies are more than happy to disinvest, to get out of SA as fast as they can

There has been Grinaker's takeover of Racal, Sigma's consumption of Peugeot/Citroen and Leyland, Donald Gordon and Michael Rapp's acquisition of control of Guardian-Liberty, Barlows' takeover of Reed-Nampak

In all these moves, overseas control has been snapped up by an SA firm The question is were the sellers prompted primarily by political motives, by a desire to distance themselves from SA?

Racal UK has not commented on why it sold out to Grinaker. But there has been considerable speculation that the parent was worried about its Middle East and African defence customers

It seems highly probable that British Leyland had in mind UK anti-apartheid pressure when it concluded its deal with Sigma. Yet Anglo's Chris Griffith has stressed: "They didn't come to us; we went after them "

Guardian's reasons for selling are complex (*Fox* August 4), but appear to be purely commercial

Reed-Nampak's sale to Barlows makes a virtue out of necessity. "Reed International neeeded the money," says chairman Bas Kardol

No real evidence here that foreign firms are fleeing in alarm What is evident, however, is that SA groups with financial muscle are in a strong position to pick up assets and potential profits in excellent deals

And with Anglo and Barlows in particular, the big and successful get bigger and more successful — again raising the vexed issue of concentration of economic power Sigma's takeover trail, for instance, has taken Anglo to the top of the motor industry in just over 18 months

Is this, in fact, the more worrying aspect of the current takeover trend? Last year's report by the Mouton commission into control of monopolistic conditions weighed up the pros and cons of large economic concentrations

Advantages are economies of scale, stronger management, greater financial resources and creditworthiness, stability and more effective utilisation of labour, to name some

Disadvantages include the danger that a highly concentrated market structure could inhibit competition; at the same time a high degree of economic concentration is no guarantee that full advantage is taken of economies of scale

But the report does make the point that while a horizontal takeover or merger invariably reduces the number of competitors in a particular industry, it does not necessarily reduce competition

Using this yardstick there appears to be little danger from any of the recent acquisitions. Sigma's growth makes the motor industry no less competitive, nor does Donald Gordon's consolidation of Guardian-Liberty make the insurance industry any less cut-throat

Certainly, it would be wrong to jump to the conclusion that economic concentration as such is a bad thing So far, Pretoria's approach has been to judge each cry of "monopoly" on its merits, and not to act unless it is convinced there are indeed harmful effects

The proposed mergers tribunal, which would have been a major departure from this approach, has thankfully been put on ice Nevertheless, there are powerful lobbies keen to arm the bureaucracy with powers to condemn particular mergers even before they occur

Such powers SA can do without. By all means let there be a powerful monopolies watchdog ready to bite those who abuse their strength But let us not have condemnation before the event. The SA economy is too small to afford the luxury of American-type anti-trust laws which prevent mergers just because of size

Big stores group takeover

Argus 232 14/8/78

Finance Editor

A SUBSIDIARY of the giant Afrikaans investment company, Federale Volksbeleggings, has taken over Greatermans group. This comprises the Greatermans department stores, Ackermans stores, the Checkers supermarket chain and a half-interest in the Clicks chain.

The subsidiary is Federale Chemiese.

Mr Lawrence Herber, president of the company, said in Johannesburg today that the broad agreement had been reached with Federale Chemiese, but many details have yet to be worked out.

The take-over was only completed on Saturday night.

Federale Chemiese has obtained control of the Greatermans group through taking over Griffon. This company, with its subsidiary Gresham Holdings, controls Greatermans, which is the parent company of Ackermans and Checkers, and has a half stake in Clicks.

Federale Volksbeleggings is part of the Sanlam group. This is its second large move into the retail business this year, as it has just completed taking over 100 percent of Telectra (previously Phil Morkel).

The Greatermans group is a R60-million organisation. However, through buying half the pyramid company Griffon, Federale Chemiese would have only have paid a fraction of this sum to obtain control.

7

R3,5-m deal to take over Greatermans

ARGUS 14/8/78

232

By Derek Tommey, Finance Editor

SPECULATION in Cape Town is that the surprise take-over of the R60-million Greatermans group by a consortium of Federale Chemiese and three businessmen will not involve an outlay of much more than R3,5-million.

It was announced this morning that Federale Chemiese, a subsidiary of Federale Volksbeleggings, together with Mr Lawrence Herber, Mr Isaac Kaye and Mr D B Miller, have acquired a controlling interest in Griffon Holdings, which effectively controls the Greatermans group.

Griffon Holdings is the pyramid company of Gresham Holdings, and together the two companies have just under a 50 percent stake in Greatermans' ordinary voting shares.

Griffon has an issued share capital of 10-million shares. So at the present share market price of 55c a 5c dividend for Griffon shares, it would be theoretically possible to buy control of Griffon for R2 500 000. However, as control of the Greatermans group is at stake, a somewhat higher figure than this is likely to be paid.

Of the three businessmen involved in the transaction, Mr Lawrence Herber is president of Greatermans while Mr Kaye and Mr Miller were responsible for selling a chemical company a year ago for R12-million to SA Druggists, an associate company of Federale Chemiese.

It is understood that the links formed at the time of this transaction were one of the reasons why Federale Chemiese was used as the medium for this deal.

Normally, Federale Chemiese's interests are confined to the chemical and pharmaceutical fields.

BLACK MARKET

Federale Volksbeleggings interest in Greatermans is believed to arise from the view that there will be considerable growth in the black market over the next decade and that the Greatermans' group should be in a good position to benefit from this.

However, the Federale group will not be moving into an entirely problem-free situation. The Greatermans group is in need of capital to develop its Checkers and Ackermans chain and this may not be too easy to raise in view of the company's heavy debt structure.

232 FM 18/8/78

Greatermans sold

After months of speculation, control of Greatermans changed hands, to a consortium consisting of Federale Chemiese, an FVB subsidiary, Laurence Herber and "Dusty" Miller and Isaac Kaye, who recently sold Alumina to SA Druggists, in which Fedchem is a major shareholder.

Wor

(b) melk: hoevee

prys (as die gratis verskaf word nie)

waarde aan boer

waarde aan werker

(c) ander kos

(d) Weiplek toegelaat

Aantal van: skape toegelaat gehou

bokke " "

beeste " "

ander

Waarde aan boer

(e) Grond

Oppervlakte verskaf gebruik

Waarde aan boer:

Water (jaarlikse koste aan boer)

Koste van ander dienste b.v. saad, gebruik van plaasmasjinerie

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

Koste aan boer:

(g) Bonus (jaarliks)

(h) Geskenke (jaarliks: artikels

Koste aan boer:

(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) Gesondheidsdienste:

Jaarlikse koste aan boer van: doktersrekeninge betaal

medisyne

vervoer na en van geriewe

ander

(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

Industrial Location :

The National P.D. Plan ... : Policies that restrict Black Migrant Worker ... ce to the Cape Peninsula.

The Social and Economic ...

Labour in the Textile I ... A. Fine Worsteds.

Solar Radiation Patter ... Gobabeb in the Namib Desert.

Commuting Patterns fro ... un Valley.

Nature of the Fishing ... lhas.

Residential Location T ... litan Area.

Plumstead Retail Trade ...

Language Variation in ...

Labour Bureaux - A St ...

Residential Patterns ... ape Town.

A Comparison between ... he Cape Flats.

A Case Study of Pinel ... al Suburb.

Spatial Analysis of B ... ape Peninsula.

Brasilia - Success or ... spects.

Economic Blight in Mu ...

A Study of Land Use C ... usiness District.

The Impact of the Rös ... d.

... tial Component in the

... Namaqualand Copper District - ... copper mines were to close down.

... ngwe, Malawi.

... Temperature on the Catching ... ermen.

... e Cape of Good Hope Nature

... ent.

... ctual Distances Within an

... ngth of Residence" on Local

Cape Town Electoral Districts.

Perceptions of the Cape Peninsula Landscape 1900 - 1977.

GREATERMANS 232

The price of control

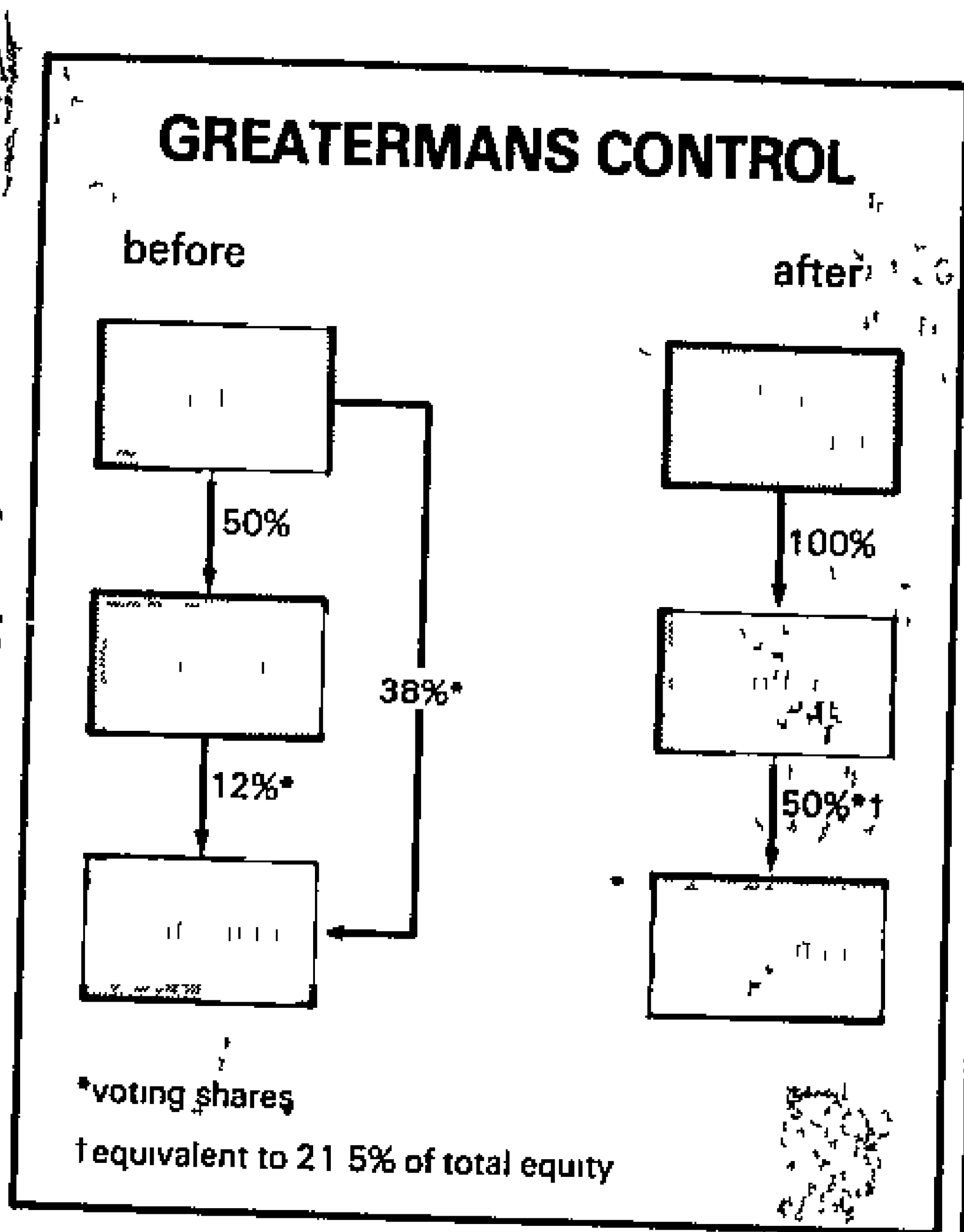
FM 18/8/78

For an outlay of R8,9m net the consortium of Fed Chem (74% owned by FVB), Lawrence Herber, "Dusty" Miller and Isaac Kaye are getting control of Greatermans which, in the words of ex-chairman Norman Herber, is the largest retail group in SA

Greatermans minorities are unaffected except so far as the strategic decision-making of the group is concerned. The new management's first concern will be to stem the losses in the department stores and to push the profitable Checkers and Clicks ever harder. Lawrence Herber is chief executive of Greatermans. With him on the board are the other consortium members, Isaac Kaye and Dusty Miller.

Why would FVB go for Greatermans and why, especially, Fed Chem? The official reply is that "it's a good investment and a close relationship already existed between Fed Chem, Kaye and Miller, who sold Alumina to SA Druggists, a Fed Chem Association

Some market sources have suggested that Sanlam's vast leasebacks to Greatermans were being protected. While FVB might be highly geared, I understand that with SA Druggists strong cash flow, Fed Chem is relatively liquid and the purchase will cause no strains.



The moral in this and several other take-overs recently is that it's best to be in the top company when the corporate predators are prowling. The mechanics are that the consortium has acquired control of Griffon for 90c per share, ex the 5c dividend, and is extending this price to the minority.

Griffon will sell its 50% of Gresham to Norman Herber for 160c per share. He will then sell Griffon the 12% Gresham holds in Greatermans' voting shares for 550c per share.

Both the consortium and Norman Herber are only concerned with Greatermans' 1,3m voting shares, equivalent to 21,5% of the equity, which includes 2,6m non-voting shares and 6,9m participating prefs

Gresham holders are unlikely to accept Norman Herber's offer of 160c for their shares, as the pre-suspension price was 190c. They are not intended to, and he will be quite happy with the 50% he is getting from Griffon for R1,3m. Gresham will retain some small trading interests, but no stake in Greatermans.

Griffon holders are likely to be happy with the terms. They will receive 90c but no dividend This represents a 63% premium over the pre-suspension price of 55c and 146% premium on net assets of 36,6c Griffon last year earned 5,8c and paid 5c.

Greatermans' shareholders are where they always were — out in the cold. They can only hope the new management arrangements will somehow revitalise the share price

David Carte

Griffon-saad waai ver!

RAPPORT 20/8/78 (232)

Deur WILLEM LAUBSCHER

DIE vastrapplek wat die Afrikaanse groep Fedchem en sy vennote vandeesweek in die Greatermans-groep van sowat R750 miljoen per jaar verkry het, kan die voorloper wees van interessante ontwikkelinge in ander Afrikaanse groepe.

Mnr. Hendrik Smit, besturende direkteur van Fedchem, die leier van die konsortium wat vandeesweek beheer verkry het, het dit in 'n gesprek weliswaar duidelik gestel dat sy span se beleid geensins is om links en regs bates af te verkoop nie

Wat hulle betref het hulle 'n bestaande suksesvolle onderneming oorgeneem, met die grootste probleemgebied, Raves, reeds geruime tyd vóór die oorname afverkoop

Wat dus nou vir eers ernstige aandag sal geniet, is 'n paar takke (vier van die nege) van Greatermans waar sake effe lol Maar daar is klaar planne voor Ackermans-deel van die Greatermans-groep wat soos 'n handskoen sal pas in die Pep-opset van mnr Van Rooyen

En 'n mens dink daaraan dat mnr. Pickard dalk nie ongenee sal wees om sy 13 persent met die beheerkonsortium saam te gooi as dit ooit nodig mag wees nie.

Hoe ook al, mnr Smit het vandeesweek in 'n gesprek aan my gesê dat die afdelingswinkels in die Greatermans-groep, d.w s die Greatermans-winkels, maak op die oomblik geen wesenlike bydrae tot groepwinste nie As dit natuurlik reggeruk word, soos wat die plan is, kan dit 'n gesonde verskil in groepwinste tot gevolg hê.

Van die vier winkels wat nie so waffers vaar nie, is een in Bloemfontein en twee in Kaapstad Dis hoofsaaklik 'n kwessie van aanloop, en 'n goeie plan kan dalk wees om Clicks-takke in sulke plekke in te rig om vir 'n ekstra aanloop te sorg

- Die konsortium bestaan uit Fedchem (40 persent) en mnre Lawrence Herber, tot nog toe president van die groep en voortaan uitvoerende hoofamptenaar, Isaac Kaye en B D. Miller, wat elkeen 20 persent het. Mnr Kaye sal waarskynlik as voorsitter oorneem by mnr. Norman Herber, wat in elk geval nog vier jaar as adviseur vir die groep sal optree.

Vleisarms

Tog is daar 'n paar feite in die patroon waaroor 'n mens kan bespiegel. So bv. kom twee dinge na vore uit 'n bestudering van die aandeelhouding in Griffon Holdings, die groep se beheermaatskappy, waarin die konsortium nou effektiewe beheer verkry het.

Vir eers besit die Picbelgroep, die groep van mnr Jan Pickard, 13 persent van die aandeelhouding. En vir interessantheidshalwe kan 'n mens byvoeg dat mnr. Renier van Rooyen se Pep Stores 1 persent het — klein, maar nogtans 'n belang in wat aangaan.

Daarby het mnr Pickard se vleis-arms reeds geruime tyd gelede met Checkers, die grootste kosketting in Suid-Afrika met 'n jaarlikse omset van tussen R500 en R600 miljoen, 'n afsonderlike maatskappy gestig wat daarop neerkom dat Checkers die Pickardgroep se vleis- en groenteprodukte eksklusief verkoop.

Dus, 'n belangstelling op twee fronte

Ackermans

'n Verdere interessantheid is dat Sanlam (via die oorname van Santam) 'n belang van 13 persent in Picbel het en 'n belang van 20 persent in Pep Stores het.

Mnre. Pickard en Van Rooyen, op hul beurt, het 'n klompie maande gelede met aandag na die Greatermans-groep gekyk, maar die ding toe maar eers gelos.

Met die nuwe bedeling nou kan 'n mens verwag dat hulle doodtevrede is met die verloop van sake en gewillig sal wees om te help waar hulle kan En as 'n mens van hulp praat, dink 'n man dadelik aan die

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Barpak 232 FM 25/8/78

Barlows completed the final leg of its Reed Nampak acquisition by selling its packaging subsidiaries, known collectively as Barpak, into Reed Nampak for R18,75m. Resulting from the deal, Old Mutual will be taking up 3,1m Reed Nampak shares for 430c each, a total of R13,3m, and could have to lay out a maximum of R38m in terms of the standby offer.

Financial Mail August 25 1978

AFRIKANER BUSINESS

Poor no more

232 FM 25/8/78

"They really are getting in everywhere," huffed a pin-striped diner at the Rand Club last week. The "they" to which he referred are the Afrikaners. The "everywhere" is retailing, specifically the recent Fedchem takeover of Greatermans. The attitude is that of a dinosaur.

For if there is any sphere in which the traditional English / Jewish / Afrikaans tribal cleavage is becoming blurred, it is business. Never before has it been more difficult to stamp a tribal tag on to a rand note.

Among English-speakers, the Greatermans deal is hailed as significant because it marks the entry of the Afrikaner, on a major scale, into their traditional stomping ground. And unlike the takeover of Phil Morkel, where Federale had to call in outsider Fred Street to help untangle a can of worms, it heralds a partnership between Jewish management and Afrikaner capital.

South African — not Afrikaner

But among leaders of the Afrikaner establishment, the deal is treated with a philosophical shrug. As one Federale executive puts it: "We buried ethnic considerations years ago. Our sole objective is to benefit our shareholders. We are a South African company looking for growth areas, or areas which we consider will be ripe for growth in the future. To see us as Afrikaners invading the preserve of another language group is nonsense. It never crossed our minds."

Things have come a long way since the historic *volkskongres* called by the Afrikander Broederbond executive and implemented by DRC dominee Father Kastell in Bloemfontein during the height of the "poor white" depression 39 years ago. Leaders in Afrikaner finance and politics — people like C H Brink, Eben Donges, Nico Diederichs and Ben Schoeman — were there. "A nation must save itself," was its theme, and the small Afrikaner was urged to "put his money together." The call took organisational form in the establishment of the Reddingsdaadbond. In those days, it was unthinkable that the Afrikaner would not bank with Volkskas, take a life policy with Sanlam, and insure his bakkie with Santam.

From that conference, too, the Federale group was born. Now the Afrikaner had a base for breaking the English stranglehold over banking, mining and whatever other fields of business activity his muscle would allow him to enter.

Du Plessis . . . business is not ethnic

That sense of nationalistic economic purpose is fading. So is the idea of a *volksplan* Observes Sanlam MD Fred du Plessis: "Whenever there is an opportunity to do good business, we try to do it. In no way is this peculiar to the Afrikaner. We have no interest in building any exclusive Afrikaner set-up or in penetrating traditionally non-Afrikaner preserves. Our interest is in SA."

Bilingual Trust

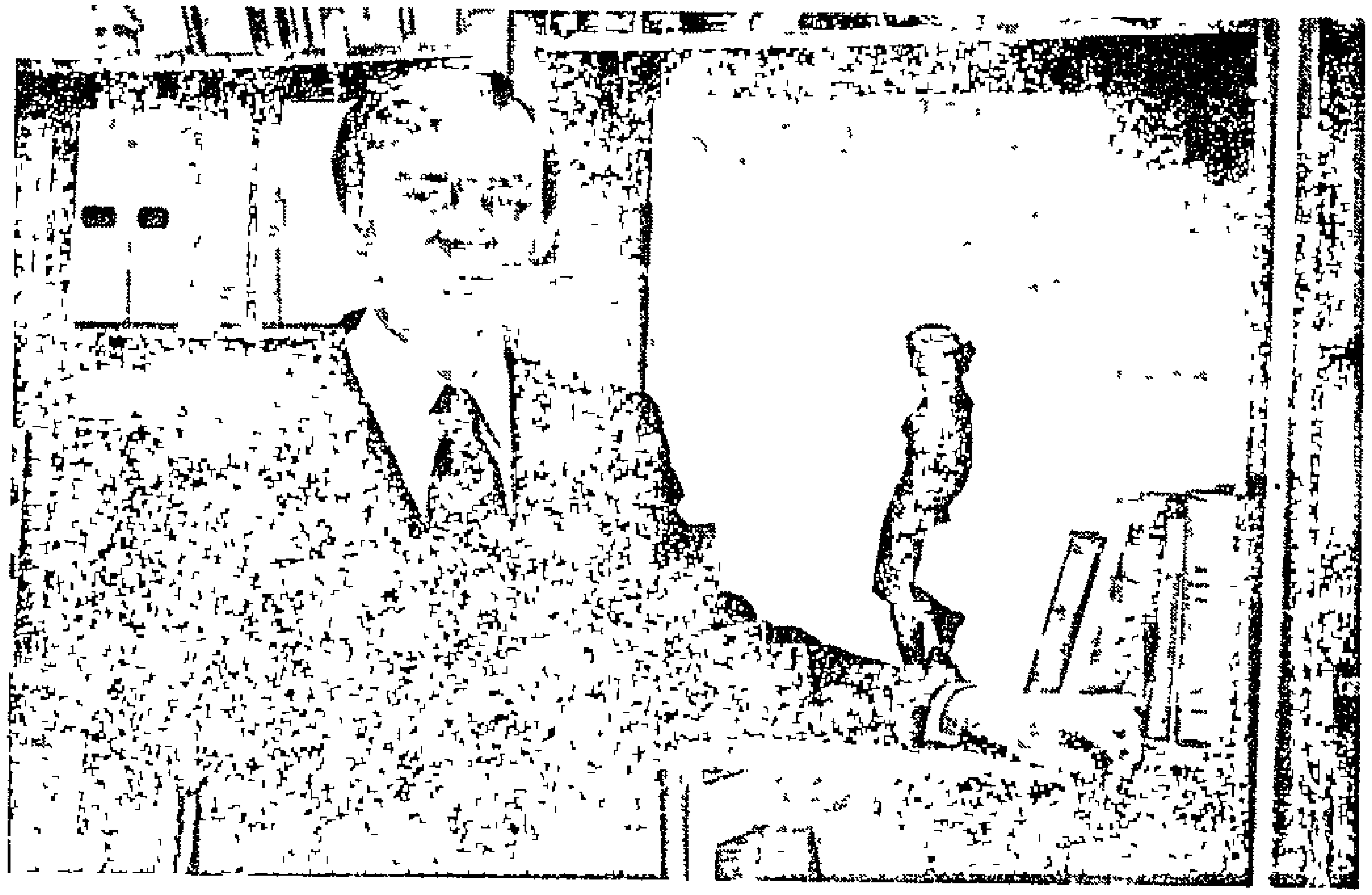
Today, the coup of Federale-backed General Mining in snatching Union Corporation is no more viewed as a favourable reflection on the Afrikaner than the failure of Jan Haak's Transterra is viewed with disfavour. Afrikaans has nothing to do with one business deal succeeding and another turning sour. Like anybody else, some Afrikaners are just brighter or luckier than others

And in the marketplace itself, ethnic exclusivity is in decay Nobody counts the number of English-speaking Sanlam policyholders. Trust Bank is as bilingual an institution as can be found. Senbank is staffed roughly 50·50 between English and Afrikaners, though no one really cares about the difference. Even Volkskas, based in Pretoria and rooted on the platteland, has its fledgling merchant bank successfully promoting quite a different image in Johannesburg's financial district.

Equally, Barclays, Standard and Nedbank draw management and custom irrespective of language affiliation So too with Old Mutual. Or Southern Life. The institutions fall over themselves to display their absence of exclusivity. On what criteria would one today describe

SOUTHERN AFRICA LABOUR AND DEVELOPMENT RESEARCH UNIT

RESEARCH DIVISION
SCHOOL OF ECONOMICS,
BEATTIE BUILDING
UNIVERSITY OF CAPE TOWN,
SCH
7700



Rupert . . . healthy rivalry has replaced ethnicity

Trust as Afrikaans, Barclays as English and Nedbank as either?

One needn't look far to see how *volkseenheid* is evaporating Sanlam's Bankorp, and Volkskas, linked together for years in friendly association, are now fierce rivals Publishing giants Nasionale Pers in the south and Perskor in the north are at one another's throats The strong Afrikaner contingent in Stellenbosch Farmers' Winery has no qualms about playing it as tough with Anton Rupert's Distillers' Corporation as Distillers plays it with them

While Afrikaner battles Afrikaner, there are as many instances of co-operation between English and Afrikaner General Mining was formed by courtesy of Anglo. Triomf tycoon Louis Luyt owes his long life not only to backing from fellow Afrikaner farmers but to unstinting support in recent troublesome times from AFCI

That the distinction between English and Afrikaans business is blurring beyond recognition is endorsed by Bill Venter, chief executive of local electronics giant Altec, who bought out US-controlled STC. He doesn't consid[er] Altec an Afrikaans business. "My parents were Afrikaans-speaking and I went to an Afrikaans school, but I don't think of myself as an Afrikaans businessman. Altec is South African."

It's been a tough yet remarkably short struggle for the Afrikaner to find his place in the economic sun. If ever there was a story of a group of people pulling itself up by its own bootstraps to financial maturity, this is it.

Political punch

Of course he has been aided by ready access to corridors of political power, for it's been his government that has ruled the land during his rise to economic prominence. But the primary explanation for his success must go back to the early motivation engendered by Father Kestell to break the Barclays/Standard grip on banking and the Anglo/Barlows stranglehold on mining and industry. That is why the major thrust of Afrikaans business has been in banking, mining and, as the logical pool for his savings, insurance. Today Sanlam alone has R1,5m in premium and investment income looking for a home each working day.

With this sort of muscle, like the English financial and mining houses which were driven to industrial diversification by sheer weight of funds, the Afrikaners are doing the same. The original tribalism inevitably has been supplanted by a natural process of business growth.

This begs a question for SA's blacks. Isn't it time they formed their Reddingsdaadbond?

Florentine public—and not the great patrons alone—was intimately engaged, it

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Renaissance buildings were

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individual attention—Donatello and Masaccio Like the others, Donatello was an eminently public performer his most popular piece of sculpture, the St. George, was designed for an outside niche at the church of Or San Michele and placed practically at eye level. The young warrior stands with feet squarely, his shield before him negligently held by the left hand, his finely chiseled features expressive of youth, dignity, alertness, and an almost unbearable tension. As in his many other statues, busts, and reliefs—he was an extraordinarily prolific artist—Donatello here achieves a conquest of reality it would be inadequate to call mere "realism" classical in inspiration, Christian in theme, Donatello's work is modern in its mixture of passion and control, its variety, and its expressiveness, proof of Donatello's freedom to do precisely what he wanted

500c from 790c at June 1977 Checkers alone could command a rating similar to Pick n Pay's and a larger market capitalisation Pick n Pay, at 2 300c stands at a *premium* of 164% to net asset value of 872c

I understand from industry sources that control within the Fedchem consortium which acquired control of Griffon last week is split as follows Fedchem has 40%, and Isaac Kaye, Dusty Miller and Lawrence Herber each have 20% So although Fedchem is the largest single shareholder, it is conceivable that Kaye, Miller and Herber could if they chose, outvote Fedchem

Fedchem is working out a strategy for the group and an announcement should be forthcoming in a couple of weeks But even if there are no plans to sell parts to Edgars, don't be surprised if the shake-up dislodges some branches And, it goes without saying, stay aboard Greatermans for the ride. Even if there was no benefit for Greatermans' shareholders when control passed, a restructuring could make the group come right

Jim Jones

GREATERMANS

Raymond's rivals

232

FM 25/8/78

Is the talk of imminent sales of Greatermans' department stores and the Ackerman chain to Edgars a matter of all smoke and no fire?

The market clearly thinks something is in the air and has chased the shares up 60c to 325c since control changed last week But Isaac Kaye, who shares in the consortium with Fedchem and "Dusty" Miller which now controls Greatermans (*Fox* August 18) denies that any discussions have been held with Edgars At Edgars, managing director Adrian Bellamy also categorically denies that anything is in the wind and the same goes for the rumours that Edgars is about to take over John Orrs So why all the talk?

Greatermans accounts are next to useless in determining relative profits of the various sectors of the group. The 10 department stores that bear the company's name are known to be operating at a loss and before control left the Herber family's exclusive hands it was reckoned that up to two years would be needed to turn them round The Ackermans arm has 35 outlets and Clicks 24

There is little apparent logic in Fedchem retaining the non-supermarket side of the business In Checkers it has the country's largest supermarket chain which could give sister company Fedfood, also an FVB subsidiary, a tied outlet for its products Fedfood's taxed profit for the six months to June 30 fell to R2,6m (R3,1m) with lower SWA fish catches. Its interim was cut to 6c (8c).

Greatermans' last published balance sheet for the year to June 30 1977 showed long-term liabilities of R13,9m and short-term loans of R18,5m. There were also properties carried on the books at R14,6m That was before loss-making Rave was sold to Dion for between R4m-R5m Chopping out the department stores would help further in cleaning up the balance sheet and leave an unhindered Checkers to fight the developing supermarket war.

It is not possible to tell what the effect would be on the balance sheet, but I reckon that it might cut nav to around

with his materials Donatello was widely admired, and he influenced painters quite as much as sculptors. Even Masaccio learned from Donatello's early work

Masaccio's genius invites and defies explanation His life was as short (1401 to 1428?) as his achievement was unparalleled. He was not a classicist, although antique conceptions reached him indirectly, through his friend Brunelleschi; he was not a medievalist, but he had the wit to learn from Giotto A comparison of Giotto's work with Masaccio's shows the moment when a change in quantity amounts to a change in quality: Giotto had known tricks of foreshortening and of lending his figures a certain roundness. Masaccio moved beyond tricks to mastery, his paintings are the first statement of the modern vision in art that remained valid for five centuries Masaccio mastered perspective and anatomy, and design as well. he does not merely copy what he sees, but arranges it with a sure feeling for drama and significance. "To Masaccio especially we are indebted for the good style of modern painting," Vasari wrote, "for it was Masaccio who perceived that the best painters follow nature as closely as possible."[54] It was not nature as the artist found it, but nature artistically shaped—as Alexander Pope would say in the eighteenth century, nature methodized Masaccio's admirable frescoes in the Brancacci Chapel have a presence a movement, a convincing naturalness that induced painters from all ... at Masaccio's work and imitate it. But

solved, not ...

beauty and vitality

The High Renaissance

While the great Florentine generation passed from the scene at midcentury (Brunelleschi died in 1446, Ghiberti in 1455, and the long-lived Donatello in 1466), a younger generation, only slightly less remarkable than the pioneers,

[54] Vasari, *Lives of the Artists* 124

CONSTRUCTION FM 1/9/78

Changing identity?

23,2

Has the construction slump changed the direction of the big five quoted construction companies? With steady cash build-up, acquisition has been the name of the game over the last 12 months.

The big five improved their cash holdings by nearly R27m in the years covered by their most recent reports (see table). But of the proportion spent on diversification, only M&R's R7,3m purchase of spice maker, Crown Mills, through Manchusa, was an engineering departure

Darling & Hodgson has moved into open-cast coal mining and Grinaker into electronics via Racal. Group 5, which had R17m net cash at its year-end, plans to use most for project finance to give it a competitive edge in tendering. It is looking outside construction, but only in the engineering field. LTA is interested only in "construction in its broadest sense."

So the construction companies remain aware that although there are few huge new projects such as Sasol II, Koeberg, Duvha, Richards Bay, Sishen and Saldanha in the offing SA will have to build more in the next 40 years than it has since Van Riebeeck arrived, despite the current downturn

Murray & Roberts' liquidity improved by a net R16m last time it reported It has since spent about R20m on acquisitions of which about R7,5m went on Elgin. The R7,3m Crown Mills acquisition was in a 50% partnership with Anchusa, so will have cost M&R only R3,6m The purchase of Cape Foundries and investments in the valve and heat exchanger industries absorbed an as yet undisclosed sum. M&R had a R10m debenture issue recently Its prelim is due next Thursday, September 7, and the annual report at the end of the month There will be major balance sheet changes but liquidity will not be strained as M&R is in line for a R100m coal wharf contract in Israel as well as the Valindaba uranium enrichment plant and will have retained cash for these

Policy at M&R is to stick to engineering-related industries but Manchusa, with an estimated R16m to invest, goes its own way. Manchusa is looking at foods, mass manufacturing and consumer goods. It will generally pay cash and never accept less than a 50% holding in new ventures.

Darling & Hodgson reported improved liquidity of R5,3m in its last report after spending R15m on plant, equipment and coal options. It has never quantified its coal operation, which is expected to make a small maiden contribution to profits in the current half year.

This was a logical diversification, as D&H had the machinery and expertise for overburden stripping before it bought its first option. D&H's new investments are expected to earn 30% pre-tax including the coal mining operation. Production has been sold to Iscor and the export market. Coal will make a "significant" medium-term contribution to group income D&H is still in an acquisitive mood but only in fields in which it has established skills.

LTA is diversified only to the extent that it derives 49% of its pre-tax profit from building systems, reinforcing and sub-contracting. It is not interested in further diversification and was the only construction company whose liquidity did not improve in the last balance sheet. But with debt equity at 57%, it is far from highly geared.

Nevertheless, it might judge the present as a good time for a rights issue, especially if the volume of work picks up. This applies to any capital intensive industrial company working near capacity.

Group 5 would pick up suitable engineering acquisitions outside construction but is in no hurry to move outside as it feels it can put its huge cash balance to work on project finance and this gives it an edge The R17m of cash last reported was seasonal. Normal cash holding is R14m, says the company The other construction companies are not big in project finance. As M&R observes "we

The big five

Company	Net cash or (short term debt) (Rm)		Cash or (total net debt) (Rm)		Cash gain (loss) on 1977 (Rm)	Last reported year end
	1977/1978	1976/1977	1977/1978	1976/1977		
D&H	(1,6)	(5,1)	(16,0)	(21,3)	5,3	December 31 1977
Group 5	17,7	13,1	16,9	12,4	4,5	December 31 1977
Grinaker	9,5	3,1	6,7	(0,1)	6,8	June 30 1977
LTA	(5,9)	(0,2)	(11,2)	(5,8)	(5 4)	March 31 1978
M&R	14,9	1,8	(0,5)	(16,1)	15,6	June 30 1977
Total					26,8	

...n over R500m a year and have an ...uity base of R70m, so the amount of ...ancing we can do on large schemes is ...atively unimportant " M&R does help ...ents arrange leaseback financing, as in ... case of the OK Bazaars hyperamas ... uses IDC financing on its overseas ...ntracts

Grinaker's liquidity was not strained ... the R6,8m Racal acquisition, R3m of which was financed by a pref issue. Before the deal Grinaker had R10m of cash After the deal, debt plus the prefs amount to only 31% of equity. So it has plenty of scope for further diversification, but it too will stick to engineering-related businesses

Not all of those cash holdings can be used for acquisitions. Plant replacement soaks up considerable amounts, particularly with walking drag lines costing up to R10m apiece and concrete road making machines costing R1m each. But if replacement cost is taken into account, most of the construction companies appear to be under-depreciating. This could point to heavy near-term capital investment requirements and possibly rights issues in unexpected quarters

David Carte

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Kleineres ingesluk

(233)

RAPPORT 3/9/78

OOR die laaste aantal jare was daar 'n duidelike neiging tot groepvorming in die bankwese te bespeur, in so 'n mate dat die plaaslike bankbedryf tans deur die vyf groot bankgroepe oorheers word. Die oorsaak van hierdie ontwikkeling kan in twee faktore gevind word.

In die eerste plaas word die grootte van 'n bank of bankgroep van steeds groter belang. Namate maatskappye in die handel en nywerheid en openbare en ander instellings groei, word hul finansieringsbehoeftes steeds groter, en alleenlik 'n groot bank of bankgroep kan in al hul behoeftes voorsien. Deposante aan die ander kant soek in die eerste plaas na sekuriteit vir hul beleggings, en ook hier het die groter bank 'n voorsprong weens die wyer verspreiding van sy eie beleggings.

Ten tweede verkies klante weens oorwegings van gerief dat hul totale behoefte aan finansiele dienste deur een bank of bankgroep nagekom moet word. Die neiging tot sogenaamde „een stopbankwese" is in sommige gevalle oordryf en weens koste-, wins- en bestuursoorwegings is daar 'n kentering in hierdie neiging te bespeur; nogtans streef elke bankgroep daarna om 'n wye spektrum van finansiële dienste aan te bied, en sommige dienste word selfs teen 'n verlies gelewer om aan klante die nodige gerief te verskaf.

Die gevolg is dat maatskappye in die finansiële dienste-sektor saamgetrek word in groepe. Die vraag ontstaan waarom van 'n bankbeheermaatskappystruktuur gebruik gemaak word, soos wel geld in die geval van al vyf die groot bankgroepe met een enkele uitsondering Ook hier is daar 'n paar faktore wat van deurslaggewende belang is.

Dienste

Daar is drie moontlike organisasiestrukture vir 'n bankgroep. Vir eers kan al die verskillende dienste in een maatskappy saamgevoeg word waar elke aktiwiteit 'n selfstandige funksionele afdeling verteenwoordig. Ten tweede kan verskillende maatskappye met afsonderlike funksies geskep word, gebaseer op die bestuursbehoeftes, maar die tweede struktuur is dat die houermaatskappy self 'n aktiewe bedryfsmaatskappy is, wat tot 'n botsing van belange tussen die bedryfsmaatskappy en sy filiale kan lei en wat dit ook besonder moeilik maak om 'n doeltreffende en objektiewe bestuurstruktuur te ontwerp.

'n Bankbeheermaatskappy is in wese 'n beleggingsmaatskappy, en sy vernaamste funksies is om die oorkoepelende strategie van die groep te bepaal en om effektiewe beheer oor die bedryfsfiliale uit te

DR. PIETER MORKEL, hoofbestuurder van Volkskas, wat hierdie artikel vir Sake-Rapport geskryf het. Dr. Morkel was voorheen hoofbestuurder van Bankorp, waar hy tot groot hoogte spesiaal betrokke was by die totstandkoming van hierdie bankbeheergroep van Sanlam. Hiervandaan is hy na Volkskas, waar hy in dieselfde hoedanigheid gehelp het met die nuwe bankbeheergroep wat Volkskas aan die stig is.

Die beheerfunksie word uitgeoefen deur, met behulp van 'n effektiewe bestuursinligtingstelsel op winssentrums gegrond, voortdurend op die hoogte te bly met die aktiwiteite en prestasie van elke filiaal, en om korrektiewe optrede te inisieer waar nodig By die filiale, wat op 'n funksionele grondslag ingedeel is elk met sy eie kundige bestuur, is daar die uitdaging om 'n selfstandige maatskappy te bestuur en uit te bou.

Gewysig

Die bankbeheermaatskappy het ook 'n koëordinerende funksie Enersyds moet toegesien word dat die groep in geheel se blootstelling aan individuele klante binne redelike perke bly. Andersyds moet optrede in die mark gekoërdineer word om die beste moontlike diens aan kliënte te lewer.

Dit kan voorsien word dat meeste van die bestaande kleiner banke in die toekoms by die groot bankgroepe betrek sal word ten einde die voordele van 'n bankbeheermaatskappystruktuur te benut

Die Bankwet is in 1976 spesifiek gewysig om vir bankbeheermaatskappye voorsiening te maak. 'n Belangrike oorweging was om enige maatskappy wat 'n bankinstelling of -instellings beheer aan 'n Sekere mate van owerheidsbeheer te onderwerp.

Bankwese

'n Bankbeheermaatskappy is onderhewig aan dieselfde beperkings op aandeelhouding as 'n bankinstelling, naamlik dat geen persoon of maatskappy en sy geassosieerdes meer as 10 persent en geen finansiële maatskappy (dit is 'n beleggingsmaatskappy met 'n wye aandeleverspreiding

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skillende aktiwiteite in verskillende maatskappye geplaas word met die grootste maatskappy, normaalweg die handelsbank, as die houermaatskappy van al die ander maatskappye — dit was in die verlede die normale ontwikkelingspatroon. Ten derde kan 'n bankbeheermaatskappy geskep word met afsonderlike aktiwiteite in 'n reeks afsonderlike filiaalmaatskappye heplaas.

Die beswaar teen die eerste struktuur is dat bestuur lomp word wees en die besondere spanwydte, en dat daar minder motivering vir bestuurslede is om 'n afdeling van 'n groot organisasie uit te bou as in die geval van 'n selfstandige maatskappy.

Die beswaar teen die

oefen. Ten opsigte van strategiese beplanning moet die finansiële en ander doelstellings van die groep bepaal word en met die doelstellings van die afsonderlike filiale versoen word, en moet die breë produk/mark-spektrum van die groep en die terrein van elke filiaal afgebaken word. Terreinafbakening kom neer op die toedeling van verskillende marksegmente en sekere gespesialiseerde dienste aan die onderskeie filiaalbanke.

Die beheermaatskappy is ook verantwoordelik vir die verkryging van kapitaal en die toedeling daarvan na die onderskeie filiale na gelang van verwagte opbrengs en risiko-oorwegings.

of 'n versekeringsmaatskappy) en sy geassosieerdes meer as dertig persent van sy aandele mag besit nie.

'n Bankbeheermaatskappy moet hom hoofsaaklik op die bankwese toespits aangesien hy nie meer as veertig persent van sy aandelekapitaal en reserwes buite die bankwese mag belê nie.

'n Bankbeheermaatskappy mag ook nie meer as een bankinstelling van elke klas beheer nie. Bankinstellings word tans geklassifiseer as handelsbanke, aksepbanke, huurkoopbanke, spaarbanke en algemene banke, hoewel verwag kan word dat die indeling in die toekoms sal vernou om slegs vir handelsbanke, aksepbanke en algemene banke voorsiening te maak.

Rupert kyk dalk na olie en gas

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RAPPORT 3/9/78

Deur DAVID MEADES

DIE grootste deel van die bedrag van byna R100 miljoen aan kontant wat die Rembrandt-groep die laaste tyd in Noord-Amerika losgemaak het, of besig is om te realiseer, sal waarskynlik in die buiteland bly. En die groot vraag is hoe dit belê gaan word.

Dr. Anton Rupert, voorsitter van Rembrandt, het vandeesweek op Stellenbosch op die jaarvergadering van Rembrandt gesê dat hierdie kapitaal mettertyd aangewend sal word vir die verkryging van ander beleggings en finansiering.

Wat die finansiering betref, lyk dit of die huidige planne met Oude Meester en Interkontinentale Brouerye hier die grootste rol gaan speel sover dit Suid-Afrika betref.

Vir eers is sowat R23 miljoen in kontant nodig om die minderheidsaandeelhouers in Oude Meester uit te koop en sowat R2 miljoen vir dié in IKB

Dan lyk dit ook of Rembrandt nou vasbeslote is om eens en vir altyd sy kleim baie stewig in die bankbedryf en veral in die biermark af te steek.

'n Hoogs omvattende bemarkingsplan word waarskynlik beoog, wat kan beteken dat Rembrandt sommer groot geld hier sal moet impomp

Rembrandt het egter in Suid-Afrika self ook baie sterk kontantbronne en dit kan wees dat hy nie veel van die oorsese fondse sal inbring nie

Dit is bekend dat dr. Rupert baie sterk voel oor beleggings in energie en dit kan wees dat die grootste deel van die geld wat nou losgemaak word, vir beleggings in hierdie veld kan wees.

'n Verdere belegging in olie en gas kan dalk 'n goeie raaiskoot wees. Deur die Kanadese belange het die groep reeds in olie en gas 'n belang

Maar dan is daar ook diegene wat meen dat die groep verder in die mynbou kan beweeg en sover bekend het daar nog niks van die gerugte gekom dat Goldfields van Londen kopers vir sy belange — ook dié in Suid-Afrika — soek nie.

Weer reg vir uitbreek

RAPPORT 10/9/78

(232)

Deur DAVID MEADES

AS daar een ding is wat baie duidelik uit die skitterende halfjaarresultate blyk wat vandeesweek deur General Mining aangekondig is, is dit dat die finansiële las wat die oorname van Union Corporation op hom geplaas het, nou feitlik iets van die verlede behoort te wees.

General Mining se lenningsvermoë moet nou taamlik skoon wees, wat die kanse baie goed maak vir 'n volgende uitbreidingsfase. Dit is logies dat die groep reeds sterk in hierdie rigting dink en op die loer is na nuwe beleggingsgeleenthede.

Die afgelope jaar of vyf het die leningsverpligtinge wat aangegaan is om Union Corporation oor te neem, 'n groot las op die groep se bronne geplaas en was die aflossing van hierdie verpligtinge sy grootste prioriteit

Daar is begin met 'n lening van meer as 80 miljoen dollar, wat in die jaar tot 31 Desember 1978 tot sowat 33 miljoen dollar verminder is Met die sterk styging in sy teruggehoue winste die afgelope ses maande van R14 miljoen tot R19,7 miljoen, moes General Mining weer in staat gewees het om hierdie lening verder te verminder.

Die laaste twee paaiemente moet teen die einde van aanstaande jaar terugbetaal word en uit die baie gesonde finansiële stand van sake in die groep behoort dit baie gerieflik gedoen te word.

Die gekonsolideerde leningskapitaal van General Mining het die afgelope ses maande nou wel van R177 miljoen tot R190,2 miljoen toegeneem. Daar kan egter aangeneem word dat die groot skuldbriefuitgifte van Union Corporation vir die grootste deel van hierdie toename verantwoordelik was.

Die verdienste per aandeel het die afgelope ses maande tot einde Junie van 257c tot 340c gestyg en die dividend is van 90c tot 105c verhoog. Die tussentydse dividend is gewoonlik in die orde van sowat 40 persent van die totale dividend, en dit is dus duidelik dat die dividendinkomste uit hierdie bron heelwat groter as die rentelas moes gewees het.

Onderverdeel

Intussen kon General Mining voortgaan om ondanks die vergroting van sy uitgereikte kapitaal ook na sy aandeelhouers te kyk.

Met 260c as grondslag kan General Mining dus ná onderverdeling 'n totale dividend van 52c per aandeel betaal, wat op 696c 'n skaflike opbrengs van 7,5 persent sal verteenwoordig, hoewel daar kenners is wat meen dat die dividend nóg meer kan wees

Sowat 72 persent van General Mining se uitgereikte aandele word op die oomblik deur sy hoofaandeelhouers beheer, terwyl die belange van instellings dit tot sowat 85 persent opstoot

Dit beteken dat net sowat 1,2 miljoen van General Mining se huidige 8,2 miljoen aandele deur die kleiner aandeelhouers gehou word, wat ná die onderverdeling tot 6 miljoen sal styg

Dit sal die verhandelbaarheid van die aandele baie beter maak en kan daartoe lei dat die prys verder sal verstewig

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GENERAL Mining en Anglo American gaan dalk weer 'n poging aanwend om beheer oor SA Mangaan te verkry — maar hierdie keer gesamentlik. Sterk gerugte oor sulke planne was Vrydag op die Johannesburgse Effektebeurs in omloop.

'n Paar maande gelede het albei hierdie myngroepe aanbiedinge vir SA Mangaan gedoen, maar in albei gevalle is dit van die hand gewys. Volgens nieamptelike bronne het General Mining se aanbod sowat 1 000c per aandeel beloop en dié van Anglo 1 050c.

SA Mangaan word deur Yskor beheer met 'n belang van sowat 40 persent of oor die 11 miljoen van SA Mangaan se 27,7 miljoen uitgereikte aandele.

SA Mangaan se prys het vandeesweek ook sterk verstewig tot 710c, teenoor 635c twee weke gelede. Die omset het hoog gebly en die laaste paar weke is al 'n paar honderduisend aandele verhandel.

Rapport 10/9/78

Dit is nou ook baie duidelik dat kritiek wat General Mining met die oorname van Union Corporation homself op die hals gehaal het — dat sy groot leningsverpligtinge hom vir 'n hele paar jaar daarna gaan wurg — heeltemal ongegrond was

Van 1973 tot 1977 kon hy 'n samegestelde groei in verdienste van nie minder nie as 21,8 persent per jaar toon, terwyl die styging in die verdienste per aandeel vir die afgelope ses maande 'n reuse 32 persent is

Met Union Corporation as grootste belegging is dit sent van die totale dividend, wat 'n totale dividend van sowat 260c baie moontlik maak, uit 'n totale verdienste per aandeel wat 650c of selfs meer kan haal.

Verhandelbaar

Dan is General Mining ook voornemens om sy aandele onder te verdeel in vyf nuwe aandele vir elke een. Teen sy huidige prys van sowat 3 480c verteenwoordig dit 'n prys van 696c, wat die aandeel baie meer in dieselfde prysklas van sulke mynhuise soos Anglo (637c) en Union Corporation (570c) plaas

FED VOLKS
232

Fairly valued
FM 15/9/78

At first sight the interim for the six months to end-June makes excellent reading. Turnover is up 111% from R88,9m to R188,2m, pre-tax profits from R9m to R12,9m and taxed profits 45% from R6,3m to R9,2m

But these impressive increases are mainly due to subsidiary Fed Chem's acquisition of a 51% controlling stake in SA Druggists, a deal which came into effect at the beginning of the year and which countered the effect of Fedfood's acquisitions of Simba-Quix, which was in financial trouble when it was purchased late last year

But although these acquisitions boosted profits, the substantially larger minority interests, up from R2,3m to R5,6m, brought down attributable income from R3,8m to R3,5m, to give earnings of 14,7c (16,3c)

Chemicals and food still remain FVB's most important revenue earners Unlisted Fed Chem's main investments remain Fedmis, Sentrachem and SA Druggists. It consolidates SA Druggists (which has an August year-end) but only received dividend income from Sentrachem and Fedmis.

The only other quoted companies that FVB consolidates are Fedfood and Asmar Fedfood, for the six months to end-June, made pre-tax profits of R4,52m (R5,2m) which reduced earnings from 20,5c to 17,2c, and the dividend from 10c to 8c This was largely due to the low pilchard catch in SWA

The other major source of income is of course dividend income from the companies that make up the total FVB group. This probably amounts to about R4m, and will be lower than for the comparable period, as Telectra passed its final dividend, and the contribution from Bankorp is substantially lower than Trust Bank's payouts.

FVB has changed its year end from end-December to March 31, to fit in better with the companies it has recently acquired. Since end-June it has acquired the outside interest in Telectra, which it is in the process of rationalising Subsidiary Fed Chem, as part of a consortium, has acquired a controlling interest in Griffon, while Fedfood purchased a 51% stake in Ruto.

These acquisitions are expected to enable FVB to increase its earnings for the year, and a higher dividend may also be on the cards. Meanwhile the interim has been maintained at 7c.

At 187c the price has risen 50c since the annual report was released in March and yielding a prospective 8,6% looks fairly valued. *Gail Pemberton*

Apartheid sal verdwyn by Baaise strande

Van Ons Oos-Kaaplandse Kantoor

DIT lyk of strandapartheid op sekere dele langs Port Elizabeth se kus gaandeweg gaan verdwyn.

Die Administrateur van Kaapland, dr. L. A. P. A. Munnik, het Vrydag 'n strand-ontwikkelingsplan bekend gemaak wat uiteindelik kan beteken dat sekere strandgebiede noord van die stad se hawe vir alle rasse oopgestel gaan word.

Hy het beklemtoon dat dit egter net moontlik sal wees ná indringende oorlegpleging deur plaaslike owerhede en alle lede van die gemeenskap.

Dr. Munnik het vandeesweek swart en wit verteenwoordigers van plaaslike owerhede saamgeroep om 'n nuwe konsep in strandafbakening aan die gang te sit en gesê: „Die plaaslike owerhede sal aanbevelinge aan my doen, maar dit moet deurgaans in gedagte gehou word dat dit geen politieke probleem dié is nie."

Hy het gesê dit is 'n gemeenskapsprobleem en elke gemeenskap het die reg om te vra vir strandtoegewings.

„As dit onder my aandag kom dat die voorgestelde komitee wat die probleem ondersoek, hom besig hou met uitgerekte politieke argumente, sal dit ontbind word."

Dr. Munnik hoop om konsepvoorstelle vir strandontwikkelinge binne 'n paar weke gereed te hê. Hy sal dan weer na Port Elizabeth kom vir die openingsvergadering van die nuwe komitee.

Sugar sale 232

Sugar giant Tate & Lyle plans to sell its last major investment in SA. Final terms of the sale, involving a 51% stake in African Products, have not yet been settled. Proposed buyer is Anglo American Industrial Corporation.

FM 20/10/78

TAKEOVERS 232

Shareholders, beware

FM 20/10/78

Whom do takeovers benefit? Not shareholders in the acquisitor companies, according to a British academic study

The arguments generally in favour of takeovers are well known. dynamic, thrusting acquisitors take over sleepy traditionalists, jack up their operations, and in the resultant synergy 2+2=5. This was the basis of such SA operators as Abercom, Protea Holdings, Jessel Securities (Lags), Calan, and the local offshoot of Slater Walker, which followed the concepts promoted originally overseas by such people as the UK principals of Jessel and Slater Walker and American conglomerates like Litton and Ling-Temco-Vought

Some of these of course have survived, even prospered, others have not. The UK survey, undertaken by Stirling University's Michael Firth, shows that by the ultimate yardstick of share price performance, the overall results are discouraging

Firth measured the *relative* price performance of acquisitor and acquiree company shares against the market as a whole for 224 takeovers in the 1975-77 period. The results are summarised in the accompanying graphs.

He found that share prices of acquiree companies displayed average performance until about a month before the bid They then rose sharply *before* the bid (reflecting leakages or the build-up of a pre-bid stake), and again even more immediately on the bid. Acquisitor shares, on the other hand, tended also to perform reasonably in relation to the market before the bid, but in nearly 80% of the cases announcement of the bid had a sharply detrimental effect on share prices.

The greater the premium paid over pre-bid market price for the acquiree in relation to the capitalisation of the acquisitor, the worse the subsequent share price performance of the acquisitor.

Total gains in market capitalisation of the acquirees matched almost exactly the capitalisation losses of the acquisitors, although as the acquirees were normally smaller than the acquisitors, the percentage gain by the acquirees outstripped the loss by the acquisitors.

Firth's conclusion is that the stock market views takeovers as having virtually no overall impact· the bonuses that may accrue from the amalgamation are expected to be offset by the high premiums needed to ensure the success of the takeover.

This also tends to confirm that, whatever pious noises may be made, growth in earnings per share or share price is often not the main motive for corporate expansion Sheer size can be a more important factor, either for prestige reasons, for increased job security (as larger firms may seem less likely to themselves become takeover victims), or for the increased rewards that normally attach to managing a larger company.

Chief executives' remuneration is sometimes linked to profits and dividends on a gross, not a per share, basis. So that even if a takeover results in no increase in dividends per share, if the same dividend rate is paid on a larger capital there may be a benefit to a director with an appropriately worded service contract.

Most criticism of takeovers centres on macroeconomic fears of monopoly and reduced competition. However, analysis like this suggests that individual shareholders should be far more concerned to query whether they — as distinct from the professional managers who run on their behalf the companies in which they hold share stakes — will in fact derive any direct benefits from aggressive diversification programmes, or whether they should rather encourage managers to concentrate on getting the best out of the assets for which they are already responsible.

Huge beer battle brews

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Continued from page 1 26/10/78

Mr Chris Heunis, hours earlier CAPE TIME

The parties have not had time to really assess the implications," said a Rembrandt spokesman last night "It will probably take weeks"

The spokesman said the move did not foreshadow a total takeover of Gilbey, owned by British magnate, Maxwell Joseph's huge Grand Metropolitan Hotels group And in a departure from usual company policy, it is not intended to go for the extra 1% to give Rembrandt equal control.

Industry sources conceded that a beer price war was now a distinct possibility, although this would be avoided if at all possible Price cutting erupted about this time last year when Rembrandt first stepped up attempts to make inroads into SAB's share of the market. There was also speculation last night that hotel acquisitions will be the next step in Dr Rupert's campaign The hotels, a SAB stronghold, make up only about 16 percent of consumption but play an important role in cultivating brand preferences

Gilbey's head, Mr Allan Bell, told the Cape Times that it was not intended to withdraw any of the capital earned in the deal from South Africa "By supporting a second brewery we can increase competition in the beer market and this can only be good for the industry as a whole," he said "We are extremely happy."

Market sources see the move as a brilliant reply by Dr Rupert to SAB's feat in pulling the rug from under a planned Rembrandt launch of Colt 45 malt liquor, a popular American beer variety, by coming out first with a similar drink called Stallion 54

Meanwhile, the new development has caused Rembrandt to request an adjournment of meetings concerning its bid for 100 percent control of Oude Meester, sheduled for tomorrow. "I think we'll still recommend the scheme." a spokesman said, "But we think it's only right to give the minority shareholders the right to reconsider things"

REMGRO/GILBEY

A new cocktail

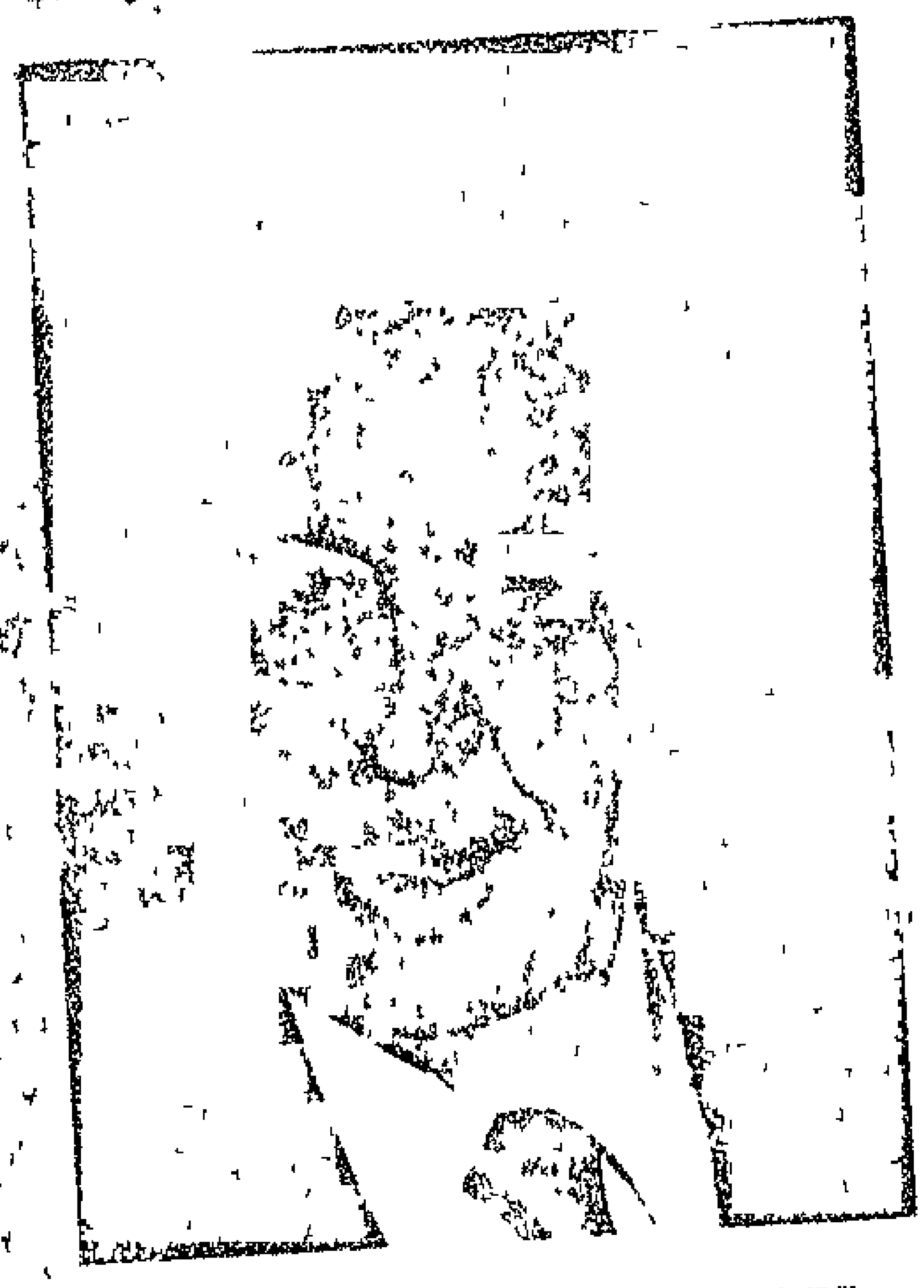
FM 27/10/78 (232)

The row expected at the meeting to ratify Remgro's takeover of the minority stake in Oude Meester has been postponed indefinitely due to Remgro's acquisition this week of a 49% stake in Gilbey SA.

While Oudemeester's board has put out a statement to the effect that the Gilbey deal will not affect the Oudemeester deal, the advisers, Senbank and Barclays Merchant, will have to be satisfied that this is the case. Their scrutiny will take longer than the one day they have before the meeting scheduled for today -- hence the postponement

Gilbey is revealing as little as possible about its deal It has announced only that it has enlarged its capital base through the issue of new ordinaries and prefs, representing 49% of the equity, to Remgro

Being a private company, hitherto wholly owned by UK based International Distillers & Vintners, Gilbey does not publish financial statements No 3 in the competitive SA retail liquor market, Gilbey is not thought to be wildly profit-



Remgro's Rupert . . . increasing the competition

able Until now, because of its foreign ownership, it has been rumoured to be illiquid Rembrandt's cash injection and SA nationality should remedy this The effect on Remgro's earnings and net assets will be minimal, though the acquisition will strengthen Rembrandt's competitiveness in liquor generally.

More outlets

Gilbey has about 60 retail outlets and a 50% stake in Rebel discount liquor stores acquired a week ago Gilbey held a 49% stake in Rebel from 1973 to 1976 but sold out to avoid to competing with its customers. While it is No 3 in retail liquor, it is far smaller than No 2, SAB's Stellenbosch Wine Trust with 130-odd stores and top ranker Oudemeester's Western Province Cellars, with 200 stores. Gilbey is bigger in gin, vodka, whisky distilling and importing than in wine and beer (see *Business*)

Will Remgro's 60c offer for Oudemeester be accepted by 75% of the minorities, the required number for ratification of the scheme of arrangement? Probably, though no one is overwhelmed at Remgro's generosity The five biggest minorities, representing 10,7% of the equity, tell the *FM* they will accept But there will be a lot of heat generated with the Shareholders' Association valuing the shares as high as 110c

Larger minorities are accepting Remgro's 60c only because they feel it is preferable to the collapse of the offer and a return of the share price to its pre suspension level of 43c

David Carte

Rupert and SAB in court beer battle

Cape Times 28/10/78 (2) 232

PRETORIA. — Judgment was reserved in the Supreme Court yesterday when the country's major beer producers crossed swords about the launching of "Stallion 54" by South African Breweries.

The opposing parties are Intercontinental Breweries Ltd, which is part of the Rupert stable, and the American company, Carling National Breweries Inc, on the one hand, and SA Breweries Ltd and a subsidary, National Brewing Company (Pty), on the other.

The application follows the launching of Stallion 54 by SA Breweries on September 22, about 10 days before Intercontinental Breweries intended launching a beer called "Colt 45" under licence for Carling.

The applicants have a registered claim on the name of Colt 45, together with a horse emblem, which they claim has been infringed by the Stallion 54 label, which also portrays a horse. They claim their trademark and the Stallion 54 label was so similar that the public would probably be confused.

Mr Justice Boshoff, who presided, asked whether a person confronted by Colt 45 would let his imagination run. The word Colt would register in the mind, rather than the image of a horse, the judge said.

Secondly, Carling and Intercontinental claimed that SA Breweries had been guilty of unlawful competition.

By launching Stallion 54, they had not acted in the course of their own business, but had attempted to thwart rival traders. They claimed SA Breweries had appropriated for themselves the benefits of the Colt 45 reputation Carling built overseas.

By doing so SA Breweries created a climate in which Colt 45 would not be launched, because it would be confused with Stallion 54. They conceded that if the court held that Colt 45 could be launched without fear of confusion, they had no case concerning the alleged unlawful competition.

Carling and Intercontinental claim competition can be fierce, but it must be fair, and it is unfair to block a competitor's channels of trading.

It was remarkable that the figure 54 had been used they said. SA Breweries had justified this on the grounds the beer had a 5,4 per cent alcohol content, but the applicants claimed instructions were given that this should be the alcohol content.

This rather appeared to "place the cart before the horse," counsel for Carling and Intercontinental Breweries said. They are seeking to have SA Breweries interdicted from using the Stallion 54 label, and from continuing to compete "unlawfully" with them — Sapa

Santambank maak oop... en toe

Rapport 29/10/78 (232)

DIE nuwe Santambank, die vorige Kredietbank, Bank van Johannesburg en die ou Santam-Bank, het begin woel onder sy takstruktuur. Op sekere plekke waar al drie takke gehad het, word dit nou saamgevoeg. Boonop word tien nuwe takke gestig.

Só het mnr. Mof Terreblanche, 'n hoofbestuurder van Santambank, aan Sake-Rapport gesê

Die dorpe waar voortaan net een tak sal wees, is Pietersburg, Witbank, Krugersdorp, Alberton, Pietermaritzburg, Oos-Londen en Bellville, terwyl Kaapstad 'n Burgstraat- en 'n Strandstraat-tak sal hê

Om 'n beter geografiese verspreiding te verkry, is ook besluit om nuwe takke te open op Stellenbosch, George, Sasolburg, Uitenhage, Middelburg (Tvl.), Ermelo, Claremont, Piketberg en Rustenburg/Brits.

Die samevoeging en opening van nuwe takke sal gereël word om die minste moontlike ongerief aan die klante en die personeel te bring, sowel as om die winsgewendheid nie nadelig te raak nie.

Die klant en sy gesin sal nou by die meer as sewentig kantore persoonlike lenings en huurkooptransaksies kan afsluit. 'n Verdere nuwigheid is die beskikbaarheid van reistjeks by alle kantore Hierdie uitbreiding van dienste gaan ook gepaard met verdere rekenarisering om die bank administratief in staat te stel om sy groot aantal klante te kan bedien.

In die jaarverslag, wat pas beskikbaar geword het, sê die voorsitter, dr Fred du Plessis, dat dit reeds duidelik is dat Santambank sal voortgaan om 'n lewenskragtige bydrae in die Bankorp-groep te lewer

● David Meades skryf dat Santambank se wins ná belasting het die afgelope jaar met 20 persent tot R4,6 miljoen gestyg. Maar die resultate van die ou Santam-Bank was nie daarby ingesluit nie. As daar aangeneem word dat die bates van hierdie deel van die nuwe groep 'n bydrae van sê R1 miljoen sou kon lewer, sou die syfer R5,6 miljoen gewees het.

En as 'n mens 'n winsgroei van 15 persent vanjaar verwag, is dit duidelik dat die nuwe Santambank 'n syfer van R6,5 miljoen kan haal, hoewel dit moontlik is dat die volle voordele van die bates van die ou Santam-Bank (vanweë die aard van die samestelling van sy bates) dalk eers in die jaar 1979/80 vekry sal kan word.

Intercontinental in chase for 20% of beer market

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2/11/78 R.D.M.

By DON ROBERTSON

THE BATTLE for a bigger share of the R350-million a year beer market will be long and hard fought, but Mr Gerard Steinmetz, managing director of Intercontinental Breweries, is confident that he will succeed

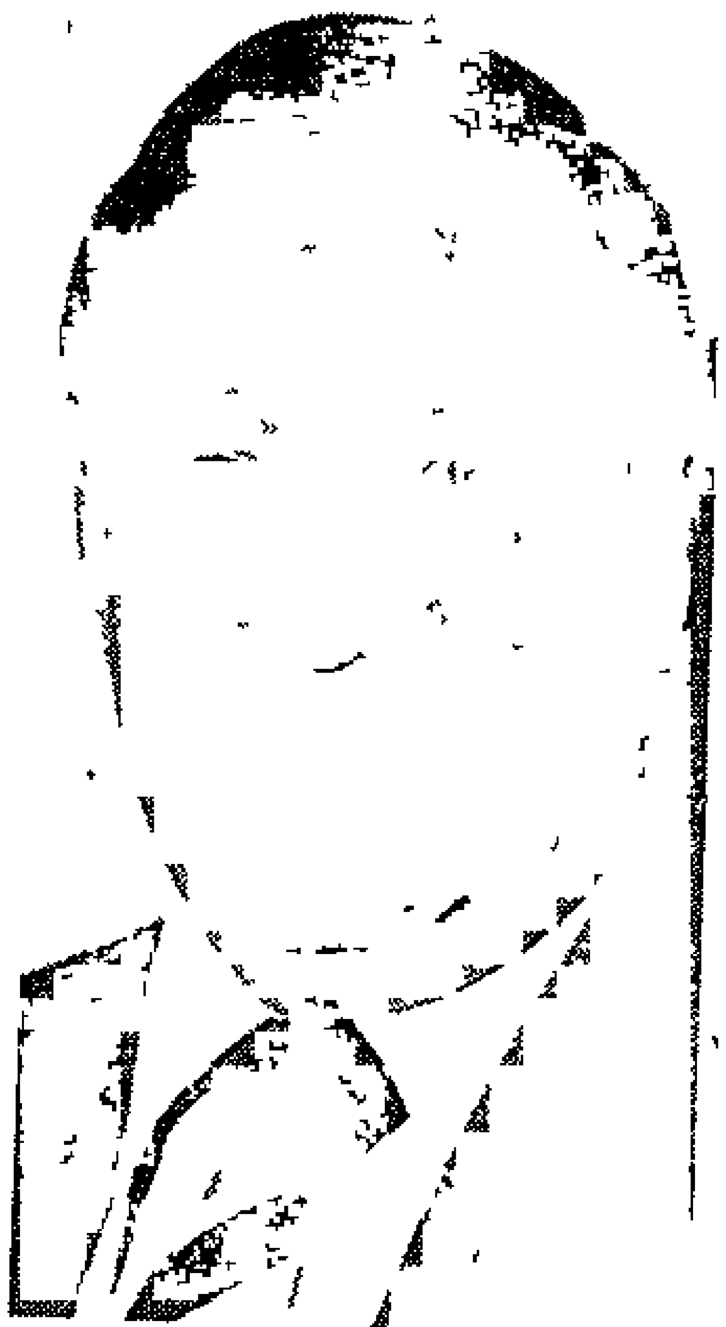
The determination of the brewery to achieve its aims was expressed by Mr Steinmetz who said his company was looking for its share of the market, and "as there are only two breweries in South Africa, that means 50% "

The first step will be a gradual build-up from the current market share of between 9% and 10% to 20%

Last week, Intercontinental officially opened its R7-million brewery at Fountain Park, Prospecton, near Durban, as part of a R16-million expansion programme which will include extensions to the Chamdor and Bloemfontein breweries

A second phase will be the the opening of a brewery at Blackheath at the Cape Property has been acquired in the area and a decision to go ahead with the project is expected early next year

The company's four brand names were launched nationally in March this year and Mr Steinmetz is satisfied with market acceptance.



Mr Gerard Steinmetz

The Natal brewery will solve many problems associated with transport and result in considerable savings. It will also allow for a bigger attack on the Eastern Cape market where the company's products have not been as well received as had been expected

Previously, this market was served from the Bloemfontein brewery, but rail costs added considerably to overheads This market will now be supplied from Durban by sea

Another development within Intercontinental, which falls under the Rembrandt banner, is the acquisition by Rembrandt of a 49% interest in W & A Gilbey (SA) and the purchase of a 50% interest in Rebel Discount Liquor Stores by Gilbey Distillers & Vintners

In addition, Rembrandt, which has a 50,7% investment in Oude Meester, has made a bid for minority interests at 60c a share

Of the Gilbey acquisition, Rembrandt says "The object of the investment is to strengthen competition in the beer industry whilst maintaining the present competition in wines and spirits "

The acquisitions will give the group a retail chain of almost 300 outlets and swing the power in the retail field decidedly in Rembrandt's favour. This is a significant development, according to Mr Steinmetz who believes that it is vitally important to have a retail outlet which is "kindly disposed towards your product "

Intercontinental is running at a small profit if capital expenditure is excluded However, with the backing of the Rembrandt group, the company will be prepared to operate on an unprofitable basis while it goes all out for its initial aim of 20% of the market

For the beer drinker, the beer battle is likely to be marked by a concerted advertising campaign from Intercontinental and S A Breweries For both, advertising is considered an investment

And, for the good news, there is unlikley to be a beer price increase this summer

FM 10|11|78

ANGLOVAAL

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Chairman's review

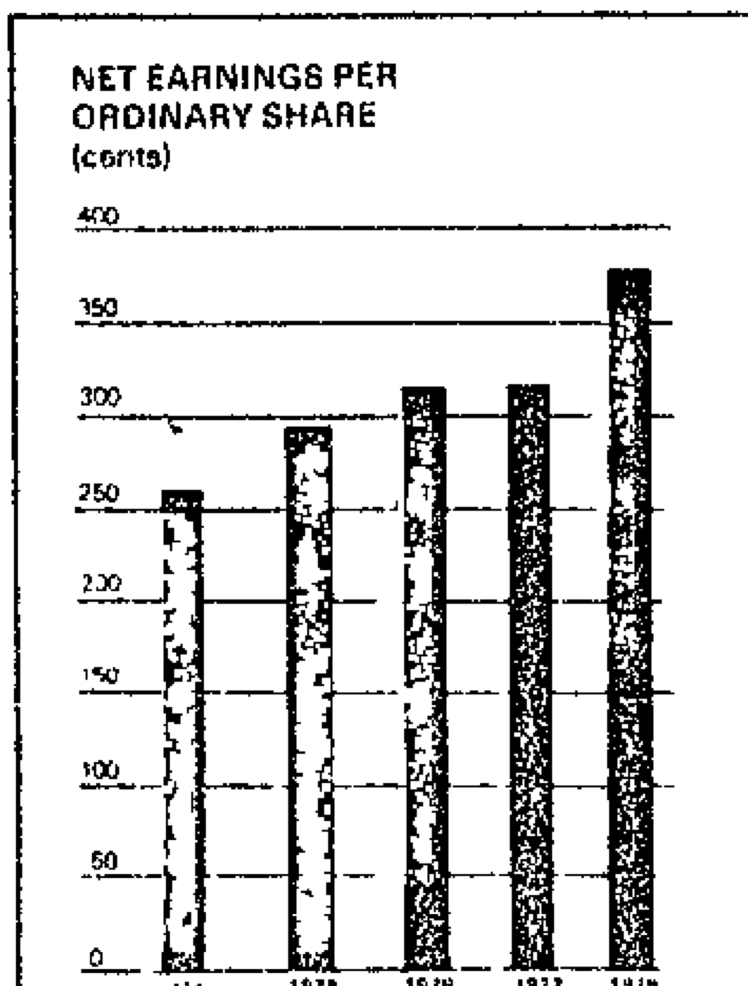
Better S.A. business climate, but caution needed; foreign investment an important element - Mr Basil E. Hersov

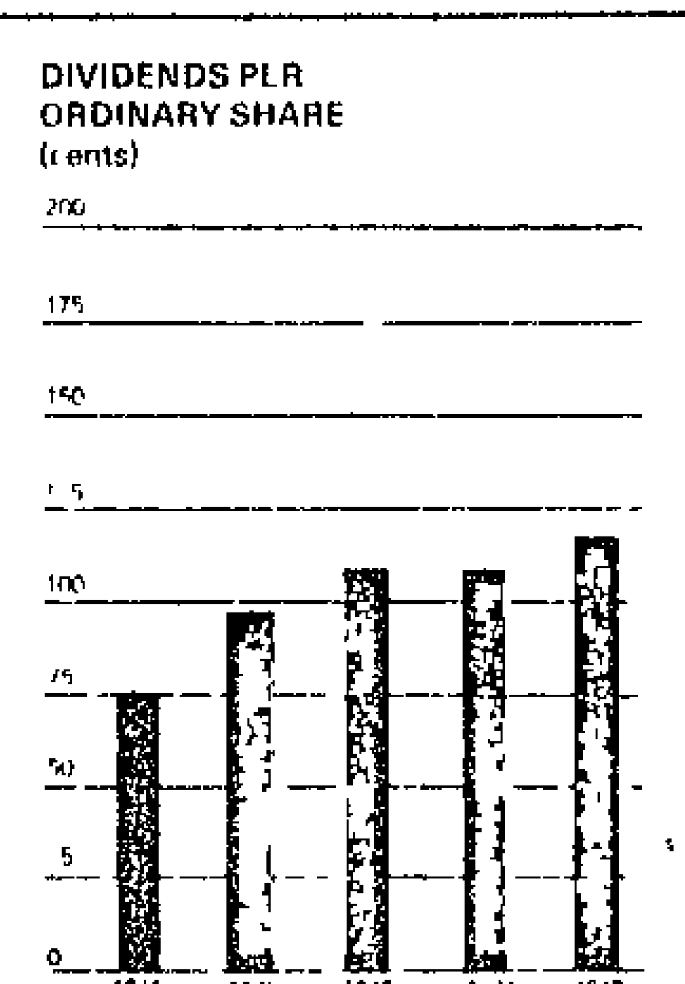
In reporting to shareholders on the Group's results in the past year I feel it is again imperative to comment on the social, political and economic climate in which our Group is operating. The more confident mood concerning the present state of the South African economy which is currently being conveyed through the media needs tempering. Inevitably present attitudes tend to reflect the immediate past. Certainly the present business climate is more healthy than it was a year ago due in part to the very much higher price received for our gold. However, there will have to be a resumption of the traditional major foreign inflows of capital before we can expect the higher levels of increase in gross national product necessary to create sufficient employment opportunities for the increasing population.

Since the serious unrest in black townships in mid 1976 foreign capital inflows have reduced dramatically. In fact during last year there was a net outflow of capital and South Africa has had to live off its balance of payments current account and to look to its own savings for investment and economic growth. Thus, although we can hopefully expect some growth in the immediate future, it will not compare with the growth we could experience if we could attract new foreign capital into our country at a rate comparable to that of the past. The solution to this is of course as much political as economic in nature. This country has tremendous potential in the reserves of manpower and natural resources – however this potential can only be released if there is a marked reversal of the trend towards confrontation at home and abroad.

In this context it is important to note recent statements by Government and business leaders which recognise the need for the elimination of racial discrimination in our society. If such statements are going to lead to more than merely pious hopes, urgent and major adjustments are necessary. Within our own Group, following a policy statement by the Board of Directors in June 1977, chief executives have been set objectives in the field of non-discriminatory employment policies and a programme for the attainment of a unified labour policy for all employees. These objectives embrace levels of remuneration, labour stability and motivation, training, effective communication systems and increased involvement in employees' social problems outside the work environment.

Naturally such a programme involves changes, often considerable ones, in the way we structure our employment practices. We have found over the years that the implementation of a policy in a way and at a pace equitable to all employees, white and black, as well as to the needs of the individual organisations in our Group is far from easy. Nevertheless, substantial progress has been and will continue to be made as we are constantly monitoring progress against our objectives.





The difficulties are of course not merely company or Group problems but national ones and must be dealt with on several fronts. It is certainly encouraging that important commissions under Prof Wiehahn and Dr Riekert are examining some vital elements of these problems and we look forward with keen anticipation to the results of their investigations and recommendations. It is not only through the re-structuring of company personnel policies nationally and the improvement of educational and training facilities but also through the vital area of changes in legislation and negotiation with employee organisations that discriminatory economic barriers will be reduced.

Financial results

The consolidated taxed profit for the year ended 30 June 1978 attributable to members was R16 171 000 compared with R13 475 000 last year and net earnings per ordinary share increased by 20 per cent to

	Company 1978	Company 1977	Consolidated 1978	Consolidated 1977
Profit after taxation	R9 107 000	R8 109 000	R33 101 000	R27 077 000
Dividends paid	R5 259 000	R4 837 000	R5 171 000	R4 756 000
Earnings per ordinary share*	204 cents	181 cents	381 cents	318 cents
Dividends per ordinary share	115 cents	105 cents	115 cents	105 cents
Investments				
Listed				
Book value	R37 644 000	R35 011 000	R40 542 000	R37 900 000
Market value	R92 232 000	R76 328 000	R112 795 000	R92 972 000
Unlisted				
Book value	R12 905 000	R12 730 000	R20 670 000	R20 766 000

*Note Earnings per share exclude the results of mining subsidiaries and extraordinary items

381 cents per share. The Company's own earnings were 204 cents per share, an increase of 13 per cent over last year and the ordinary dividend was increased by 10 per cent from 105 cents to 115 cents per share. As at 30 June 1978 the net asset value per ordinary share was 3 772 cents per share (1977 – 3 241 cents per share).

The increased earnings this year were mainly attributable to higher dividend income from the Group's mining investments and to the improved results of certain of the industrial companies, in particular Irvin & Johnson Limited and Consolidated Glass Works Limited.

Investments

During the year under review there was an increase in the market value of the listed shares in the Company's portfolio which at the year end was worth R92 232 000 compared with R76 328 000 at the end of the previous financial year. The book value of the listed shares was R37 644 000 and the book value of unlisted investments R12 905 000. As at 5 October 1978 the market value of listed investments had risen to R104 670 000.

Future prospects

Financial results in the current year ending 30 June 1979 so far indicate improvements in most Group companies. Consequently, subject to the usual provisos on the uncertainties of world metal and mineral prices and no serious deterioration in the South African business climate, the Group's profits this year will again increase.

Basil Hersov

6 October 1978

Extracts from the Directors' report

Financial

The Company earned a profit after taxation of R9 107 000 compared with R8 109 000 for the 1977 financial year. Consolidated profit after taxation attributable to members increased by R2 696 000 to R16 171 000 despite the difficult trading conditions which were encountered in most sectors of the economy in which the Group companies operate. The Company's interest in the profits of its mining subsidiary, Prieska Copper Mines (Proprietary) Limited, is not included in the consolidation.

The profit after taxation attributable to members was earned from the following classes of business.

	Consolidated 1978	1977
	%	%
Gold and uranium	30	21
Other minerals and metals	18	25
Food and packaging	26	23
Building and allied industries	2	[illegible]
Engineering	9	15
Other industrial interests	14	12
Financial	1	2

Investments

During the year the Company and Middle Witwatersrand (Western Areas) Limited subscribed for a further 3 117 094 6% loan notes of 50 cents each at par in Prieska Copper Mines (Proprietary) Limited. Anglo-Transvaal Industries Limited acquired a 51 per cent holding in Tristel Holdings (Proprietary) Limited and disposed of its holding in Decorative Boards (Proprietary) Limited. James Brown and Hamer Limited disposed of its holding in Broderick Investments Limited.

Mining investments

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

Mining exploration, finance and investment company

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	4 900	3 966
Profit after taxation	3 894	2 921
Earnings per share		
– including profit on realisation of investments	38 9 cents	28 9 cents
– excluding profit on realisation of investments	36 2 cents	27,5 cents
Dividend per share	25 0 cents	22 5 cents

Increased dividends from gold mining investments accounted for most of the increase in profits. As at 6 September 1978 the market value of listed investments had risen to R59 026 000 against R52 624 000 at 30 June 1978.

HARTEBEESTFONTEIN GOLD MINING COMPANY LIMITED

Gold and uranium producer

	Year ended 30 June 1978 R000	1977 R000
Turnover	161 074	111 895
Profit after taxation	44 614	28 140
Earnings per share	283 cents	158 cents
Dividend per share	250 cents	135 cents

Principally because of higher prices received for gold sold, after tax profit increased from R28 000 000 in 1977 to R44 000 000 in 1978 and dividends totalled 250 cents per share compared with 135 cents per share paid in the previous year. Uranium plant capacity is being increased by about 20 per cent in order to treat accumulated slimes and production should commence within two years. Construction work on the 140 000 ton per month sulphuric acid plant is well advanced and it is expected to be operational in 1979, some nine months ahead of schedule. Capital expenditure for the current year will be at a high level but could be partly financed by uranium consumer loans arising from additional sales contracts being negotiated. Results for the 1979 financial year depend on the gold price, the rate of inflation and the mine's ability to contain costs and increase productivity.

ZANDPAN GOLD MINING COMPANY LIMITED

Investment company

	Year ended 30 June 1978 R000	1977 R000
Turnover	[illegible]	2 993
Profit (no tax payable)	[illegible]	2 815
Earnings per share	41 8 cents	21 85 cents
Dividend per share	41 5 cents	22 cents

The company's main asset, its shareholding in Hartebeestfontein Gold Mining Company Limited, remained unchanged. Dividends received from Hartebeestfontein during the financial year were at a higher rate, enabling payments totalling 41,5 cents (1977 – 22 cents) per share to be made to members.

LORAINE GOLD MINES LIMITED

Gold producer

	9 months to 30 June 1978 (unaudited) R000	Year ended 30 September 1977 R000
Turnover	29 617	31 986
Profit (no tax payable)	2 250	2 561
Earnings per share	12 2 cents	0 3 cents

Grade declined from 6 7 grams per ton in the 1977 financial year to an average of 5 8 grams per ton for the 9 months to June 1978 and tonnage milled was lower than had been expected. Costs per ton milled for the 9 months to June 1978 were R32 80 compared with R26,70 for the corresponding period in 1977. The company's long term objective remains the gradual transference of operations from the Elsburg reefs, which have a limited life, to the Basal and B reefs.

EASTERN TRANSVAAL CONSOLIDATED MINES LIMITED

Gold mining, farming and forestry company

	Year ended 30 June 1978 R000	1977 R000
Turnover	11 174	8 024
Profit after taxation	3 047	1 694
Earnings per share	35 cents	25 cents
Dividend per share	55 cents	25 cents

Increased prices for gold sold by the mine resulted in a pre-tax profit of R4 670 000, the highest earned in the company's history. Dividends totalling 55 cents (1977 – 25 cents) per share were paid.

VILLAGE MAIN REEF GOLD MINING COMPANY (1934) LIMITED

Gold producer

	Year ended 30 June 1978 R000	1977 R000
Turnover	2 872	755
Profit after tax (loss)	620	(575)
Earnings per share	10 2 cents	—

Extracts from the Directors' report (continued)

The net profit of R620 000 resulted from a considerable increase in the amount of gold produced sold at higher prices. Approximately 216 000 tons of calcines were treated at an average head value of 5,7 grams per ton and an average recovery of 72 per cent. At the current rate the treatment of the calcines available to the company will be completed during the second half of 1979. The economic feasibility of treating two sands dumps situated some three kilometres from the reduction works is being re-assessed.

RAND LEASES (VOGELSTRUISFONTEIN) GOLD MINING COMPANY LIMITED

Gold mine (dormant)

The company continues to hold its mining title and various rights to precious metals, but there is still no likelihood of it resuming mining operations on its own account despite recent increases in the gold price.

PRIESKA COPPER MINES (PROPRIETARY) LIMITED

Producer of copper, zinc and pyrite concentrates

	Year ended 30 June 1978 R000	1977 R000
Turnover	51 718	61 372
Profit (no tax payable)	5 987	13 667

The predicted low level of metal prices throughout the year was partially offset by an outstanding production performance by the mine. A record 3 062 000 tons of ore were milled during the year and zinc and copper concentrate production benefited accordingly. Nevertheless, the operating profit of R7 260 000 was just under half that of the previous year. Interest, loan repayments and capital expenditure absorbed all of this and the injection of further funds by way of an additional Note issue was necessary to preserve the company's liquidity. Although the company now has a relatively sound liquid position, internal cash resources may well be insufficient to meet anticipated capital expenditure of R7 000 000 and loan repayments of R5 700 000 during the current financial year unless there is a marked increase in zinc and copper metal prices.

THE ASSOCIATED MANGANESE MINES OF SOUTH AFRICA LIMITED

Producer of manganese and iron ores and manganese and chrome alloys

From consolidated financial statements	6 months to 30 June 1978 (unaudited) R000	Year ended 31 December 1977 R000
Turnover	55 501	83 170
Profit after taxation	12 983	18 436
Earnings per share	118 cents	315 cents
Dividend per share	50 cents	105 cents

Reduced demand in 1977 arising from the depressed state of the overseas steel industries resulted in shipments of manganese ore being somewhat lower than in the previous year, while those of iron ore were substantially lower. The programme of expanding the ferro-alloy production capabilities of the company's subsidiary FERALLOYS LIMITED was successfully completed but, because of weak ferro-alloy demand and adequate stocks, production from some of the smaller furnaces was temporarily suspended. As a result of these factors the company's operating profit was R17 942 000 compared to R18 637 000 in 1976, while at Feralloys the operating profit dropped to R4 100 000 in 1977 from R11 049 000 in 1976. Capital expenditure to expand the company's iron ore production capabilities and to establish new and larger manganese mines as replacements for two smaller mines whose reserves are nearly depleted amounted to R8 812 000 (1976 – R4 268 000). At Feralloys R9 875 000 (1976 – R10 246 000) was spent on completing the expansion programme initiated some two years ago. Capital expenditure during 1978 on the company's mines and at Feralloys is estimated at R8 000 000.

CONSOLIDATED MURCHISON LIMITED

Producer of antimony concentrates

	6 months to 30 June 1978 (unaudited) R000	Year ended 31 December 1977 R000
Turnover	5 032	12 778
Profit after taxation (loss)	(740)	3 245
Earnings per share	—	30 cents
Dividend per share	—	30 cents

Consumer demand for antimony concentrates decreased sharply during the second half of 1977 with the result that sales for 1977 dropped to 16 345 tons compared to 23 693 tons in 1976. Working profit for the year ended 31 December 1977 was R3 592 000 (1976 – R11 976 000) and capital expenditure R2 003 000 (1976 – R2 142 000). The results for the first half of 1978 were adversely affected by reduced sales, aggravated by delayed shipments due to the temporary closure of the Antimony Products (Proprietary) Limited's oxide plant.

ANGLO-TRANSVAAL COLLIERIES LIMITED

Investment company

	Year ended 30 June 1978 R000	1977 R000
Turnover	882	526
Profit after taxation	791	225
Earnings per share	47,6 cents	12,2 cents
Dividend per share	43 cents	12 cents

Higher dividends received from the company's investment in Witbank Colliery Limited caused income to rise from R526 000 in 1977 to R852 000 in 1978. Profit after tax amounted to R791 000 (1977 – R225 000) and dividends of 43 cents (1977 – 12 cents) per ordinary share were paid. A scheme modifying the rights attaching to preference shares and converting the 6% cumulative preference shares to participating cumulative preference shares was ratified by the required majority of ordinary and preference shareholders. Further litigation is pending in this connection.

Industrial investments

ANGLO-TRANSVAAL INDUSTRIES LIMITED

Industrial investment and finance company

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	531 736	441 682
Profit after taxation	22 002	17 628
Earnings per share	87 cents	70 cents
Dividend per share	20 cents	19 cents

Intense competition was encountered by most of the Group's industrial companies in their fields of activity. Despite these conditions, the consolidated pre-tax profit increased by R5 035 000 to R33 572 000. This improvement stems from the fact that management took the opportunity whilst the economy was operating at lower levels to re-assess the efficiencies of their companies and to streamline their organisations to deal more effectively with the reduced markets and lower volumes of available work. In the present climate it is expected that there will be a further improvement in profitability during the current year.

SOUTH ATLANTIC CORPORATION LIMITED

Industrial investment company

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	250 157	261 994
Profit after taxation	9 168	7 505
Earnings per share	14 cents	33 cents
Dividend per share	16 cents	16 cents

The past year has been one of mixed fortunes for the companies in the South Atlantic Corporation group, with gains outweighing profit reductions. Although this group of companies continues to face many problems, it is in a stronger financial position than ever before. The activities of the group's subsidiaries, Irvin & Johnson Limited, T W Beckett and Company Limited, Globe Engineering Works Limited, Concentra Limited and Food Corporation (Proprietary) Limited, are reviewed below.

IRVIN & JOHNSON LIMITED
Food processors and distributors

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	136 511	112 970
Profit after taxation	4 448	1 745
Earnings per share	15 cents	5 cents
Dividend per share	7 cents	2,5 cents

Fish catches and volume sales were at approximately the same level as the previous year. However, as a result of better realisations and cost containment, the taxed profit increased by 155 per cent to R4 448 000. The ordinary dividend was increased to 7 cents per share (1977 – 2,5 cents per share). Since the end of the financial year, the beneficial effects of the extension of the exclusive fishing zone effective from 1 November 1977, have started to show, but the proportion of small fish in the improved catches, still gives some cause for concern. The processing of frozen vegetables and pastry products has been consolidated in the Springs factories and although results were adversely affected by poor crop yields, further measures have been taken to ensure adequate contract plantings for the immediate future.

T.W. BECKETT AND COMPANY LIMITED
Packers and distributors of tea and coffee

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	51 209	48 394
Profit after taxation	2 227	2 642
Earnings per share	37 cents	41 cents
Dividend per share	15 cents	14 cents

A difficult year was experienced by all the major packers of tea and coffee in South Africa and whereas in recent years raw material price increases were encountered, the past year has shown both upward and downward fluctuations. The continuing high prices both for tea and coffee have resulted in a drop in total consumption and in such circumstances the reduction in profit was unavoidable.

CONCENTRA LIMITED
Producers of white fishmeal

Better realisations on the company's sale of fishmeal both locally and in the export market resulted in an improved profit after taxation to R828 000 (1977 – R290 000).

FOOD CORPORATION (PROPRIETARY) LIMITED
Manufacturers and distributors of foodstuffs

The completion of the move of all manufacturing operations to the Wadeville factory has brought about higher efficiencies and plant utilisation so that a modest profit before taxation of R138 000 was achieved, compared with an approximate break even for the eight month period from the date of South Atlantic Corporation's acquisition of this investment to 30 June 1977. Improved results are expected in the coming year.

GLOBE ENGINEERING WORKS LIMITED
Marine, electrical and general engineering

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Profit after taxation	1 904	3 002
Earnings per share	15 cents	60 cents
Dividend per share	20 cents	20 cents
Bonus dividend	5 cents	

Results for the current year are not comparable with those of the previous year as the latter includes the profit of Broderick Investments Limited, which was disposed of during the year, as well as an exceptional profit earned on a long-term demolition and salvage contract. All group companies experienced difficult trading conditions with ship repair being particularly hard hit primarily due to the very depressed international shipping conditions currently prevailing. No shipbuilding orders were received by JAMES BROWN & HAMER LIMITED and ship repair profit declined. The industrial division however, operated satisfactorily with the machine shop increasing its profit contribution materially. SHIPWRIGHTS AND ENGINEERS HOLDINGS LIMITED had to contend with low volumes of work and depressed profit margins. Some relief, however, was obtained from improved opportunities in the mining sector in the north-western Cape and South West Africa. Conditions in the ship repair industry are not expected to improve in the short-term and the group will be more dependent than in the past on industrial developments to provide opportunities for improving profit.

CONSOLIDATED GLASS WORKS LIMITED
Manufacturers of glass and plastic containers and allied products

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	70 800	70 900
Profit after taxation	5 312	4 122
Earnings per share	86 cents	66 cents
Dividend per share	27 cents	24 cents

The depressed economy contributed to a further decline in sales volumes but with a favourable sales mix and higher selling prices turnover was maintained. Further gains in productivity, cost containment and substantial interest savings contributed to the improvement in profit. Whilst there are as yet no indications of an improvement in demand, it is anticipated that the past year's profit performance will at least be maintained.

NATIONAL BOLTS LIMITED
Manufacturers of industrial fasteners

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	30 716	31 387
Profit after taxation	1 656	1 140
Earnings per share	34 cents	25 cents
Dividend per share	14 cents	10 cents

Demand for standard fasteners improved somewhat during the year, but the continued restrictions on public sector expenditure further reduced sales of non-standard fasteners and group turnover declined marginally. The completion of the production centralisation programme at Boksburg together with further labour complement reductions, resulted in substantial cost savings and an improved profit. The full benefit of rationalised manufacture will be realised during the current year and, under present conditions, an improvement in profit is expected.

STEEL METALS LIMITED
Engineering suppliers and contractors

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	26 [illegible]00	32 203
Profit after taxation	1 011	1 525
Earnings per share	18 cents	72 cents
Dividend per share	17,5 cents	27,5 cents

With an improved demand towards the end of the year, marketing divisions in both the capital and non capital goods sectors increased turnover and profit contribution above the levels of the previous year. This higher profit was, however, more than offset by a loss incurred by

Extracts from the Directors' report (continued)

the tubes contracting division. This was primarily caused by factors beyond the division's control. A deferred contract should be closed in the current year and contracting operations should again become profitable. Whilst marketing activities have shown a welcome upturn over the past few months they remain highly sensitive to general economic conditions.

CLAUDE NEON LIGHTS (S.A.) LIMITED

Manufacturers and lessors of advertising signs

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Profit after taxation	996	614
Earnings per share	17,2 cents	10 [illegible] cents
Dividend per share	6 cents	[illegible] cents

Competition from commercial television and the restrictive interpretation of legislation governing sign sites resulted in a further decline in the sale of new signs and, in order to counter the adverse effects thereof, sales effort was concentrated on the renewal of existing sign rental contracts nearing expiry. The success of this action together with a substantial saving in interest charges resulting from the reduced level of borrowings, were the major factors accounting for the 62 per cent increase in taxed profit. As a result of the decline in the value of sign rental contracts, profit in the new year is expected to be at a lower level.

DENVER METAL WORKS (PROPRIETARY) LIMITED

Producers of non-ferrous castings, extrusions and stampings

The ongoing depressed conditions in the building and engineering sectors again reduced offtake of brass and copper products but demand for bronze products remained firm. With the overall reduction in throughput and continued cost escalations, consolidated taxed profit declined from R1 027 000 in 1977 to R879 000 in 1978.

E. L. ROGOFF LIMITED

Indent sales agents and distributors

A change in the basis of accounting for commission revenue had the effect of reducing pre-tax profit by R63 000. After providing for taxation in the profitable subsidiary companies, a consolidated taxed loss of R95 000 (1977 - R123 000) was recorded. The company has lost a number of major agencies following decisions by those principals to open their own sales offices. This will have an adverse effect on results and the expected return to an acceptable level of profitability is unlikely in the short term.

SOUTH AFRICAN FINE WORSTEDS (PROPRIETARY) LIMITED

Manufacturers of fine quality worsted cloth

A continuation of aggressive marketing coupled with higher plant efficiencies and higher output resulted in an increase in the after tax profit to R1 137 000 (1977 – R1 093 000). Demand for the company's products is still taking up its full production capacity and plans are being made for further expansion in the next few years. Profit improvement is therefore expected to continue.

TRISTEL HOLDINGS (PROPRIETARY) LIMITED

Steel merchants

A 51 per cent interest in this company was acquired in October 1977 and the taxed profit was R411 000. The company has increased its share of the local and overseas markets and both turnover and profit improved markedly during the past year. A further increase in profit is expected in the new year, but in the absence of a strong recovery in the economy, growth is likely to be less rapid than in the past.

COMBINE CARGO LIMITED

Clearing, forwarding, ships agency and travel group

Although the principal operations of the company reflected a satisfactory growth pattern, its consolidated results were affected by the results of the travel subsidiary and a consolidated loss of R[illegible]9 000 for the year ended 30 June 1978 was recorded. With a gradual but positive penetration of its market a consolidated profit is expected during the current year.

ANGLO ALPHA CEMENT LIMITED

Cement, stone and lime producer

From consolidated financial statements	Year ended 30 June 1978 R000	1977 R000
Turnover	116 226	132 106
Profit after taxation	[illegible]	7 596
Earnings per share	18,6 cents	21,4 cents
Dividend per share	13 cents	13 cents

The demand for the group's products remained weak, the main reason for operating profits falling below last year's level. The decline in consolidated turnover was also affected by the group reducing its interest in Prem Enterprises (Proprietary) Limited from 72 per cent to 50 per cent with effect from 1 July 1977. The results of that company have therefore not been consolidated for the period under review. Local demand for cement decreased by 8 per cent but total cement sales increased due to exports. Export revenue, however, yields only marginal returns. Profitability in the cement division improved towards the end of the period following an increase in the controlled selling price of cement. Group profits were adversely affected by poor results in certain of the Hippo Holdings operations which are being restructured and should show improved performances. Any improvement in demand from the building industry is expected to be gradual with demand continuing at a low level at least until the end of the year.

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED

REGISTERED OFFICE	LONDON SECRETARIES
ANGLOVAAL HOUSE,	ANGLO-TRANSVAAL TRUSTEES LIMITED,
56 MAIN STREET, JOHANNESBURG	295 REGENT STREET, LONDON WIR 8ST

The Annual General Meeting of the Company will be held at 09h30 on 21 November, 1978 at the registered office of the Company

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Federale kan nog miljoene los kry

Rapport 3/12/78

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Deur DAVID MEADES

FEDERALE Volksbeleggings sal mettertyd nog van sy minderheidsbeleggings verkoop wat nie in sy beleggingstrategie inpas nie en hierdeur kan nog tussen sowat R10 miljoen en R15 miljoen gerealiseer word.

Hierdie afleiding kan gemaak word uit die aankondiging vandeesweek dat Federale van sy eiendomsbelange sowel as sy belegging in Federale Mynbou verkoop het Daar is 'n waarde van sowat R18 miljoen op hierdie transaksie geplaas.

Die ander minderheidsbeleggings wat waarskynlik mettertyd van die hand gesit sal word, is die belang van 24 persent in Trek-Beleggings General Mining is die ander groot aandeelhouer in Trek.

Dit is ook verder bekend dat daar in die nuwe beleggingstrategie van Federale nie plek is vir eiendomsbeleggings wat buite die groep se bedrywighede val nie Dit is hoofsaaklik eiendomme in die ou Landom-groep, wat 'n dorpsgebied en woonstelgeboue aan veral die Natalse Suidkus insluit

Bankorp

Die eiendomsmark is egter steeds baie pap. Dit kan dus nog geruime tyd duur voor daar van hierdie eiendomme ontslae geraak sal word

Voorts het Federale ook 'n stewige belegging in Bankorp wat hy verkry het deur sy belegging in Trust-Bank vir Bankorp-aandele te verruil. Hierdie belegging kan ook beskou word as 'n nie-strategiese minderheidsbelegging en pas dus nie in by Federale nie

Dié belang in Bankorp is egter teen 'n taamlike verlies op die boekwaarde van die Trust-Bank-belegging verkry en 'n groot verlies sal gerealiseer word as dit nou verkoop sou word

Terselfdertyd word daar by Federale geglo dat Bankorp 'n baie sterk groeipotensiaal het sodra die grootste probleme uitgestryk is. Daarom kan dus aanvaar word dat die belegging in Bankorp nie gerealiseer sal word alvorens hierdie bankgroep nie tot sy volle wasdom gekom het en sodanig deur die beleggerspubliek aangeslaan word nie.

Dr Ettienne Rousseau, voorsitter van Federale, het met vandeesweek se aankondiging gesê dat die beleid van Federale om te konsentreer op meerderheidsbelange waar die klem op bedryfsbestuur val, verder gevoer is met die uitbouing van die groep se belange in die voedselsektor en die chemiese en farmaseutiese sektore.

Mnr. Kerneels Human, besturende direkteur van Federale, het ook by geleentheid aan Sake-Rapport gesê dat hy Federale se toekoms in hoofsaaklik hierdie drie rigtings sien en ter aanvulling die dienste-sektor.

In die chemiese bedryf staan Federale baie sterk deur sy belegging van meer as 70 persent in Federale Chemiese beleggings, wat natuurlik weer belange in Sentrachem, Fedmis en S.A. Druggists het en ook lid van die konsortium is wat beheer oor die Greatermans-groep verkry het

Mnr. Human glo dat hierdie belegging van Federale in 'n gebied is waar daar oor die volgende paar jaar volgehoue sterk groei verwag kan word, veral soos die swart koopkrag begin stukrag kry

Beursie

Daarom is dit waarskynlik nog nie die einde van oornames op hierdie gebied nie. Maar terselfdertyd is dit ook duidelik dat Federale nie nou met R18 miljoen kontant sit wat sy beursie brand nie.

Die oorname van S.A Druggists, Ruto en Simba moes groot druk op die groep se bronne geplaas het Daar kan aangeneem word dat die grootste deel van die R18 miljoen dus gebruik sal word om die algehele balansstaatposisie te versterk en die likwiditeit van die groep te verbeter

Daar kan ook aangeneem word dat die dienste-beleggings Fedics, Avis en Price Forbes verder uitge-

verneem dat Federale op die oomblik besig is om sterk na die moontlikhede van 'n belegging in die sekuriteitsbedryf te kyk, 'n bedryf wat nog jonk in die land is, maar baie sterk groei

Sake-Rapport is ook verseker dat Federale dit geensins oorweeg om sy belegging in die breekware-bedryf (Continental China) te verkoop nie Dit is trouens moontlik dat hierdie belegging verder vergroot kan word deur 'n uitbreiding na die nywerheidskeramiekbedryf.

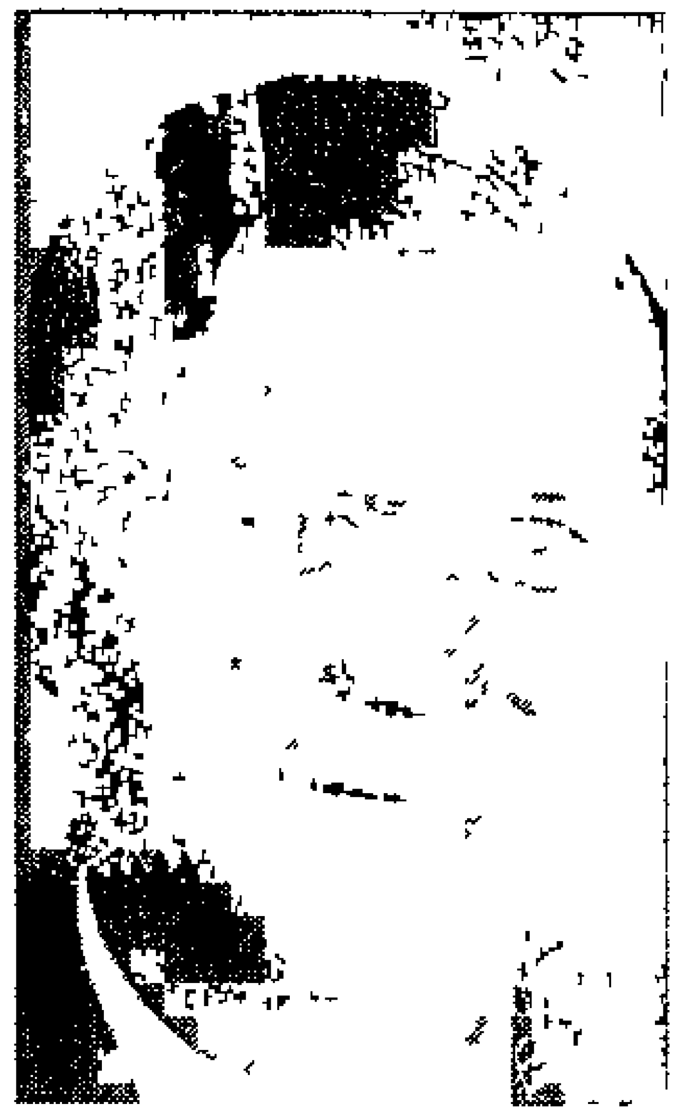
Telectra

Dan bly die belegging in Telectra (die ou Phil Morkel) oor As deel van die jongste rasionalisasie is Telectra se belang in SATV, die vervaardiger van TV-stelle en onderdele sowel as ander elektroniese komponente, na Federale oorgedra en het SATV nou 'n volfiliaal van Federale geword

Dit wil die indruk wek dat Federale mettertyd kan besluit om van sy belegging in die meubelkleinhandel ontslae te raak Dié belegging gee hom al 'n hele paar jaar hoofbrekens en ofskoon dit nou baie beter gaan, kan aangeneem word dat Federale 'n verkoper kan wees as die prys reg is

Vir die SATV-belegging word 'n groot toekoms verwag, veral wanneer die swartes hul eie TV-diens kry en die vervangingsmark vir TV-stelle begin loop

Huge battle for beer supremacy brewing as Rupert tackles SAB



Mr Dick Goss

By GORDON KLING

THE FIRST shot has been fired in what promises to be an all-out war between two of the biggest business groups in South Africa for supremacy in the multi-million-rand beer market

This is the meaning of a terse announcement yesterday by Anton Rupert's R1 000 million Rembrandt group that it had acquired 49 percent of W and A Gilbey, the holding company of the giant Gilbey liquor group in the Republic.

A senior Rembrandt source yesterday disclosed to the Cape Times in an interview from Johannesburg that the deal, to be effected by the issue of new Gilbeys shares, was worth R18 million and aimed at aquiring Gilbey's retail outlets in preparation for a total onslaught against the R900 m S A Breweries group which now holds the lion's share of the beer market.

Cape Times 26/10/78 (232)

Precursors to the move were a reorganization of Rembrandt's European and Canadian interests to create vast new financial muscle for the attack, and moves to consolidate its Oude Meester arm, to improve command, by buying out minority interests.

The deal, according to a senior Rembrandt source, will give the group more than 100 new outlets for products from the wholly-owned Intercontinental Breweries, originally purchased from fertilizer magnate Mr Louis Luyt

This is a major coup because National Liquor Board regulations limit the breweries to a fixed quota of outlets, and both SAB and Rembrandt were up against their ceilings. "We're talking about the outlets, " confirmed a highly-placed source, who believed that a great tactical victory had been scored by Rembrandt.

Although the market had been stirring with rumours, top executives of both groups were yesterday unaware the deal had been signed when the announcement was flashed over the wire services This was because it had been instigated at the highest level and in great secrecy under the personal direction of Dr Rupert, who conquered the tobacco world two decades ago and was only approved by the Minister of Economic Affairs,

Continued on page 2

Dr Anton Rupert

OWNERSHIP + CONTROL

~~18 11~~

~~15 APRIL 1979~~ — ~~27 July 1979~~

18 MARCH 1979 — 31 DEC 1979

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Rapport 18/3/79 (240) 232

Genmin kry vrug van belegging in Unioncorp

GENERAL MINING se belegging in Union Corporation het hom die afgelope boekjaar baie goed te staan gekom. Hierdie beleggings was gedeeltelik daarvoor verantwoordelik dat die maatskappy die afgelope boekjaar sy wins toedeelbaar aan gewone aandeelhouers met 45 persent kon verbeter en sy dividend met 33 persent kon opstoot.

Danksy die beter goudprys het Union Corporation se goudmyne 'n baie goeie vertoning gelewer en het sy nywerheidsmaatskappye ook goed vertoon

Gerugte

Gerugte het onlangs die rondte gedoen dat General Mining se goudmyne waarskynlik onder die beheer van Union Corporation geplaas gaan word Dr Rahn wou hom nie hieroor uitlaat nie, maar het daarop gewys dat die mynboumetodes by die meeste van General Mining se goudmyne van dié van Union Corporation verskil Hy kan gevolglik nie sien dat daar enige voordele vir al twee groepe uit so 'n stap sal voortvloei nie

Dit lyk egter of dit 'n uitgemaakte saak is dat General Mining vanweë sy kennis van die steenkoolbedryf in groot mate betrek sal word indien Union Corporation dalk in die rigting van die ontginning van steenkool gaan beweeg.

Die groepsfinansiele bestuurder van General Mining, dr Mannie Rahn, het aan Sake-Rapport gesê hy verwag dat General Mining vanjaar weer 'n goeie jaar sal hê, hoewel hy van mening is dat die winsgroei van die afgelope boekjaar nie maklik geewenaar sal word nie

Aangesien General Mining se grootste beleggings steeds in goud en uraan is, sal vanjaar se prestasie natuurlik in groot mate van die goudprys afhang.

Dr. Rahn sê daar was die afgelope boekjaar ook 'n verbetering in die meeste nywerheidsmaatskappye, hoewel veral sekere ingenieursmaatskappye nog nadelig geraak word deur die lae besteding van die Regering

Unioncorp

General Mining se maatskappye wat bedrywig is in basis-metale en minerale soos chroom en vloeispaat is in die boekjaar ook nadelig geraak, veral weens die sterk mededinging wat daar op die oorsese markte voorgekom het Dr Rahn sê dit wil voorkom asof daar 'n verbetering in die wêreld se ekonomiese toestande intree, wat tot voordeel van hierdie maatskappye sal strek

Daar word verwag dat Union Corporation se nywerheidsmaatskappye wat veral in papier en verpakking is, vanjaar ook goeie resultate sal toon Kohler Brothers het die afgelope jaar baie goed gevaar en daar word verwag dat hy vanjaar sy groei sal voortsit

Sappi se resultate was nie so goed nie, maar die maatskappy het verskeie nuwe uitbreidinge aangepak en na verwagting sal sy resultate ook beter wees

General Mining se inkomste toeskryfbaar aan gewone aandeelhouers het in die boekjaar tot 31 Desember van R43,26 miljoen tot R63,25 miljoen toegeneem.

Dit verteenwoordig 'n verdienste van 151c (104c) per aandeel Die maatskappye se dividendopbrengs op die huidige prys is ook aansienlik hoër as die gemiddeld van 5 persent vir die afdeling vir mynhuise.

ANGLO-TRANSVAAL INDUSTRIES

Basket now flowing over

FM 23/3/79

Mining gold and other minerals, manufacturing neon signs, and processing breakfast cereals may not seem to have much in common Yet they all fit snugly enough into Anglovaal's basket of companies

That was not always the case Starting life as a joint mining and industrial house, Anglovaal's original industrial activities were mainly services to the mining industry However, as its tentacles spread wider to envelop companies unconnected with mining, the project almost misfired It was found that centralised management did not work efficiently when applied to such far flung activities A system of decentralise management was then applied.

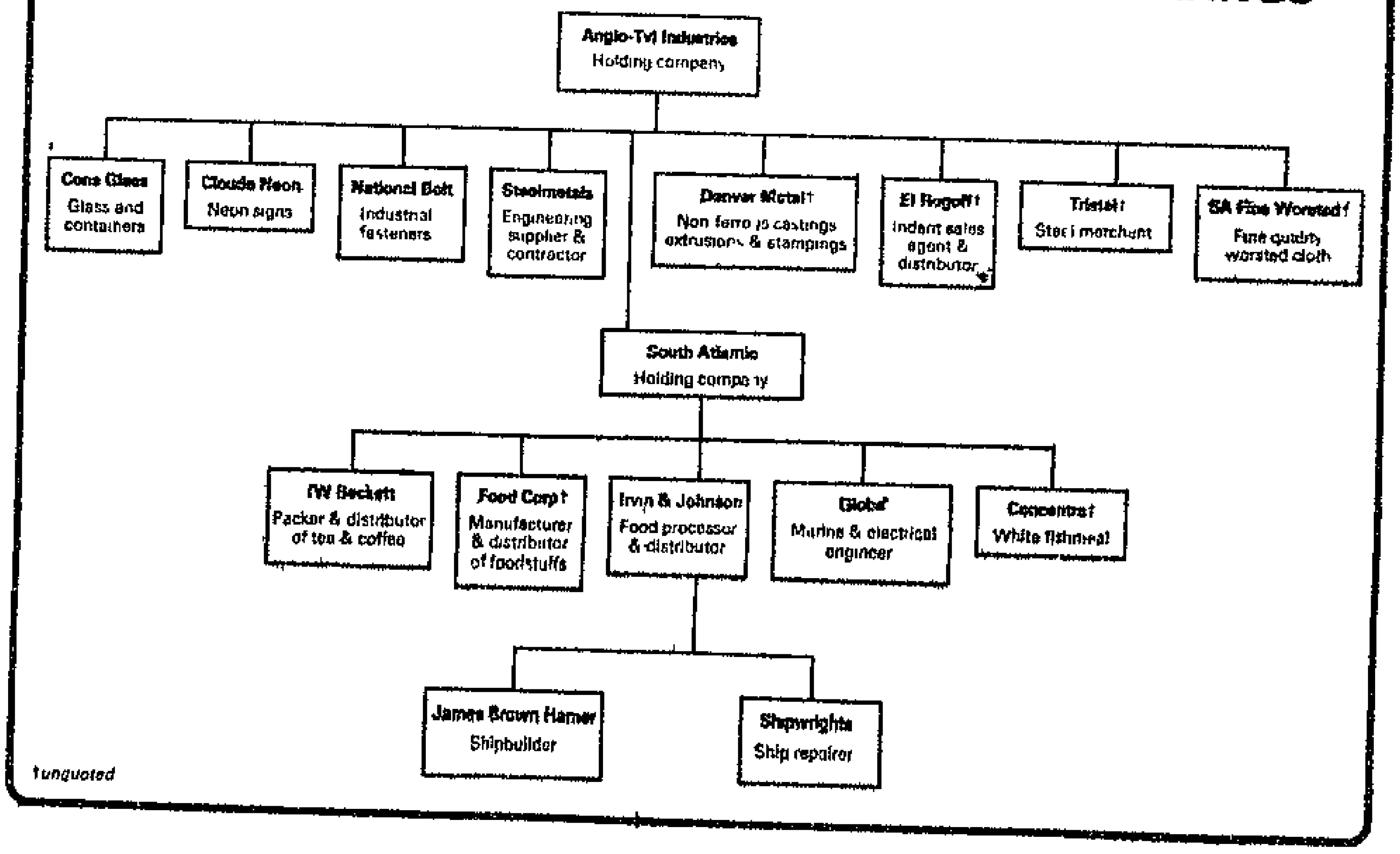
Decentralised management of indi dual companies, with the onus of da to-day matters falling on managing dire tors of subsidiaries, has been a huge su cess, as can be seen from advanci profits. However, head office keeps tight rein on vital areas like cap monthly accounts and changes of co pany policy

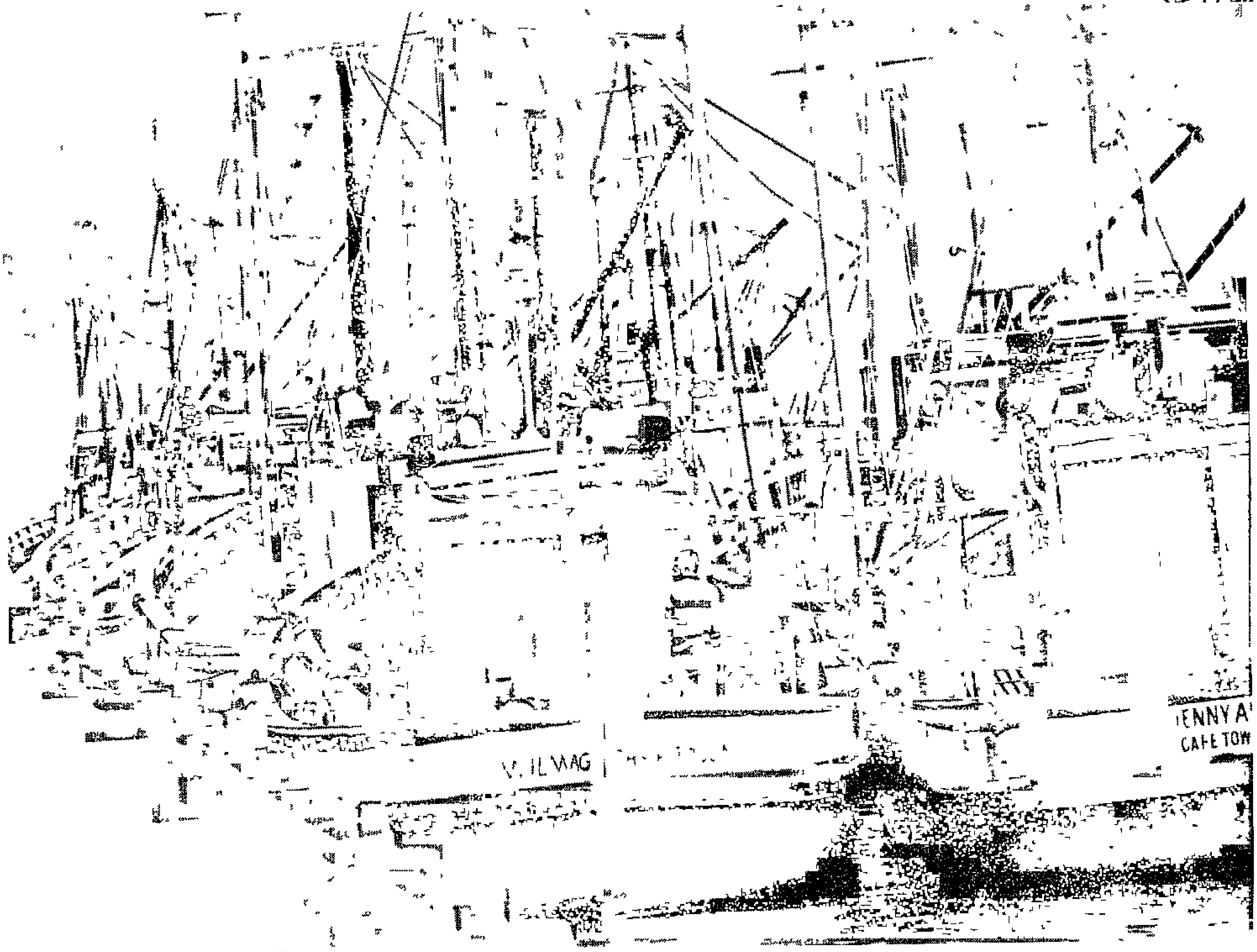
A good performer in the ATI co glomerate in the first half of this financ year was South Atlantic's frozen f subsidiary, Irvin & Johnson. Not t ATI expects it to repeat the first ha 84% pre-tax profit leap, as the base extremely low, but the upward tren now well established after four year falling profits.

Part of the success stems from government's declaration of a 200 tical mile exclusive zone, which stop foreign trawlers over-fishing our wa I&J also provides another group c pany, Concentra, with deep-sea fish to be turned into fishmeal.

Despite the subsidiary Kergue 10% equity stake in Rainbow Chic being relinquished, the retention of preference shares has left I&J's valu

ANGLOVAAL'S FAMILY TREE OF INDUSTRIAL HOLDINGS





Trawlers go down to the sea . . . but fish prices have just gone up

distribution rights unimpaired A further contributory factor to I&J's success story was last year's reshuffle of top management, which gave new zest to the company

While the profitability of vegetable growing remains subject to the weather, I & J's rationalisation of vegetable production, involving the ending of growing in the Cape, and the move of activities to the Reef to be nearer markets, has so far been promising.

A large black spot on I & J's horizon is the oil price hike, which will jack up the cost of trawler fuel The price of merchandise has been lifted to alleviate some of the pressure on I&J's already tight margins

While T W Beckett is in favour of growing tea in South Africa, higher production costs hit profits. About 25% of local consumption is now supplied by local growers at prices well above world markets. Local output must be absorbed before blenders can import their remaining requirements. The high cost of establishing new tea estates and training local labour makes unit costs too high to be competitive

Globe, which controls 70% of J B Hamer and 75% of Shipwrights, has had to focus more attention on industrial engineering than ship repairing.

Fewer ships are calling at Durban harbour, bringing in less work The effect of the reduction was a fall in J B Hamer's earnings to 0,2c a share and Shipwrights' from 22c to 16,7c in the first half

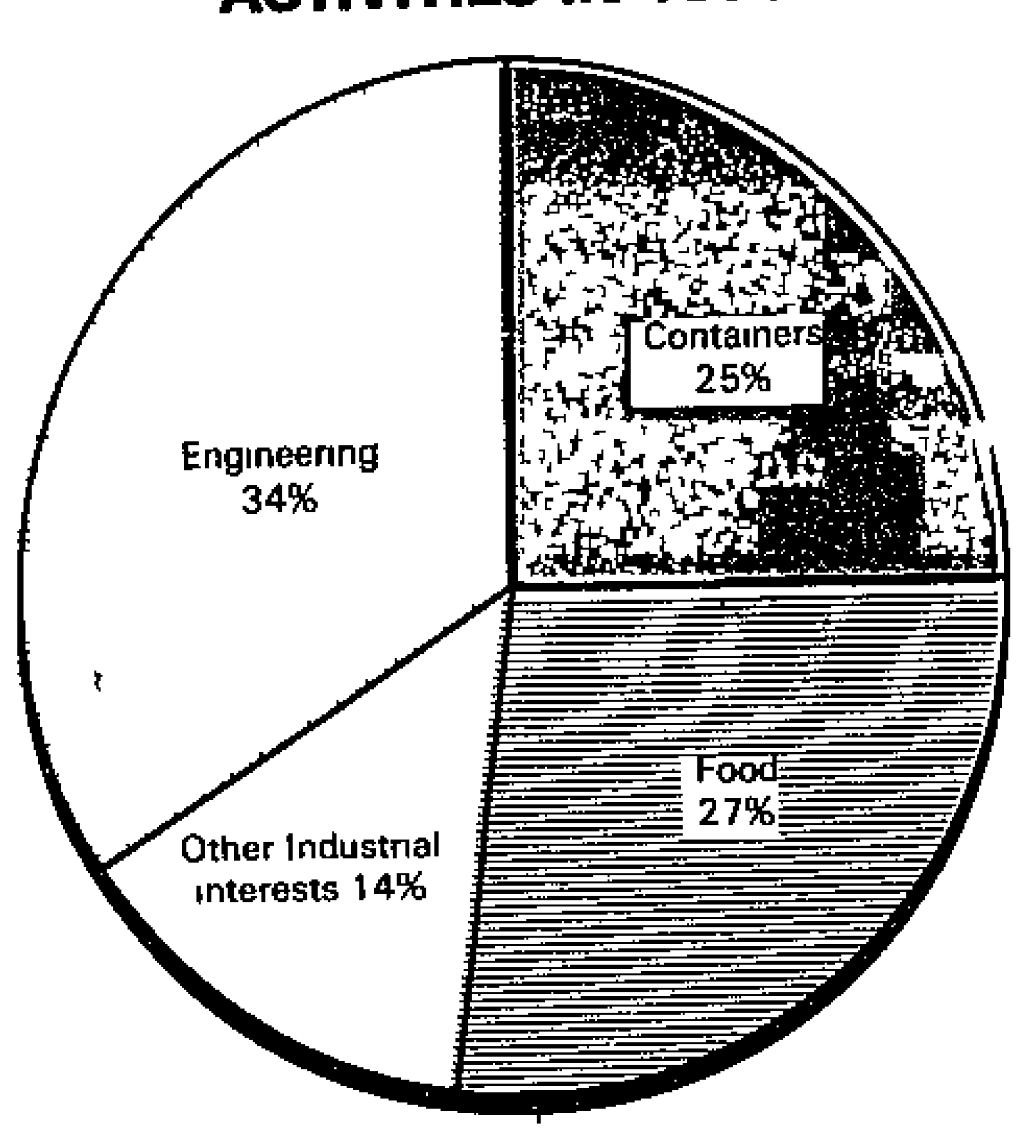
While having the monopoly of glass container making in South Africa, Cons Glass faces keen competition from plastic containers and tin cans Itself a producer of plastic containers, Cons Glass faces a price hike for polyethylene, a by-product of oil, used in the manufacture of plastic

Another near monopoly is held by Claude Neon since its acquisition of Valiant, controlling a huge chunk of the neon sign market However, things are not easy, as the economic recession caused customers to reduce advertising, resulting in a fall in new business. Some harassment has also been directed at the neon sign industry by environmentalists.

Although South Atlantic will only benefit in 1980 from I & J's earnings boost, it can expect some increase in dividend income from this source T W Beckett should be in a position to lift its total payment for the year by 3c to 15c. However, the uncertainty surrounding Globe's performance in the second half prevented it from declaring an interim, despite a 22% hike in taxed profits in the first six months

ATI can expect increased contributions from Cons Glass, Claude Neon and National Bolt, but Steelmetals may have to peg its total at 17,5c In all, ATI can be expected to receive a 13% boost in dividend income to around R5,5-million, which, allowing for the preference dividend and costs and profit retention, would enable it to raise its total distribution to 23c, compared with 1978's 20c. At its current price of 350c the estimated dividend would yield 6,5%. Last year's dividend was more than five times covered by earnings The share has been in a strong bull trend since March 1978 and gives every indication of continuing the trend

PROFIT BREAKDOWN OF ATI'S ACTIVITIES IN 1978



CONCOR ET AL

Shelling out

232 fm 30/3/79

Ninian & Lester's purchase of Elmar's operating subsidiaries for R1,4m in cash is straightforward enough But in the process it created a cash shell in Elmar

1065

worth a net 26,5c a share and sparked a hectic three week scramble among several bidders for a back door listing And at the end of the day, the surprise winner was a consortium of Concor Construction shareholders, one of SA's oldest and largest construction companies.

Ninian's earnings are not expected to be materially effected, but nav will be boosted by about 10% to 225c After taking a knock in 1977, when taxed profit tumbled from R614 000 to a loss of R32 000, Ninian recovered strongly in the year to December 31 by earning a taxed profit of R922 000 Now it feels confident enough to fuel further growth by acquisition and to fund the purchase price of 33c a share through cash loans

Elmar's production and distribution of men's and ladies' underwear, shirts and knitwear will fit in neatly with Ninian's product range According to MD Dennis Drysdale, it is a business that Ninian knows very well and he feels that it has the manufacturing and distribution expertise to apply to Elmar's Transvaal factory Production there is to continue and Ninian is to maintain the separate brand names and sales forces

Successful bidder

Elmar is controlled by the Margolis family (70%) and family lawyer Archie Aaron, of Werksmans, is credited with having put together the Ninian deal Thereafter, so it is said, he phoned most of the merchant banks in town and conducted what several refer to as an "auction" for three weeks among five bidders In the end only three turned out to be seriously interested in the Elmar shell But in the process, I hear, there was some barging and feelings ran fairly high at one stage

Eventually the Margolis family opted to sell its stake for 30c a share to a consortium comprising shareholders in Concor and Roccon Holdings AG First of all, however, Elmar is to clear the decks of all debt and to distribute a 2,5c dividend

Roccon, which is a Swiss-based investment company and an unquantified shareholder in Concor, is to make a similar 30c offer to minorities Its ultimate intention is to pump into Elmar "certain present and future activities of Concor Construction and its subsidiary and associated companies"

The rationale behind Concor shareholders' decision not to apply for a listing in the normal fashion is purely economic In what could eventually be a R20m deal, Concor would have to sell off, say, R5m to the public To make it attractive, the share would have to be offered at, say, a 10% discount to "real worth" (in terms of dividend yield) So it would part with R500 000 Also the 2,5% underwriting ... costs of about R100 000 could add another R250 000 to costs This way round, Concor is shelling out only R150 000 Since Roccon will be coming in through the financial rand market, there is another sweetener in having a foreign partner

Concor chairman Werner Aab could not be drawn on just what interests will eventually go into Elmar But he did say that because Elmar was so small (there are 4,3m shares in issue) it could absorb but a relatively minor portion of Concor — at this stage Also, he says that there is a slight matter of undistributed profits tax to first get out of the way

After the deal was announced, Elmar received a warm reception, rising by 140% on the day to close at 48c. My feeling is that even this rise will prove conservative

John White

TOYOTA FM 13/4/79 (232)

Rough road ahead

Activities: *Holds the franchise for the importation, assembly, manufacture and distribution of Toyota, Hino, Renault and American Motor vehicles in SA through various subsidiaries Effectively controlled by Wesco*

Chairman: *Dr A J J Wessels, managing director C S Adcock*

Capital structure: *4,1m ordinaries of 16,67c Market capitalisation R7,5m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R1,3m, net short term, R57,2m* Debt.equity ratio 109,8%* Current ratio 1,14 Group cash flow R9,4m Capital commitments R7,0m*

**Including bills payable*

Share market: *Price 185c (1978-79 high, 235c, low, 105c, trading volume last quarter, 46 000 shares) Yields 40,7% on earnings, 10,8% on dividend Cover 3 8 PF ratio 2,5*

The excellent improvement in Toyota's earnings in the year ended December stemmed from a 15% rise in the number of vehicles sold (38 000) and an easing of previously tight margins However, compared to an 18% improvement in sales for the industry as a whole to 304 000 units, Toyota lost market share This arose through particularly heavy competition which depressed sales of Renault passenger cars Elsewhere, Toyota improved its market share of passenger vehicles and light commercials In the total commercial vehicle market, Toyota was the leader, recording the sale of 21 800 units, 3 300 more than its nearest competitor

	75	'76	'77	'78
Return on cap %	12 0	6 9	6 1	9 1
Turnover (Rm)	163 5	153	152 4	194 8
Units sold (000)	45	40	33	38
Market penetration %	12 4	13 4	12 9	12 5
Gross profit (Rm)	12 7	7 8	5 5	10 4
Gross margin %	7 8	5 1	3,6	5 3
Earnings (c)	149 1	55 4	24 8	75 3
Dividends (c)	37 5	25 0	6 25	20
Net asset value (c)	1 107	1 133	1 152	1 201

Profits for the current year are expected to be under severe pressure mainly due to the high cost of boosting local content in light commercial vehicles to 66% Toyota also has to contend with the inflationary effects of a strong Japanese yen and the intense and growing competition in the motor industry However, it anticipates maintained profitability in subsequent years

On the positive side, small car makers, such as Toyota, are likely to benefit from the oil crisis as it will accelerate the swing towards cars with greater fuel economy

Last year's successes included entry into the municipal bus market, the addition to the Cressida range of a station wagon and a six-cylinder car, the acceptance by government departments of the two litre Hi Ace panel van and the success of the new range of Toyota DA heavy trucks

While local content regulations limited the production of the Corolla to 1 200 cm³ engines during 1978, these limitations will be overcome by May, allowing the production of the already successful Corolla 1 600 cm³ to continue

To avoid currency risk and rising interest rates, a R6,5m multi currency loan was repaid during the year Utilisation of borrowing facilities at the year-end was 68%

Currently, group facilities are considered sufficient and are unlikely to require capex But, tooling to meet future requirements of local content and the localisation of light commercials, as required by the local content Phase 5 programme, substantial expenditure will be required This will be written off during the lifetime of the relevant models and form part of the total costing of new products

Problems in complying with Phase 5 requirements and the costs involved, which could result in consumers resistance, makes analysis of Toyota's share price difficult It cannot, for example, be assumed that its current yield of 10,8% will be maintained

Technically, the share has been attempting to consolidate a newly acquired bull trend, but even the 40c price leap three weeks ago has done little to improve the outlook This price hike sparked off an overactive, technical buy-signal and, as was expected, the price has since eased slightly However, this is a share worth watching for short-term movements

Jean Moon

FM 13/4/79 (232)

POWERTECH

Looking West

Following in its parent's footsteps, infant Powertech, barely ten months old, is hot on the take-over trail

Negotiations for the acquisition of Allenwest, East Rand-based switchgear manufacturer, and Johannesburg-based Desta, which makes heavy transformers, are well advanced Bill Venter, chief executive of parent company, Altech, admits that some talks are in progress which could treble Powertech's turnover

In its two months of operations to end-February, Powertech achieved a taxed profit of R41 000 on turnover of R736 000, which includes income from the group's two operating subsidiaries, Electrical Protection Company (EPC) and Industralec On a pre-tax figure of R69 000, profitability for the two months was 9% The estimate of a net asset value of 5,8c was more than doubled to 12,9c after the rights issue and was 13,6c at end-February

In view of the proposed take-overs, no dividend was declared, but a policy of distributing about 40% of earnings, depending on prevailing conditions, will be adopted.

The group's liquidity is good, with R1,2m cash on hand and facilities for a further R1m available Should Powertech need more, in order to buy into more expensive operations, the backing of Altech will hold it in good stead

In the mining field, any potential switch from diesel to electrical underground locomotives, in order to beat the oil crisis as well as to reduce heat problems, could further widen Powertech's market

Given the prospect of further acquisitions, Venter is loath to even guess at prospective earnings for the year Even a dividend projection is impossible, he says However, substantial earnings retentions must be expected *Jean Moor*

AMIC FM 13/4/79 (23)

Justifiable premium

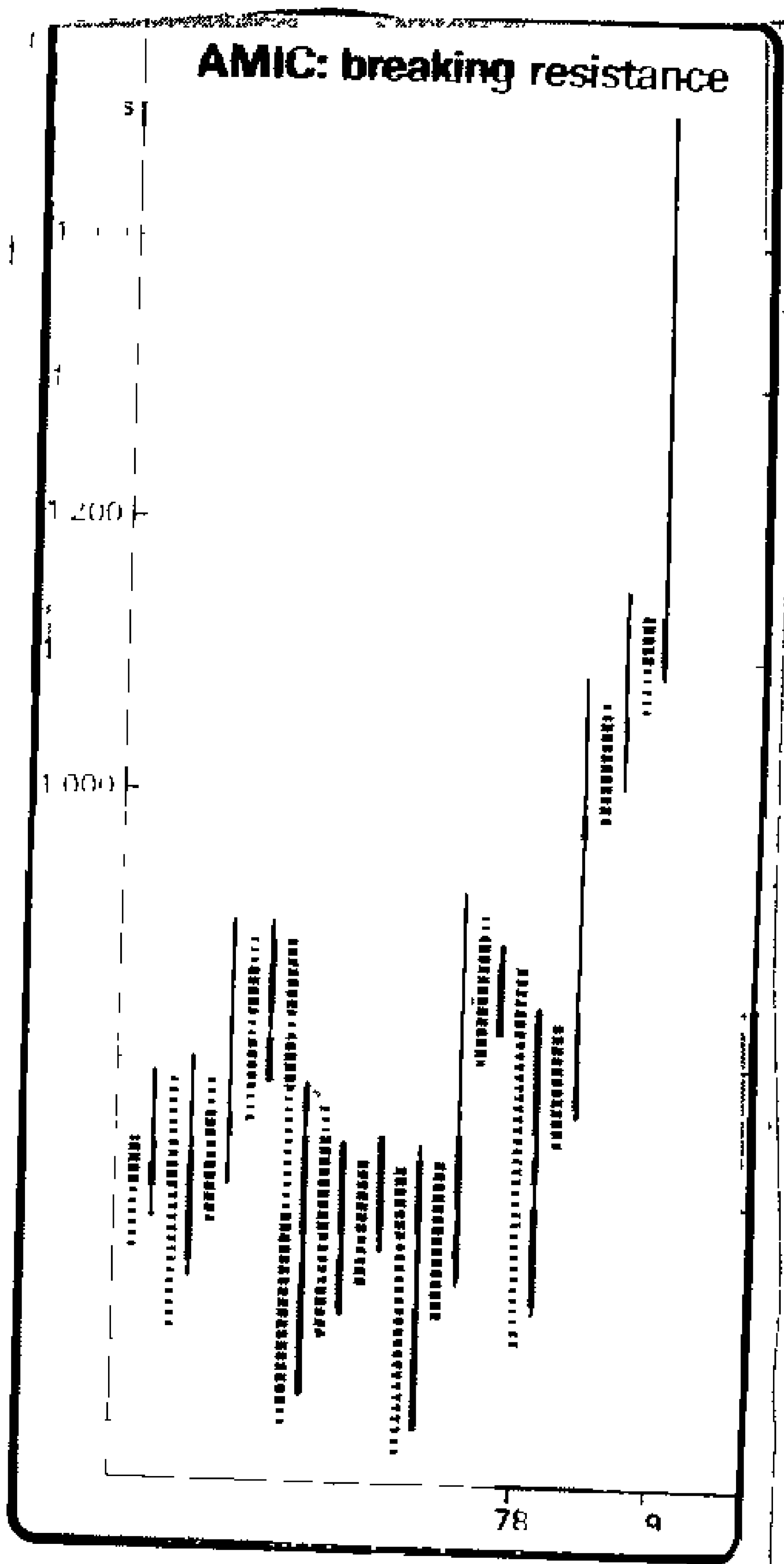
Activities: *Industrial holding company in the Anglo American group Owns Boart International, Scaw Metals, Bruynzeel Plywoods, SA Forest Investments and African Products. Investments include Highveld (8,1%), Debincor (26,4%), McCarthy (12,1%), LTA (37,3%), Mondi (54%) and Sigma*

Chairman: *G W Relly.*

Capital structure: *26,9m ordinaries of R1. Market capitalisation· R385m*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R37,2m; net short-term, R41,6m Debt·equity ratio: 23,5% Current ratio: 1,5 Net cash flow. R48,9m. Capital commitments. R48,9m.*

Share market: *Price: 1 430c (1978-79: high, 1 430c, low, 760c; trading volume, last quarter, 77 000 shares). Yields: 13,6% on earnings; 5,6% on dividend. Cover 2,4 PE ratio· 7,3*



	'75	'76	*'77	'78
Return on cap %	21,0	21,0	18 2	17,5
Turnover (Rm)	366	318	327,3	490,7
Pre-tax profit (Rm)	74,7	70,8	58 8	84 2
Gross margin %	20,4	22,2	19,4	18,8
Earnings (c)	155	160	141 4	195,1
Dividends (c)	63	65	70	80
Net asset value (c)	969	1 060	1 166	1 320

Restated to exclude certain foreign subsidiaries

Amic's 1978 profit improvement stems mainly from the consolidation of Mondi and African Products, better earnings from Boart and Scaw and a turnaround of Bruply. With Sigma scheduled to earn a profit this year, and possibly even pay a dividend, and an improvement in SA Forest Investments, chairman Gavin Relly expects even better results in 1979.

In 1978, the consolidation of Afprod added R1m to Amic's earnings, being its first quarter's profit, which, says Relly, was higher than for the comparable period in 1977. And with Amic now holding 54% (40%) of Mondi, another R2,1m was added to net profits over the 1977 figure.

The group's largest profit earners remain Boart and Scaw Scaw's prospects in 1979 are closely tied to attractive export markets and the local administered steel price increase Relly expects exports to top R?0m this year

Boart's earnings increase [illegible] more modest as difficult trading conditions persisted in [illegible] markets where mining and exploration activity was at a low ebb Locally [illegible] and market [illegible] were [illegible] improved [illegible] coal and platinum sector [illegible] [illegible] full Boart and [illegible] [illegible] which will [illegible] machine and tools to the coal mining industry

SA Forest continues to rationalise its [illegible] operations in Natal and has closed [illegible] which lost about R700 000 in 1978 [illegible] selling prices for timber and timber products should reduce the losses

Earnings contributors

	1978	1977	%
	Rm		increase
[illegible]	[illegible]	[illegible]	[illegible]
Scaw	[illegible]	[illegible]	[illegible]
SAFI	[illegible]	[illegible]	[illegible]
Bruply	[illegible]	[illegible]	[illegible]
Mondi	1 4	[illegible]	[illegible]
Afprod*	[illegible]	[illegible]	[illegible]

*[illegible]

For the rest Sigma is on schedule and is expected to run in the black this year Its market share was 20,6% in February 1979, and better penetration should come with further rationalisation of models and dealerships

Mondi foresees improved demand and selling prices to offset anticipated sharply increased costs Export revenue was R?m last year but with local newsprint demand rising for the first time since 1977 export levels are likely to fall off in 1979

Afprod's growth in 1979 may not be maintained as the maize crop will be less than [illegible] record [illegible] growth in 1979 but [illegible] profits growing steadily in future

Group trading income rose 31% to R8?,5m (R?4 1m) but the return on capital employed in manufacturing and trading fell to 20,?% (2?%)

Investment income totalled R11,6m (R?,8m) [illegible]

[illegible] borrowings increased with consolidation from R3? to R9?,?m This is still a low percentage of capital employed and interest payments [illegible] (R? ?m) or ?% of pre-tax profit

The market was unimpressed with the 55c final dividend, declared on a 38% earnings improvement But cover at 2 4 (2) times is not excessive as R48 9m capex is to be financed internally Mondi alone will need R?2m for expansion in 1980

At 1 430c the share is at a high for the year and yields 5,6% But Amic's earnings are broadly based and of high quality and the share deserves its premium rating

[illegible]

FM 13/4/79 (232)

FOSCHINI

Expanding again

Activities: *Operates a chain of 428 fashion stores, including Markhams, Pages and American Swiss jewellers Pyramid, Lewis Foschini Investment (Lefic), holds 50% of the equity and is controlled, directly and indirectly, by its directors*

Chairman *and managing director S Lewis.*

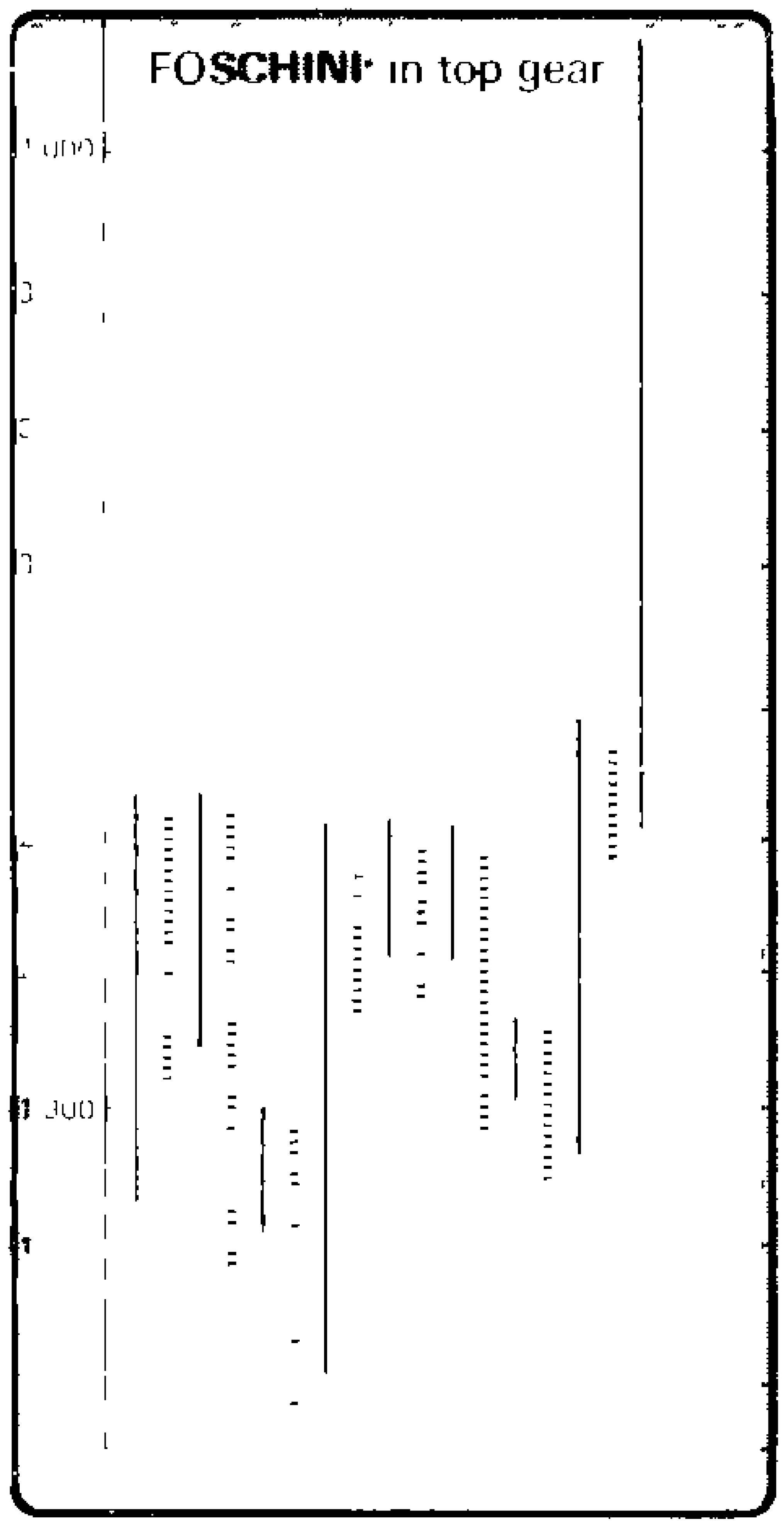
Capital structure: *970 000 ordinaries of 50c each 200 000 6% cum prefs of R2 each Market capitalisation R41,7m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R3,2m; net short term, R7,5m Debt equity ratio: 40,6%. Current ratio 2,0 Net cash flow R6,1m*

Share market: *Price 4 300c (1978-79 high, 4 300c, low, 2 000c, trading volume last quarter, 14 000 shares) Yields 15,3% on earnings 6,3% on dividend Cover 2,4 PE ratio 6,5*

	'75	'76	'77	'78
Return on cap %	30 7	33 4	32,7	32 4
Turnover (Rm)	68 0	80 6	87 9	97 8
Pre-tax profit (Rm)	7 0	8 0	9 0	11 0
Gross margin %	10 3	9 9	11 7	12 4
Earnings (c)	427	466	529	659
Dividends (c)	175 0	192 5	216 0	270 0
Net asset value (c)	1 735	2 008	2 280	2 670

Foschini's management has increased profit every year for 20 years, and last year was no exception. Though the company opened only three new stores, compared with nine in the previous period, its higher market share and gross margins led to an 11,2% increase in turnover to R97,8m and a proportionately larger increase of 25% in earnings and dividends



Last year could be characterised as one of consolidation ahead of a further round of expansion and modernisation. But in funding the higher volume of sales, total borrowings rose by 25% to R10,7m (R8,5m). Even so, the debt·equity ratio was only marginally higher at 40,6% Stocks on hand rose by 28,7% to R18,9m, but interest paid was 7% less at R1,1m. Given a lower stock turn of 5,2 (6,0) and better gross margins of 12,4%, the overall yardstick of return on capital employed remained virtually constant at 32,4%.

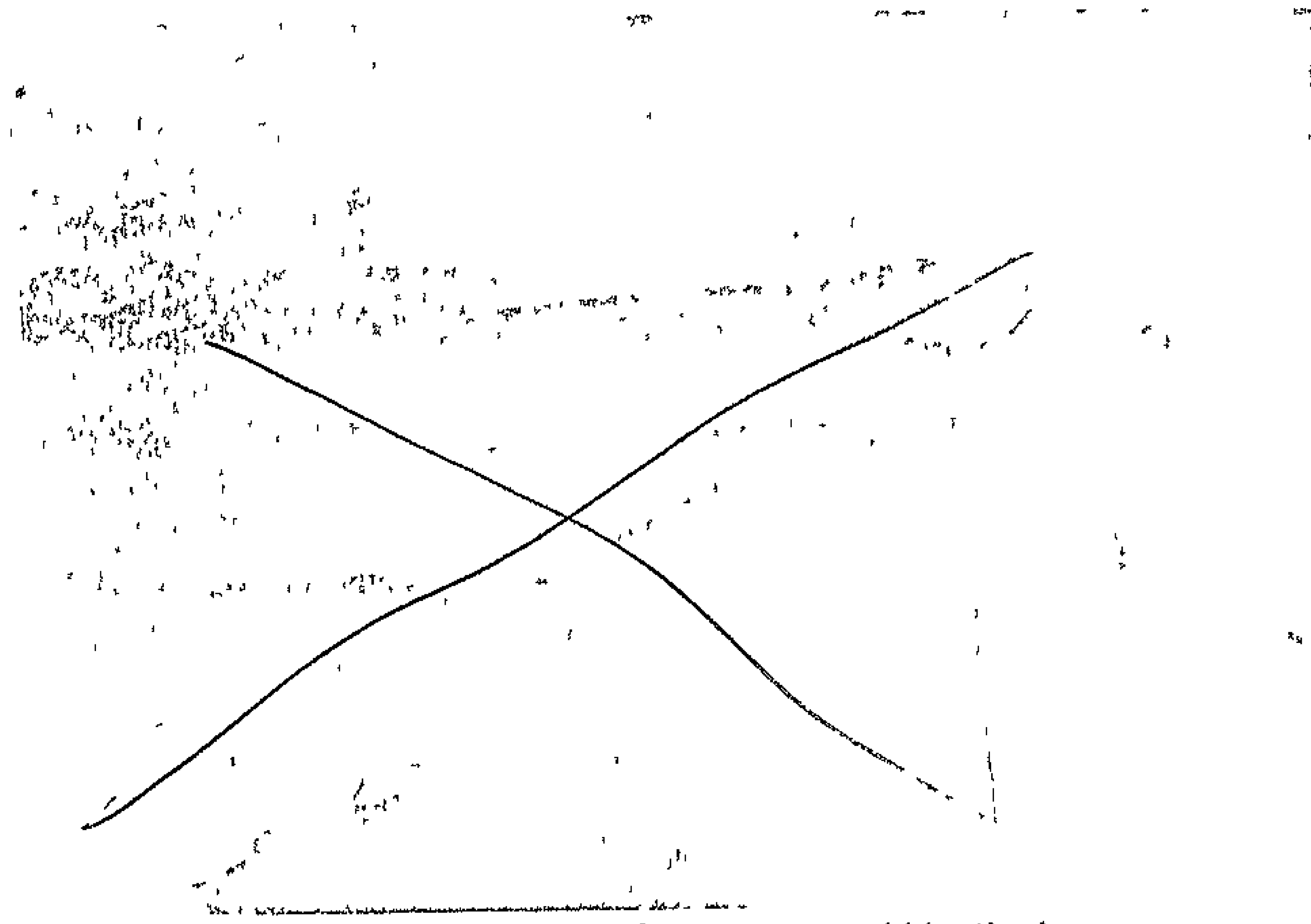
At the year-end, stocks contained a larger than normal volume of winter raw materials and ready-mades. Also, American Swiss planned a greater investment in diamond jewellery Allowing for those factors, chairman Stan Lewis feels that the levels are normal and should provide the springboard for even greater market penetration this year

The group is planning an extensive development programme involving new and enlarged stores and a R1,2m extension to the Markhams Building in Johannesburg. Management obviously feels more confident with men's fashions and is expected to expand the Markhams chain at an accelerating rate.

Also, to minimise railage costs, a new distribution terminal is being constructed at Isando, just outside Johannesburg This will cost an estimated R2,3m and will require raising long-term finance in the near future

In the 1979 financial year, the Old Mutual is expected to exercise its option to convert a maximum of R500 000 into Foschini shares at 1 610c and R[illegible]00 000 into Lefic at [illegible]. Although this will lead to an earnings dilution of 6,4% the benefits expected from the Isando terminal are expected to more than make up the difference

Although Foschini is trading at a high for the year, the 6,3% yield is attractive considering that it should do even better this year, possibly earning 800c and paying 320c to yield a prospective 7,4%. But if Foschini is an attractive investment, its pyramid Lefic is even more so given its better marketability [illegible]



Toyota's vehicles . . . fuel economy could be the key

ADCOCK-INGRAM

Rationalisation the key

Activities *Holding company which derives most of its income from the manufacture and sale of pharmaceuticals and chemicals Tiger Oats owns 52% of the equity*

Chairman *J Tannenbaum, vice chairman [illegible] Tannenbaum*

Capital structure *1,9m ordinaries of 50c 75 000 cum prefs of R2 Market capitalisation R[illegible]5,9m*

Financials *Eighteen months to December 31 1978 Borrowings long and medium term, R3,6m, net short term R[illegible]m. Debt equity ratio 28,2% Current ratio 2,0 Group cash flow R8,8m Capital commitments R805 000*

Share market: *Price 1 395c (1978 79 high, 1 525c; low, 1 000c, trading volume last quarter, 16 000 shares) Yields †15,1% on earnings, †5,7% on dividend *Cover 2,6 PE ratio †6,6*

*18 months to December 31
†Annualised

	'75	'76	'77	*'78
Return on cap %	21 6	23 7	23 4	†22 4
Turnover (Rm)	55 1	66 9	54 4	88 5
Pre-tax profit (Rm)	5 9	7 2	7 6	11 8
Gross margin %	13 1	13 2	14 9	14 4
Earnings (c)	185 7	237 7	210 4	317 0
Dividends (c)	60	70	75	120
Net asset value (c)	1 032	1 207	1 315	1 474

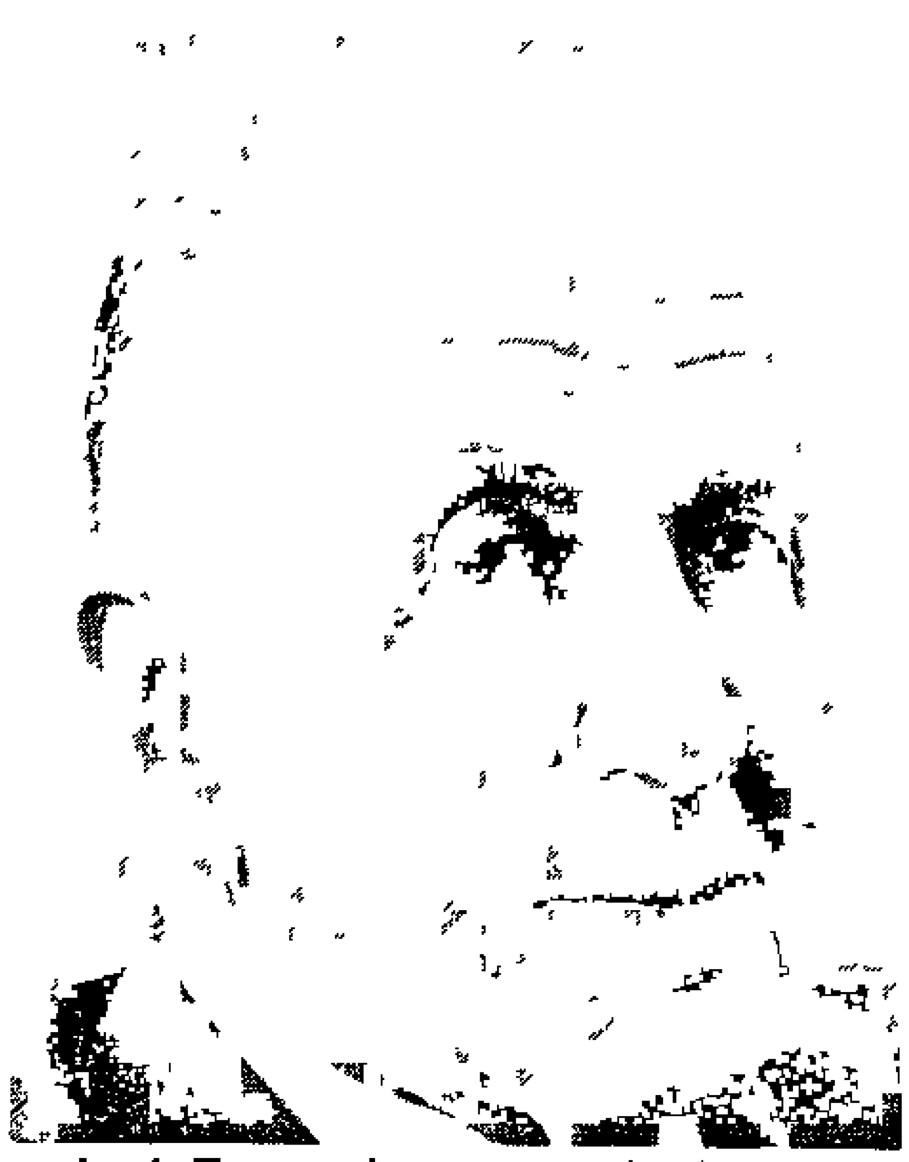
**18 months to December 31*
†Annualised

For **Adcock-Ingram** the 18 months to end-1978 produced increased sales, marginally better profits, improved liquidity and further rationalisation possibilities Though no forecast is offered by chairman Jack Tannenbaum, the current year appears set to produce higher earnings than 1978's annualised 211,3c

The year-end was changed to December 31 to coincide with Tiger Oats', which now controls 52% of the equity. During this period, Adcock was itself in an acquisitive mood, absorbing Rio Ethicals and minority stakes in Transwest Wholesale Chemists and Welstate Wholesale Chemists In addition, Adcock's interest in Sabax was sold to 60% subsidiary Keagrams, which makes and markets similar products.

Lower world prices for fine chemicals, and the increasing cost of research forced Adcock to curtail R&D in this field Tannenbaum says the group is not withdrawing from this market, but will deploy its resources in areas of highest profitability

Capex planned for this year includes additional manufacturing capacity for Keagrams and Sabax, and a new factory for latex Both developments are aimed at making a greater portion of products locally



Jack Tannenbaum . . . deploying Adcock's resources

Rationalisation benefits should flow from the Keagrams-Sabax tie-up, as well as from the takeover of Rio Ethicals where sales and marketing teams are being joined Additional promotional spending in the consumer goods field, introduced to replace the loss of agency lines, should pay off, says Tannenbaum, despite the initial adverse impact on earnings

The group improved liquidity and asset control in the 18-month period Short-term liquidity as measured by the current ratio improved from 1,8 to 2,0 and cash on hand at end-December was R762 000 (R451 000) Stock increased to R16,8m (R16m), but this represents a stockturn of 3,5 (3,4) times on annualised turnover. Higher stocks were partly financed by creditors Borrowings financed a lesser proportion of the business in 1978 with total debt at R8,3m (R8,6m) while total assets rose to R48,5m (R44,7m)

Competition was severe and annualised earnings increased only 1c a share. So the group still has some way to go before reaching the 1976 high of 237,2c, Tannenbaum implies a profit advance is on the cards Earnings were helped last year by a R53 000 (charge R47 000) deferred tax write-back, but with assessed losses of R509 000 to carry forward and planned R805 000 capex, the tax rate should remain around 39%

This year's growth should again come from the pharmaceuticals division which increased pre-tax profit 10,1% to R4,9m (R4,5m) on an annual basis Wholesaling and retailing reported pre-tax profits 5,9% higher at R2,4m (R2,3m), while the consumer division, where heavy promotional expenditure is being met, earned 28,4% less This division seems unlikely to improve much in 1979 judging by Tannenbaum's warning, but ultimately should come right

At 1 450c the share stands at a 1,6% discount to net worth and yields 5,5%. The pharmaceutical sector yields average 7,1% and the industrial board 7,5%, so Adcock looks fully priced short-term. The share is near its high but is worth holding as a sound medium-term investment

Des Kilalea

results and dividends

		Pre-tax profits Rm 1977	1978	Percentage change	Earned cents per share 1977	1978	Paid 1977	1978	Sector	Dividend Amount cents	Register by	Payable about
Cons Gold	I	33 9	45 0	+33	21	25	5 02	6 13	Mining Houses	*6,13	27 4 79	31 5 79
E R Cons	P	£0 3	£0 3	+11	1	3	1 67	1 82	Mining Hold	‡1 82	27 4 79	29 6 79
Eureka	I	0 2	0 1	– 42	32	13	17	—	Motors	—	—	—
MTD Mangula	I	Rh$0 9	Rh$4 6		6	18	2 97	11 89	Copper	*11,89	27 4 79	25 5 79
Metair	A	0 1	—0 3	–	4	–	—	—	Engineering	—	—	—
Nictus	I	0 1	0 1	– 40	1	1	—	—	Industrial Hold	—	—	—
Piccan	I	0 0	-0 5	—	—	–	—	—	Food	—	—	—
Rhod Cement	I	Rh$0 7	Rh$o 7	+12	2	3	1 29	1 29	Building	*1,29	27 4 79	29 5 79
SA Reserve	D	—	--	—	—	—	—	—	Banks & Financial	*10 00	20 4 79	15 5 79
Searles	I	0 4	0 9	—	40	78	—	—	Clothing	—	—	—
Standard Brass	A	4 4	4 5	+3	96	103	30	40	Engineering	—	—	—
Veka	A	—0 3	0 2	—	—	—	--	--	Clothing	—	—	—
Welfit Oddy	I	0 1	0 1	—	—	15	—	—	Motors	—	—	—

I=*Interim* P=*Preliminary* A=*Annual* D=*Dividend* *=*Interim* ‡=*Annual*

issues

COMPANY AND TERMS	Nil paid letters: Last day to register	Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	Fully paid letters of allotment: Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	Prices of letters: Take up price	Price Apr 3 (cents)	Price Apr 9 (cents)
ABERCOM — Rights issue	6 4 79	9 4 79	12 4 79	2 5 79	3 5 79	4 5 79					3 5 79	25 5 79	200c	—	23
ASEA ELECTRIC SA — Capitalisation Issue 1 new ordinary share for each held	20 4 79										23 4 79	4 5 79			

FVB nou een van die heel grotes

Rapport 15/4/79

(232)

Deur DAVID MEADES

DIT lyk of Federale Volksbeleggings (FVB) uiteindelik aan die einde van 'n soms pynlike rasionalisasieproses gekom het, 'n proses wat 'n paar jaar gelede begin het toe hierdie groep die beskutting van Leeuwenstraat in Kaapstad gelos en sy hoofkantoor na Johannesburg verskuif het.

Die ekonomiese resessie het ook op FVB sy littekens gelaat, maar hy kon onlangs 'n gesonde winsstyging van 16 persent aankondig en het met omset as grondslag skielik een van die grotes in die land geword

Die filiale wat hy beheer, het verlede jaar 'n omset van nie minder nie as R425 miljoen gehad, terwyl hy nou 'n vennoot in verskeie konsortiums is wat maatskappye beheer met 'n gesamentlike omset van meer as R1 000 miljoen per jaar.

Daar is die Greatermans-groep wat 'n omset van sowat R700 miljoen per jaar het, Sentrachem wat na R200 miljoen reik en Fedmis wat ook op pad na R200 miljoen is FVB het sedert 1977 'n hele paar knoue weg, maar dit is genadiglik ten volle deur die groep geabsorbeer Sy belegging in die Otjihase-kopermyn in Suidwes het groot afskrywings geverg Maar dit is verby en met 'n stewiger koperprys kan dit net beter gaan.

Trust-Bank

Dan was daar Trust-Bank, waar FVB 'n baie groot belegging moes sien kwyn Maar ook hierdie knou is geabsorbeer Met die maer jare vir die visbedryf is daar tydig in die voedselbedryf gediversifiseer en Fedfood kon verlede jaar sy posisie handhaaf ondanks 'n daling van R1 miljoen in sy inkomste uit die oes van die see

FVB se Morkels is veral swaar deur die moeilike ekonomiese toestande getref, maar ook hier is daar 'n lig in die wapad Dr Kerneels Human, besturende direkteur van FVB, sê dat die knoue van Morkels in 'n groot mate geabsorbeer is Daar is van 'n kant skoongemaak, en Morkels beskik nou oor 'n sterk struktuur in die kleinhan-

Vervolg op bl 4

FVB is terug

(232)

Vervolg van bl 1

del en is meer as gereed vir die huidige oplewing

In die geheel gesien weet FVB nou presies waar hy staan, sê dr Human Op sekere beleggings is die opbrengs nog nie wat hy graag sou wou sien dit is nie Maar hier is die groep hoofsaaklik van ekonomiese faktore afhanklik en is gereed om die voordeel uit 'n oplewing te benut

FVB beskik nou oor 'n sterk en goed georganiseerde bestuur en daar is duidelike beleggingsvelde afgebaken waarin die groep sy heil vorentoe sien

Vir eers is daar die voedsel-, die dienste en die chemiese bedryf En dan sal die groep steeds in diverse nywerhede bly, met die klem op die vinnig groeiende elektroniese sektor

Dit beteken egter nie dat FVB nie sal voortgaan om na ander interessante rigtings te kyk nie en hier dink hy veral aan beleggingsvelde wat op die verbruiker ingestel is

As beheermaatskappy is FVB nou baie meer likied as wat uit sy gekonsolideerde state blyk en is hy reg om winsgewende moontlikhede te kan benut, voeg dr Human by

NATVEN

FM 20/4/79 (232)

Better days ahead

Activities: *Holding company with subsidiaries producing and distributing sawn timber, plywoods, veneers and allied products Pearlman Finance & Trust Holdings owns 74% of the equity*

Chairman: *P Pearlman*

Capital structure: *5,1m ordinaries of 50c. Market capitalisation R2m*

	'75	†76	'77	'78
Return on cap %	11 3	5 1	6 2	9 2
Turnover index*	66	88	87 5	142
Pre-tax profit (R 000)	534	(260)	(85)	289
Earnings (c)	9 0	—	—	9 8
Dividends (c)	3 5	1 75	--	-
Net asset value (c)	80	70	96	102

**1974 100*
†Adjusted for 1 for-1 cap issue

Financial: *Year to December 31 1978 Borrowings long and medium term, R6,9m net short term, R1,9m Debt equity ratio 166,2%. Current ratio 1,7 Net cash flow R908 000 Capital commitments nil*

Share market: *Price 40c (1978-79 high, 50c low, 13c, trading volume last quarter, 35 000 shares) Yields 24,5% on earnings PE ratio 4,1*

After two loss-making years, National Veneer seems to have returned to profitability Chairman Philip Pearlman says diversification of production and exports, with benefits from the KwaZulu factory due later this year, give him cause to look forward to 1979 "with reserved optimism"

Since 1976, group markets appear to have improved. Turnover for 1978 was up 62% largely because of KwaZulu, and a R289 000 pre-tax profit was earned (R85 000 loss) — despite cost increases and an escalation in bad debts to R166 000 (R96 000) Pearlman says some of these debts may still be collected.

Associate, Finewright Holdings, was partly responsible for the profit turnaround with a R213 000 (R87 000 loss) contribution to income Previous assessed group taxed losses meant that the tax charge was only R7 000 in respect of deferred charges for 1978

The KwaZulu factory came on stream in November 1977 and Pearlman is confident about the future potential Further expansion is under way and will be completed around mid-year. In the interim report he said the full beneficial impact on profits will be felt in the second half of 1978.

Costs rose because most of the group's imports came from franc areas and the rand's depreciation thus boosted prices Administration costs also rose Auditors and other fees more than doubled to R29 000 (R13 000) and depreciation was R413 000 (R130 000), presumably a result of the KwaZulu factory.

The outlook for 1979 is clouded by the group's large borrowings They increased to R8,9m (R8,3m) and the interest-leasing bill is covered a slim 1,1 times by gross profit. This year Natven is scheduled to repay borrowings of some R290 000, which could hinder dividends unless there is a marked improvement in profitability

Pearlman's "reserved optimism" has pushed the share price 15c higher to 40c in the past month on speculation of a strong recovery To justify this price after two bad years, a dividend of some 4c would be needed. A repeat of 1978's earnings could support such a payment, perhaps even higher, so there could still be upside potential in the share price. But, until the interim, the share appears fully priced.

Des Kilalea

Sunday Express

Barlows tops the industrial heap

BARLOWS is South Africa's largest industrial company, with total assets of R1 527-m, and is striding out ahead to keep its top ranking.

Barlows is closely followed by the Rupert companies, Remgro and Rembrandt Beheerend, with SA Breweries ranked as South Africa's fourth largest industrial group using an asset base

This emerges from the latest Top Companies report put out by the Financial Mail The Top 100 list ranks companies on assets, market capitalisation, equity funds, net profit and turnover

Barlows comes out on top in four of the five categories Some idea of the size of Barlows is given by the fact that its assets are R1 527-m, its equity funds R497,4-m, its net profit R94,2-m, and its turnover R1 624-m

Barlows is pipped to the market capitalisation post by AECI, which raced in with R497,8-m against Barlows' R190,3-m

The annual FM rankings use company accounts received before January 15 this year and some results therefore refer to financial years as far back as 1977 For market capitalisation, the FM applied closing prices on the last day of 1978

The five companies which have the highest market capitalisation are, in order - AECI, Barlows, Amic, SAB and Lonrho Sugar

The companies with the largest turnovers are Barlows, which has had its turnover boosted to R1 624-m by its recent acquisitions of Nampak, NMI, P P Cement and C J Fuchs, SAB (R1 428-m), Premier Milling (R681,9-m), AECI (R590,2-m) and Murray and Roberts (R588,0-m)

So to the most important aspect of all — profit Barlows again streaks ahead

Its profits at R214,0-m are 25% up on last year and it beats Remgro into second place by a long shot The latter's pre-tax profit is R120,7-m while its pyramid company, Rembrandt Beh comes in at third place with R106,7-m

Fourth place on profits goes to SAB with R100,4-m and AECI which has the highest ranking in the market capitalisation league turns in a profit of R69,3-m pretax

232 FM 27/4/79

JULIAN OGILVIE THOMPSON

Talking of the giant

When the De Beers preliminary profit statement for 1978 was published recently, analysts raised eyebrows at the sight of the group's cash mountain. R1 295m. The FM *quizzed Julian Ogilvie Thompson, a director of De Beers and an executive director of Anglo American, about this massive holding.*

What does a group like De Beers do with R1,3 billion in cash?

We've always felt it necessary in boom times to build up strong cash resources, to maintain stability in the trade in poor times It's always difficult to forecast when they're going to come We don't see them coming at the moment You obviously need more cash to meet such a situation when turnover is $2,5 billion as it was last year than when turnover is $500m

But that is equivalent to more than six months turnover. Looked at another way, it's getting on for R4 a share. These are enormous sums.

That is so Perhaps some investment opportunities will present themselves, but in any case it's very difficult to judge just how much cash you need to maintain a market downturn In 1971 we found ourselves quite tight. We didn't have enough cash in 1970 for 1971 to have been anything other than a very worrying year for management. We were down to R71m, which isn't a great deal today and wasn't even a great deal then, in relation to turnover Similarly, in 1974-75 sales fell by 25% on 1973 and our cash ran down substantially, though it did not nearly run out that time.

How does a group the size of the combined De Beers/Anglo find investments of the size it needs to be significant, other than new gold mines?

De Beers' investment programme is broader than that We need cash principally to protect the diamond trade We also have a very much larger capital expenditure programme for expansion than for some years When you've had a few boom years, which can't go on forever, and when you're also facing a major capital expenditure programme, it's clearly time for a higher than usual cash position

It really wouldn't make sense, given the relationship between Anglo and De Beers, for De Beers to look for investments other than in association with Anglo. These opportunities do present themselves There was a major project in Elandsrand and an opportunity to invest in Ergo

With the current price of gold, and even the prices of some other commodities, at the moment there's a lot of scope for capital investment for example, in the coal business The day will come when the Gamsberg project will be attractive Our basic preference is mining, where we believe we've most to contribute, perhaps because we've been in the game the longest and have certain technical skills and abilities

To what extent is De Beers' policy aimed at reducing its political exposure in SWA/Namibia?

We don't look at it like that We're doing a great deal of prospecting in the SWA diamond areas We would hope to be able to extend the life of the mines there We're also prospecting elsewhere in SWA in two ways We're running a regional survey, which is something like a geological survey, and CDM is participating in Anglo American's base metal and uranium search

Elsewhere, it's a case of finding diamond mines where you can I don't think it's a case of consciously trying to divest away from any particular country

Ogilvie Thompson . . priority is protecting the diamond trade

When we merged Rand Selection and Anglo, De Beers was big in Rand Selection and Rand Selection was rather under-financed so there was a simultaneous rights issue by Rand Selection De Beers underwrote that and effectively invested quite a lot of money in Anglo American as a result

That was done at R4, the shares are rather higher now, so from De Beers' point of view it was a satisfactory investment.

Other opportunities have come forward. We think we have, in Anglo, enterprising divisional chief executives who are all looking for new investment opportunities

But the only really big non-mining investments of the past, say, 10 years, have been Highveld and Sigma. Are you generating enough big non-mining projects to maintain a balanced portfolio?

I'll say two things in regard to that First, Sigma has not involved a great deal of capital investment. Second, we're not necessarily only looking for non-mining investments

Are you confident that you can live with any future regime in SWA/Namibia?

It would be a brave man who said that Who knows what sort of government will emerge in SWA? All we can say, and you'll forgive me if this sounds rather impertinent, is that we think that the Central Selling Organisation transcends political and geographic boundaries

It offers a positive and constructive service for the good of all the people who work through the CSO We hope that whatever government develops in SWA will see it that way

New sources of diamonds have developed in recent years. Is the CSO maintaining its share of the world market?

We think so We think that our share is in the range of 80% to 85% by value We've seen no evidence that this is much changed either way

Would this apply to both gem and industrial stones?

No In industrial stones our percentage has never been so high But I've heard no evidence that this percentage is moving, either. In synthetic production we've been doing quite well. We may have marginally increased our share of world markets in spite of the new producers in Japan and elsewhere, now that the patents that GE and ourselves had are beginning to run out.

What is your status in the US at the moment?

Our status in the US is in no way changed by the Grand Jury inquiry and the Justice Department case It took up (as these things always do) quite a bit of executive time, though happily not much of my time But what it did was to have our expert American lawyers look through our procedures with a fine tooth-comb

They suggested hardly any changes in the procedures that we had been working on for the past few decades We are of course at a disadvantage in the industrial business because our technical experts can't go into the US and demonstrate and sell our abrasive grits To us it seems rather curious that an antitrust rule should lessen competition in the US rather than increase it!

Do you see growth in synthetic business as a threat to your position in industrial stones?

No We see this as an opportunity. The competition is great in both natural and in synthetic, but we believe that with our laboratories and the three factories that our industrial diamond division operates, and the fact that we've been in the game nearly as long as anybody, our skills are such that we're at least at the head of the market

The market is growing faster than the supply of natural stones, which anyway get swept and more into the gem business

At this early stage, what are your feelings about the possibility of Anglo and/or De Beers taking up part of the pending Sasol issue?

That would depend on the nature of the offer We don't know much about the chemical business firsthand That is more AECI's business I imagine that they will at the right time see if this is a sensible thing to do

If it is big and sensible, I'm sure De Beers would be very happy to follow any investment needed through AECI AECI's finances are very strong at the moment and they probably could do things without calling on their shareholders, but it depends on the size

METAIR

FM 27/4/79 232

Chill winds

Activities: *Holding company whose 75,1% owned subsidiary Airco imports and distributes air-conditioning equipment. 40% owned associate Rowen manufactures vehicle components. Wesco owns 40%.*

Chairman: *D J du Preez.*

Capital structure: *2,2m ordinaries of 50c; 25 000 6% cum prefs of R2. Market capitalisation: R458 000*

Financial: *Year to December 31 1978. Borrowings: net short term R1,1m. Debt:equity ratio: 44,3%. Current ratio: 1,1. Net cash outflow: R197 000.*

Share market: *Price 21c (1978-79: high, 30c; low, 12c, trading volume last quarter, 12 000 shares).*

	'75	'76	'77	'78
Return on cap %	8,7	2,2	12,9	nil
Turnover (R 000)	8 492	6 562	9 131	7 532
Gross profit (loss) (R'000)	444	98	432	(35)
Gross margin %	5,2	1,5	4,7	—
Earnings (loss) (c)	4,1	(6,3)	4,1	(12,1)
Dividends (c)	—	—	—	—
Net asset value (c)	157	138	126	107

Associate Rowen SA, achieved a R716 000 after-tax turnaround in returning to marginal profitability. But it is not consolidated or equity accounted and paid no dividend, so there was no benefit to the Metair figures

Only the R353 000 after-tax reverse in Airco is reflected in the group accounts. Two bad debts totalling R163 000 accounted for 48% of Airco's R341 000 pre-tax loss. Airco's results were a disappointing comedown from last year, when it broke back into the black

While Airco has rationalised its management and activities and aims increasingly at the booming mining, rather than the bombed-out construction industry, competition remains intense and margins slim. Nevertheless, Airco is expected to trade profitably in the current year "and not just marginally." Break-even would represent a big turnaround, especially as it would be tax-free.

Rowen is also expected to improve on last year, but this will be relevant only if it pays a dividend. I understand that Rowen, like Metair, needs to conserve resources and that therefore a dividend from either company is a remote possibility. It has been six years since Metair paid an ordinary dividend and market cap today is down to R458 000, placing a question-mark over the company's continued listing. The company would probably be able to persuade the JSE Listings Committee that it is in better health now and still viable

After casting off various assets and liabilities, Metair had its 1974 and 1976 tax files reopened and had to pay an additional R78 000 net in retrospective taxes last year This did not come off earnings, but means that net cash outflow was actually R275 000. Net assets have been eroded from 157c to 107c over the past four years but still exceed the share price, which has improved 61% from 13c over the past year, presumably as a result of the brighter outlook

In 1977 the group paid up its overdraft and reduced debt equity from 36% to 10% At the year-end the overdraft was up to R1m and debt equity to 44% while working capital declined to R255 000 (R712 000). This was due partly to the net cash outflow but also to a 36% reduction in stock, a 10% decrease in debtors and a 37% fall in creditors The situation was largely seasonal, I'm told, and by February the overdraft, creditors, and debtors had all been reduced

The improved share price might also reflect speculation that Metair will be sold as a cash shell to some company seeking a cheap, trouble-free listing, though this would require a buyer for the assets and liabilities Chairman Daantjie du Preez tells me one such approach has already been rejected and future ones will be resisted.

Some investors may also have speculated that Otis SA may be interested. Its US parent, United Technologies, recently took over Carrier, manufacturer of Airco's imported products, in a billion dollar deal, and Airco's activities are highly complementary to Otis's. But a US court ruling precludes this at this stage, as it was a condition of the US takeover that United Technologies remain operationally, if not financially, independent of Carrier

As there is no imminent prospect of a dividend or a take-out, the present price is fair

David Carte

VOGELS

Tin plated

232 PM 27/4/79

Activities: *Base metals investment company owned 42% by GFSA and 21% by New Wits. Major investments in tin (Rooiberg and Union Tin), coal (Apex), and zinc (Kiln Products)*

Chairman: *R A Hope*

Capital structure: *15,3m ordinaries of 2,5c. Market capitalisation R26,8m*

Financial: *Year to December 31, 1978. Net cash R637 000. Current ratio 1,7*

Share market: *Price 175c (1978/79 high, 205c low, 65c trading volume last quarter, 585 000 shares). Yields 9,2% on earnings, 6,9% on dividend. Cover 1,3. PE ratio 10,9*

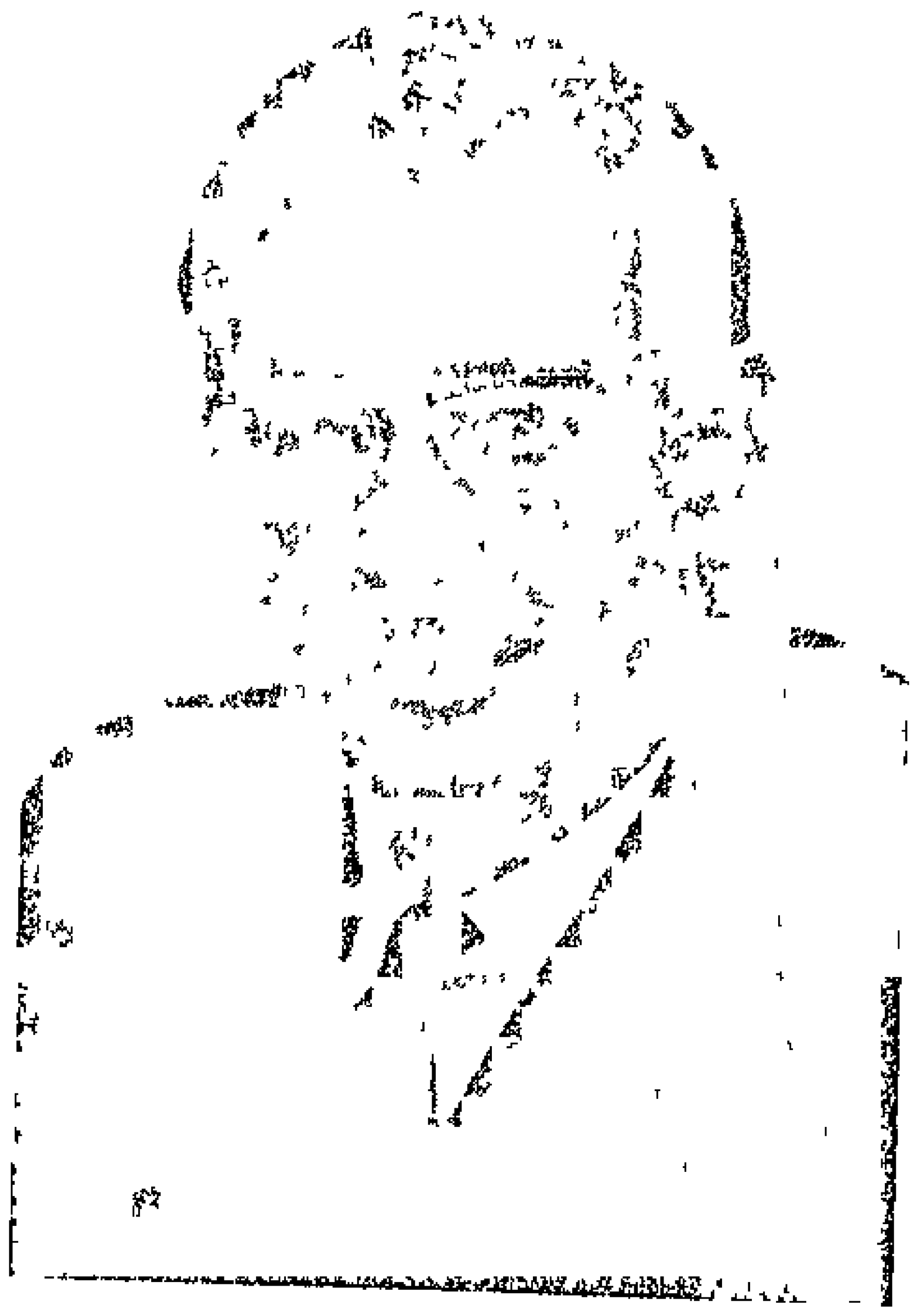
	'75	'76	'77	'78
Investment income (R 000)	1 510	1 651	1 709	2 519
Dealing profit (R 000)	24		23	27
Pre-tax profit (R 000)	1 253	1 546	1 191	2 473
Earnings (c)	8 2	10,1	7 8	16 1
Dividends (c)	6 5	7 5	7 5	12
Net asset value (c)	144	159	151	196

Investments in tins and coals were responsible for last year's 60% earnings jump. Net profits amounted to R2,5m (R1,2m) including investment income of R2,5m (R1,7m). And provided possible release of base metals from the US GSA stockpile is orderly, chairman Robin Hope is confident of increased profits and dividend this year.

1978 was a welcome return to Vogels' profit trail, after a 22,7% dip in 1977, mainly because of R687 000 written off Kiln Products. In 1978, R366 000 was written off Kiln which has placed its Berg Aukas zinc mine in mothballs because of low world metal prices.

Vogels' chief listed investments are Rooiberg, Union, and Apex. All three contributed more to Vogels in 1978. Rooiberg weighed in at R1,1m (R675 000) and Apex at R549 000 (R214 000). Union Tin's contribution was R130 000 (R115 000).

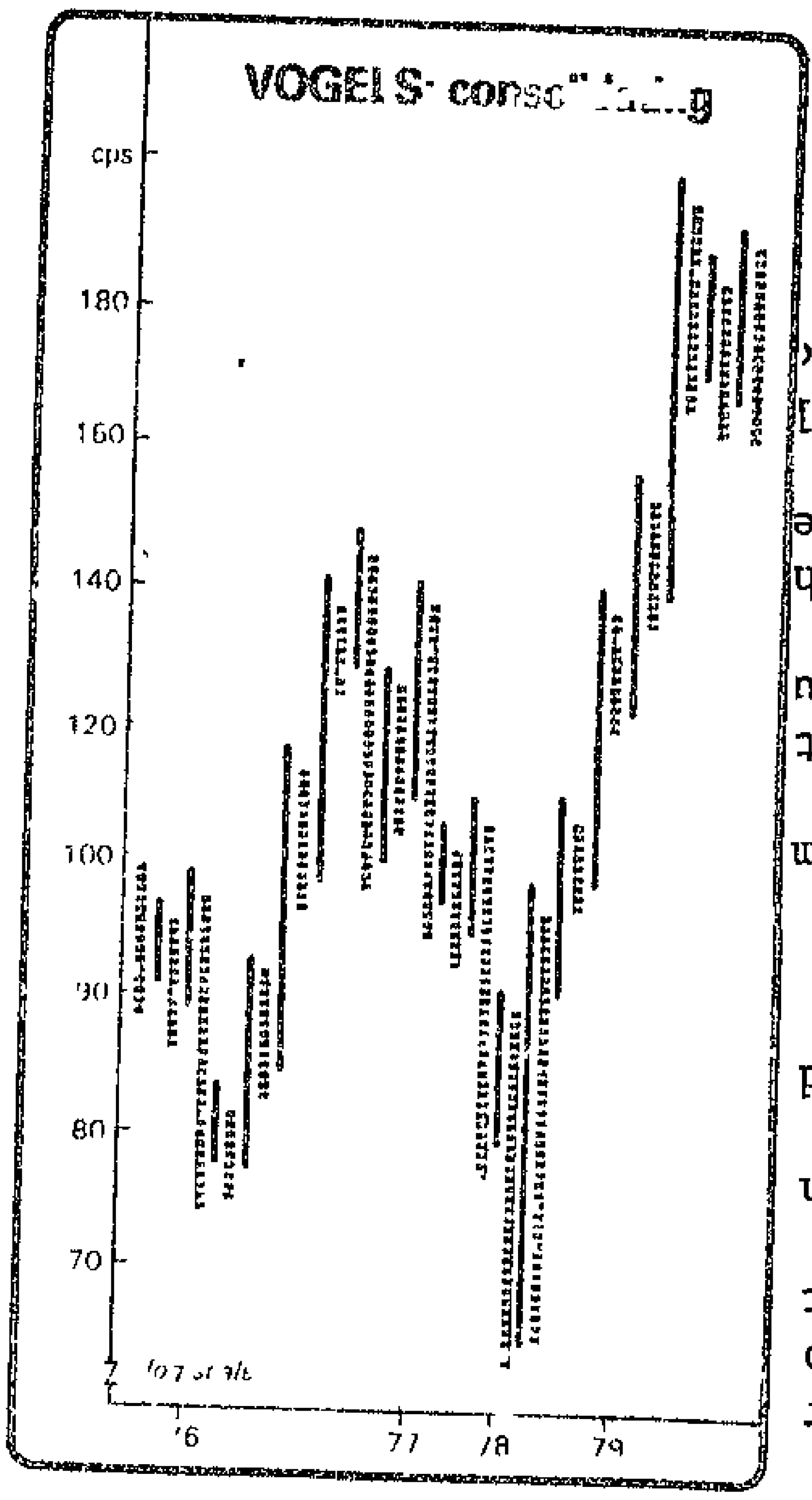
Portfolio changes, which generated a R27 000 profit, included disposal of 7 000 Harties which contributed R10 000 in 1977. In place of Harties, 70 000 Amcoal, 4 300 Rooiberg, and 3 300 Palamin were added to the portfolio. Since December a further 45 000 Rooiberg have been bought.



Robin Hope . . faith in tin

Vogel's yield on its listed portfolio in 1978 was 7,7% and 9,1% on the unlisted shares. The company holds 256 000 Black Mountain Mineral shares. It has a R231 000 outstanding commitment to the project.

Hope says there appears to be more stability in base metal markets with Russia now a net importer and potential new markets opened by US China accord.



These factors may not offer much in the immediate future, but Hope says they "hold considerable potential for the longer term."

Portfolio changes and "a substantial increase in Apex's dividend this year promise higher investment receipts in 1979. If Amcoal pays about 85c, as is expected, and Rooiberg and Union maintain their dividends, as seem likely, their earnings should be at least 3c-4c higher this year. On an unchanged 1,3 times cover this presages a dividend total of at least 14c a share for a prospective yield of 7,8%. The share is attractive to investors with medium-term objectives.

Des Kilalea

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5. Increased sel
in travel and
expense.

S. 2 (Cont.)

DUBIN

2352 FM 27/4/79

Gearing for recovery

Activities: *Industrial holding company, owning 100% of SA Clothing and 100% of Man-about-Town Has property interests and a financing arm Also trades in printing, radio manufacturing, distribution and office furniture Directors, directly and indirectly, hold 20,6%*

Chairman: *A Dubin*

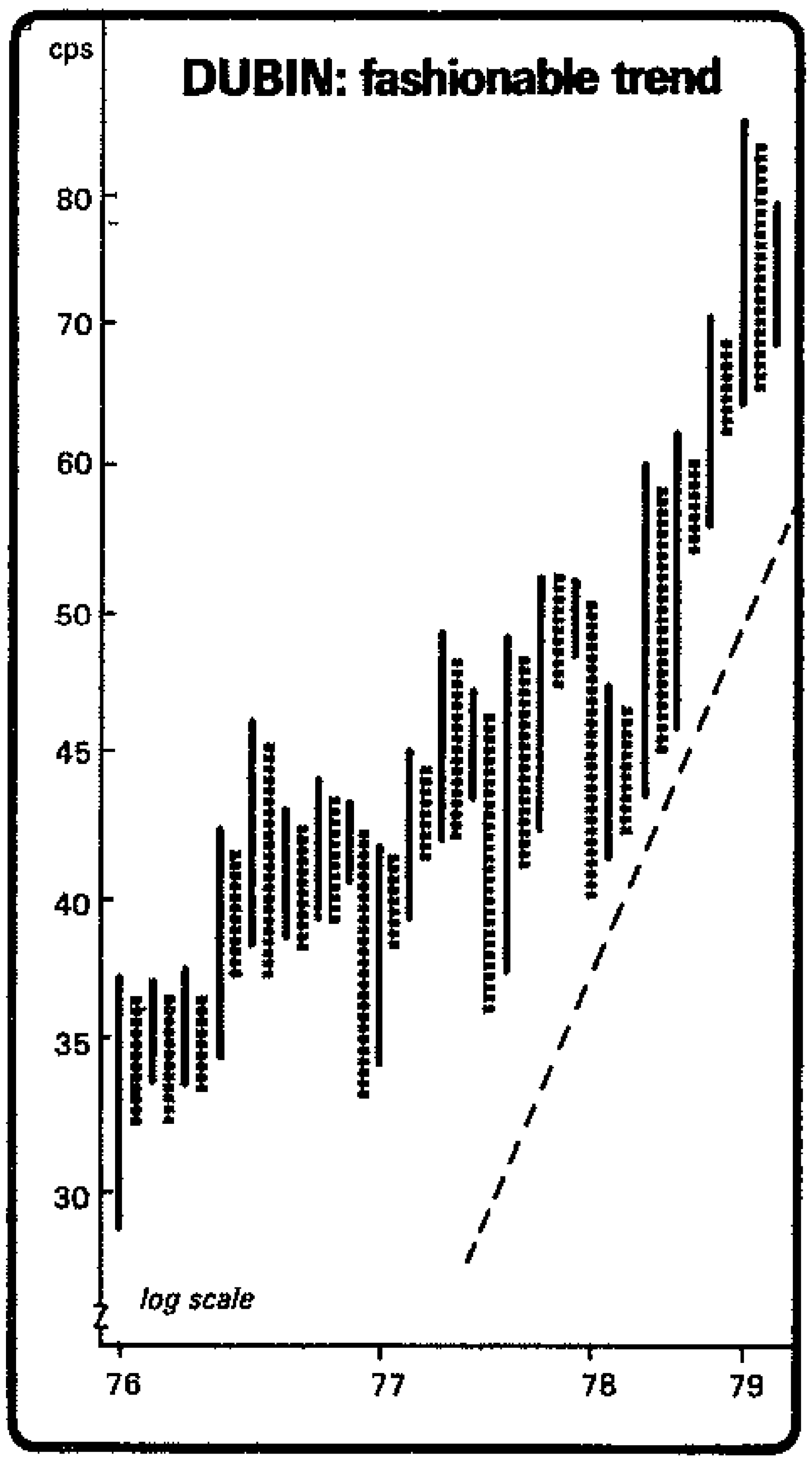
Capital structure: *10,2m ordinaries of 50c, 125 000 5,5% cum prefs of R2, and 509 000 cum convertible red prefs of R1 Market capitalisation R8,2m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R3,7m, net short term, R9,5m Debt.equity ratio 139% Current ratio 1,5. Group cash flow R2,4m Capital commitments R394 000*

Share market: *Price 80c (1978-79 high, 87c; low, 42c, trading volume last quarter, 611 000 shares) Yields 24,1% on earnings, 8,8% on dividend Cover 2,8. PE ratio 4,2*

	'75	'76	'77	'78
Return on cap %	39,6	28,7	25,9	17 8
Turnover (Rm)	25,2	44,5	44 5	49 5
Pre-tax profit (Rm)	2 8	4 3	3 7	3 3
Gross margin %	11 1	9 7	10 4	8,4
Earnings (c)	15,4	20,5	18 6	19 3
Dividends (c)	5	7	7	7
Net asset value (c)	43 4	62 5	70 3	82

With fierce competition at the beginning of last year and little impact from pre-gst buying, the upturn in trading experienced towards the end of 1978 came too late to have any significant effect on Dubin's results.



In retrospect, taxed income from the clothing division was down from R1,5m to R1,4m, even though turnover rose 10% To make up the shortfall, considerable effort was spent on successfully developing export sales Chairman Abe Dubin feels that the sales achieved to date justify the effort and looks forward to a substantial increase in exports this year

The non-clothing sector did well, improving its taxed contribution to the group from 21% to 26% It should continue to improve following the acquisition of a 75% interest in Packaging Products with effect from March 1 1978. The cost was R1m, of which R628 000 was paid in March and the balance is due in 1980 and 1981 PP is to continue operating as a separate entity, and Dubin has an option to acquire the remaining 25% until June under similar terms This year, PP is expected to contribute at least 1c to group earnings per share

A feature of Dubin's balance sheet is the sharp rise in stocks They were up from R7,8m to R14,4m, largely as a consequence of a deliberate policy decision to increase levels At the heart of this decision are persistent delivery problems from local suppliers, which interrupt the steady flow of raw materials to factories. Also, the company bought ahead in anticipation of rising raw materials costs and higher sales levels Dubin does say, however, that this rise will not be repeated in the current year

The net effect was for total borrowings to rise by R4,9m, (mostly short-term), or 58%, to R13,4m As a result, the debt equity ratio rose from 92% to 139%, and the return on capital employed declined to 17,8% (25,9%). Interest paid, though, was lower at R858 000 (R918 000).

Better group cash flow and an unchanged dividend of 7c led to retained earnings rising from R863 000 to R1,1m. Lower margins reflect the tight trading conditions, slipping from 10,4% to 8,4%. So, while turnover rose by R5m to R49,5m, pre-tax profit fell to R3,3m (R3,7m)

Thanks to lower minority interests following the acquisition of 100% of South African Clothing Industries, attributable earnings before non-trading items rose marginally from R1,9m to R2,1m. At the end of the day, earnings were slightly up at 19,3c (18,6c)

Dubin says that trading conditions in the first two months of this year have been good, and if the trend continues he expects better results On this basis, the 8,8% yield is attractive, especially since it is well covered, and the stock is freely traded

John White

Abe Dubin . . . exports are worth the effort

SMY 4

SOLUTION 2 – 1 – 1974 3 – 2

1.

	Material A(R3)		Material B (R2)		Material C(R1)		Total (R9)	
	Kg.	R	Kg	R	Kg.	R	Kg.	R
Actual Cost	1 900	5 890	900	1 620	2 240	4 480	5 040	11 990
Ac. Mix at Std. Cost	1 900	5 700	900	1 800	2 240	2 240	5 040	9 740
Price Variance	3	190(V)		180		(2 240)		(2 250)
Std. Mix at Stc. Cost	1 680	5 040	840	1 680	2 520	2 520	5 040	9 240
Mix Variance	2	(660)		(120)		280		(500)
Act. Output at Std.	1 700	5 100	850	1 700	2 550	2 550	5 100	9 350
Yield Variance	2	60		20		30		110
Total Material Variance		(790)		80		(1 930)		(2 340)

( ) denotes adverse variance

Usage	(600)	(100)	310 (F)	390(V)

2.

	Budgeted	Actual
Sales	20 250	19 125
Variable Costs	17 100	19 730
Contribution	3 150	(605)
Fixed Overhead	2 700	3 200
Net Profit	450	(3 805)
	(1)	(1)

3

3.

No, the company should not consider trading as the contribution is negative. 1
Any decision depends on whether there is a positive contribution 1 to corporate fixed costs and profit, i.e. can departmental fixed costs be saved by closing the department?
If the material variances (particularly the C price variance) are avoidable 1 the contribution will be positive and therefore trading must continue. If the costs are not avoidable and if fixed costs fall away, on the closing down of the departmeet, trading should be discontinued 1. If the volume can be increased to at least 915 units at standard cost to cover the increased overhead, trading should continue. 1
Sales Price Increase. $1\frac{1}{2}$

5

15

23/4/79

TOP 100

232

Errors crept into two tables in last week's Top 100 Companies survey. In the discount house table, National Discount House's net profit should read R1,9m, not R1,5m, giving a return on shareholders' funds of 21,1% and return on assets of 0,5%.

The fourth column in the short-term insurance table was incorrectly ranked according to pre-tax profits, instead of percentage pre-tax profits to GPI. The correct rankings are. 1, Guardian; 2, Commercial Union, 3, SA Eagle, 4, Sentraboer; 4, Phoenix (tied); 6, Santam, 7, Union Nat South Brit; 8, National Employers'; 9, General Accident; 10, Federated Employers, 11, Protea; 12, Mutual & Federal, 13, Shield; 14, AA Mutual, 15, Standard General, 16, Aegis, 17, American Int Not ranked. Incorporated General, Marine & Trade, and President Last year's figures are not affected.

AMREL

Adding a leg

232

FM 4/5/79

It has been clear that Amrel has had resources to spare for some time However, its diversification into shoe retailing should take up any spare capacity for the next six months to a year, when the group could be readying itself for a further acquisition in the retail sector

The takeover of the retail arm of Shoe Corp, a wholly-owned subsidiary of Amrel's parent, SA Breweries, could be seen as simply a reshuffling of Breweries associates — something of a repeat performance of Afcol's manufacturing retailing split which originally brought Amrel into being. Separating Shoe Corp's manufacturing and retail divisions obviates the embarrassing position manufacturers sometime are in when they have retailing arms competing with their own customers

However, Amrel MD Ronnie Cohen assures the *FM* that no such consideration entered into the decision to take over the Cuthberts, Select-A-Shoe and Impulse outlets, which make up Shoe Corp's 250-store retail chain. He is adamant that Amrel saw the opportunity to increase the returns on its investments.

The announcement points out that had the acquisition, which entails the issue of 1,1m new Amrel shares to SAB, taken place a year earlier, it would have had the effect of increasing Amrel's earnings by 2c to 72,7c in the year to March 31. The acquisition has increased nav 3,7% to 369c compared with the current share price of 300c

Amrel has been hungry for takeovers for some time. In the past 12 months it has taken over Melodies and five of Rudicks' 12 stores It also bought SAB's Impala TV service outlets Recently a strong but unsuccessful bid was made for Sam Steele

Amrel will be hard pressed to dovetail its furniture chain with the 250 shoe stores Cohen says there will be only limited opportunities for rationalisation due to the divergent nature of the two activities There will be some overlapping of skills which could help the furniture and shoe sides, and there is a possibility of increasing complementary customers.

There is also the possibility that cash flow from shoe retailing could be channeled into financing of HP furniture sales

Cohen is at pains to point out that although the takeover may stretch the group's resources, the growth of the furniture retailing division will not be impaired

In the year to March 31 1979 Amrel increased its earnings 86,1% to 70,7c (38,0c) and declared total dividends of 23,5c (12,5c).

Sales rose 28,7% to R76,7m (R59,6m) and pre-tax margin improved to 8,9% (6,0%). This was achieved through higher margins with a pruning of less profitable outlets. With an improving economy higher furniture sales are expected, though there may be less scope for hiking margins.

Peter Pittendrigh

232 FM 4/5/79

CONS GOLD

Ripe for plucking?

Have you been wondering why the financial rand has not headed through the US80c level as fast as many in the market expected? And have you reckoned that there was more to the steady decline in the UK investment dollar premium than expectations that a Tory government would scrap the premium altogether?

If there is any truth in some of the rumours coming out of Diagonal Street and London, the reason for these trends could become clear within the next month or so

The storytellers have it that everything hinges on one of the last great takeover plums, GFSA Prime contenders for control, obviously, are Anglo and its associates and a consortium comprising Genmin and Rembrandt

Gaining control of GFSA through a direct bid would be impossible without 46% controlling shareholder Cons Gold's agreement But Cons Gold itself is one of the few remaining non-control situations in the UK Largest shareholder, the Drayton Group, holds little more than 4% And in an open situation such as this, gaining control through the LSE need not be too difficult

Anglo is probably in no mood to make a direct bid which could be thwarted by the authorities who prevented its gaining control of Samancor in 1977 This time, it wants no foul ups, so any bid for Cons Gold would be through a company safely away from interference from SA

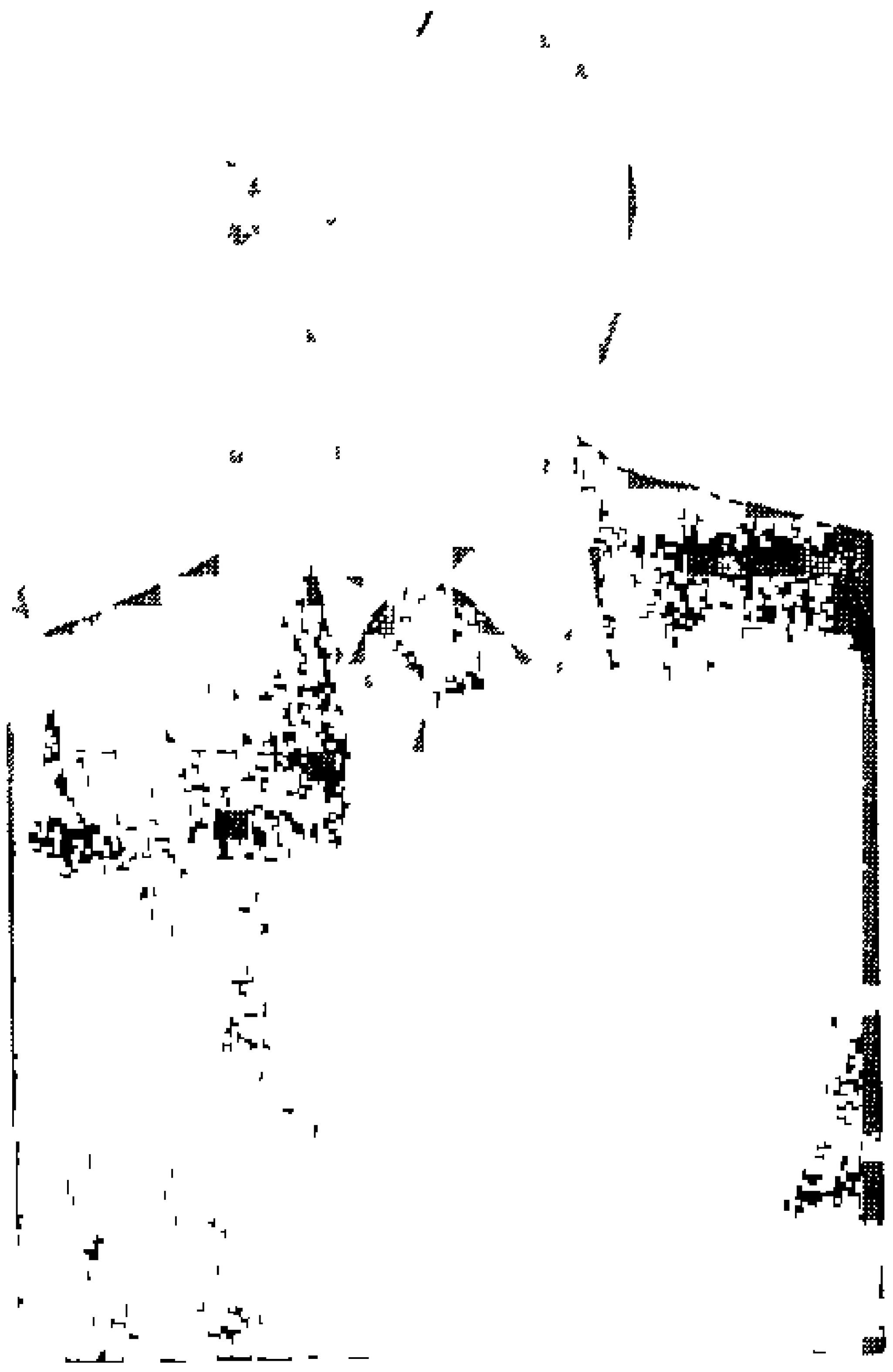
The problem is that neither Charter nor Minorco, which satisfy this criterion, have sufficient funds, while De Beers, which was sitting on a R1,3 billion cash balance at end-1978, could be prevented for bidding directly for Cons Gold by the SA exchange control authorities

Mechanics of the deal

But there is nothing to prevent Charter selling its 20% stake in Minorco, currently worth about R62m, and its 6% stake in Anglo, worth another R60m, to De Beers and its 10% stake in Anamint, worth almost R200m, to Anglo for rands Being foreign domiciled, Charter could take out the proceeds through the financial rand market (helping to hold the financial rand back) and any loss through the use of that route being more or less compensated for by gains in London through the sale of dollar premium stocks (which in turn could have held the dollar premium down)

To fund its purchase of Anamint, Anglo need only sell its 36% stake in Charter (worth around R113m) and its 40% Minorco holding (worth about R124m) to De Beers

Cons Gold is not a dollar premium stock in the UK, and currently has a market capitalisation of about R630m So in the situation of an open bid, which



Harry Oppenheimer . . . a bird in the hand?

Charter would probably have to make to comply with LSE rules, Charter would have received enough cash to at least buy 50% of Cons Gold at current market prices However, to gain control through an open bid would probably mean paying up to £4 against a current 240p market price That means a price tag of about R1 billion for full control

Once an open bid was made, it is unlikely that all shareholders in Cons Gold would accept But there is no reason why Minorco should not raise funds, say in the US, and take aboard, even if only temporarily, any Cons Gold shares Charter could not afford through a back-up offer

At the same time, if Anglo was not satisfied with the level of control it thus gained in GFSA, there would be nothing to stop either it or De Beers from picking up the extra 4%-odd needed to give full control on the local market

Structuring a bid by a General Mining/Rembrandt consortium might be more difficult General Mining borrowed in the Eurodollar market to fund its takeover of Union Corp and has by now effectively tidied up its balance sheet to the extent that further major borrowings could be possible

As a participant, Rembrandt could contribute the R100m-odd it has in Switzerland following the sort-out of its US brewery and Canadian tobacco interests Genmin subsidiary Union Corp last year sold its Minera Frisco holding at a profit of R7m And with property shares on the up in the UK, it should have no difficulty if necessary in disposing of its stake in Capital & Counties for near market value of £20m

So Union Corp and Rembrandt could get it together to buy a 20%-odd stake in Cons Gold But they and Genmin would need to find additional funds if a full bid was forced on them by LSE rules And that might be difficult if borrowings were resorted to

All this, of course, is only market conjecture There is no evidence in the various share registers of any such deals But the performances of the financial rand and the investment dollar premium since the start of this year tend to lend credence to the theories

They are not theories that have escaped institutional fund managers, especially those in the insurance companies They do not like the apparently developing position of an increasingly tight market in mining financials Lessening marketability means less flexibility in taking investment decisions. In part with this in mind, a steadily growing volume of institutional funds is being channelled into the mining houses, possibly to pre-empt total takeover situations

If market talk is anywhere near the mark, announcement of a bid for Cons Gold may not be many months off The prize for whoever could win full control is tremendous Based on current market prices, selling off Cons Gold's non-SA investments could effectively leave GFSA in for nothing

Jim Jones

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ANALYSIS OF ERROR

BALANCING ADJUSTMENT BEFORE DISCOVERY OF ERROR

FINAL CORRECTING ERRORS

HUNTERS ENTERPRISES

FS11

TAKEOVERS

Losing sight of the little man

New methods of effecting a merger have been used The object has been to avoid stamp duty on transfers of shares, but in achieving this objective an unfortunate side-effect has been that shareholders are deprived of the protection which the legislature strove to provide when the Companies Act was amended in 1973 — Ian Macgregor, Mergers & Acquisitions in South Africa, 1976-77 A Critical Review

In a democratic society, there is of course no objection to people using legislation as they see fit, as long as they stay within the letter of the law Financiers are perfectly entitled to take best advantage of the Companies Act in their transactions, if there are loopholes in the legislation, it is not those who take advantage of them who are at fault Remedies must be found in amendments to the Act itself

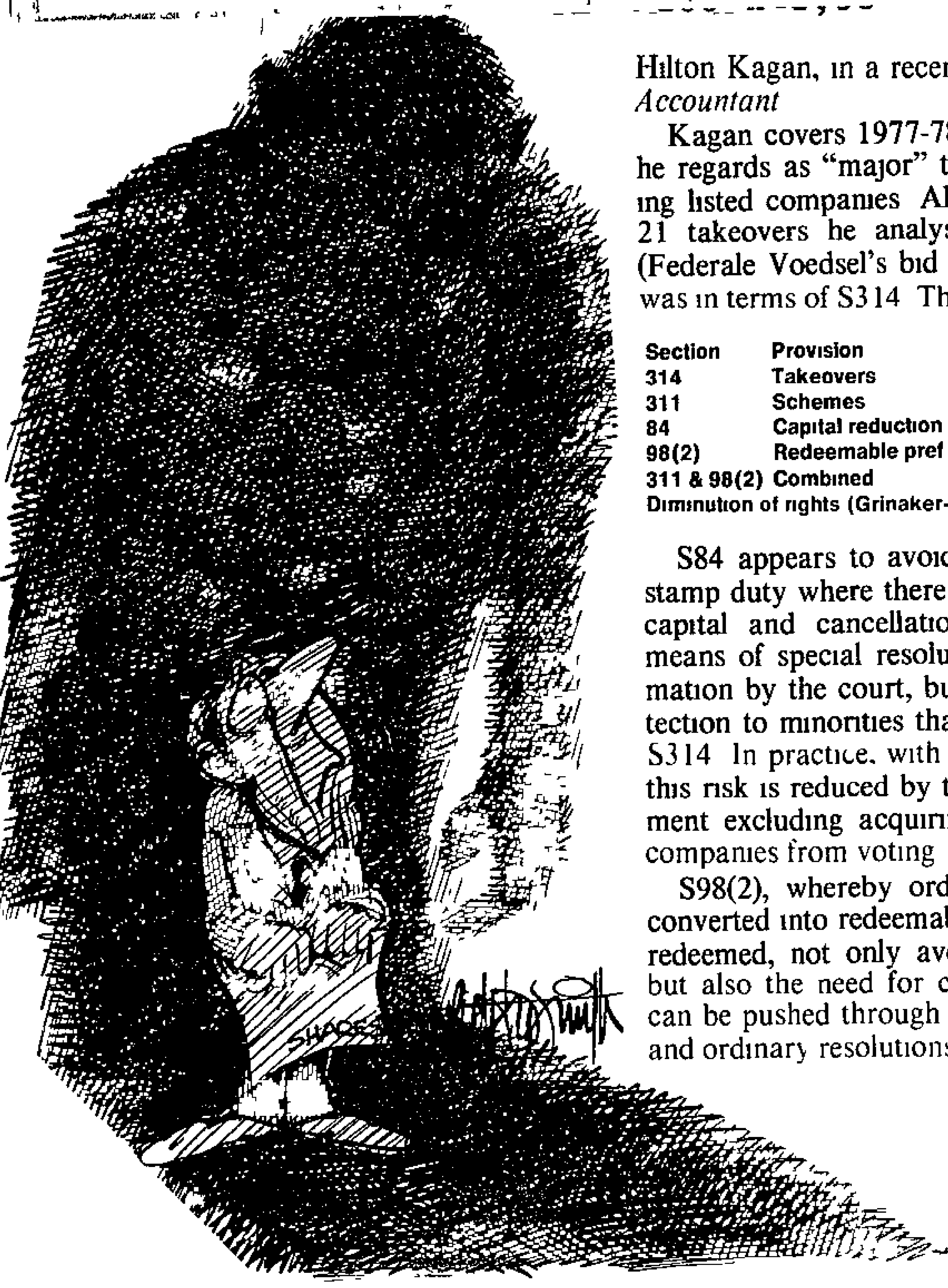
S314 of the 1973 Companies Act, based on the recommendations of the Van Wyk de Vries Commission, was at pains to protect the interests of *all* shareholders in takeovers Unfortunately, these safeguards are at times inconvenient to the takeover plans of large groups They can, moreover, be time-consuming, and, far from the least important factor, transactions in terms of S314 attract stamp duty at the rate o 1,5% on the consideration paid to shar holders, which in multi million rand dea can be a considerable sum

The first attempts to overcome the di cipline of S314 were not aimed at avoi ing stamp duty. S314 takeover offers ca only become compulsory on a 90 acceptance from the shareholders whom an offer is made schemes o arrangement in terms of S311 ca (subject to the approval of the court become binding with the approval of on 75% of scheme members *actually prese in person or by proxy* at the meeting hel to discuss the scheme

If there is active opposition, it may i fact be easier to block a scheme o arrangement than an S314 takeover, bu in the far more common case where th bulk of shareholders are apathetic, a S311 scheme is much easier to pus through It is thus not surprising that, a Macgregor's table shows, the decad 1968-77 saw a steadily increasing use o schemes of arrangement rather tha

METHODS USED FOR — MERGERS

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
S314	17	20	10	6	23	17	9	6	5	3
S311	2	18	5	9	14	14	11	25	19	10
Reduction of Capital									1	7
Special Resolution										1
Purchase of Assets	1	2	2	—	1	3	—	1	—	—
	20	40	17	15	38	34	20	32	25	21



S314 takeovers

S311 schemes also provide much less statutory protection to minority shareholders, for which the fact that they can be concluded more quickly (so that shareholders in the offeree company get their money sooner) is scant compensation But the past two years have seen the refinement of even more sophisticated techniques for implementing takeovers, in which there is even less protection for minorities than S311 provides.

Macgregor's survey (he is Professor of Accounting at Wits) goes up to the end of 1977 only (it is to be hoped that the future two-yearly reviews which his Merger Research Bureau plans to publish will be less historic) for more up-to-date information we must turn to a study by Hilton Kagan, in a recent *SA Chartered Accountant*

Kagan covers 1977-78, but only what he regards as "major" takeovers involving listed companies Alarmingly, of the 21 takeovers he analyses, exactly one (Federale Voedsel's bid for Simba-Quix) was in terms of S314 The breakdown

Section	Provision	No
314	Takeovers	1
311	Schemes	4
84	Capital reduction	9
98(2)	Redeemable pref shares	3
311 & 98(2)	Combined	3
Diminution of rights (Grinaker-Racal)		1

S84 appears to avoid the payment of stamp duty where there is a reduction of capital and cancellation of shares by means of special resolutions and confirmation by the court, but offers less protection to minorities than either S311 or S314 In practice, with listed companies this risk is reduced by the JSE's requirement excluding acquiring or controlling companies from voting

S98(2), whereby ordinary shares are converted into redeemable prefs and then redeemed, not only avoids stamp duty, but also the need for court approval It can be pushed through simply by special and ordinary resolutions at an EGM

To overcome the opprobrium that can be attracted by this procedure, the most recent refinement is to combine S311 (schemes of arrangement) and S98(2). In effect, this retains such safeguards as S311 offers (need for sanction by the courts) but avoids stamp duty

The main practical problem in the use of S98(2) is that, if the preference shares are to be redeemed at a premium (which would usually be the case), it must come from the company's share premium account or it will be regarded as a dividend in terms of the Income Tax Act (whether or not the redemption proceeds will be regarded as a taxable capital gain in the hands of the recipients is, of course, a separate issue, which will be determined in accordance with general income tax principles).

Saving stamp duty running into thousands of rands is a laudable aim for any businessman; so is reducing the time it takes to pay out minorities Macgregor's study shows that this is most quickly achieved by a reduction of capital, schemes of arrangement take longer than a straightforward offer (although on balance in all cases the time is excessive compared with, say, the provisions of the London takeover code)

But the primary consideration should always be the protection of minorities, especially the small shareholder who — unlike institutions — does not have the resources to defend himself against abuse, especially when S98(2) is used and there is not even need for court sanction.

There must be something rotten in the state of Denmark when the section of the Companies Act governing takeovers is used in less than 5% of the cases When schemes of arrangement started to become popular in the late Sixties, there were already rumblings that this could be oppressive to minorities

The subsequent development of yet more exotic techniques can only exacerbate this risk

In Britain, courts have suggested that takeovers should not be implemented through the UK equivalent of S84 when other methods are possible In SA, there is even a legal view that it is improper to use sections of the Companies Act designed for very different purposes, for takeovers, unfortunately, this has never been tested in the courts

Perhaps one day it will be, but this would hardly be a satisfactory culmination

We need not feel sorry for the taxman, who loses out when takeovers are structured to avoid stamp duty he is capable of looking after himself The real victim is the small shareholder, made to feel no more than a pawn in the games of big business, whose decisions he is so often powerless to influence

The urgent need is to amend the Companies Act to ensure that, whatever mechanism is used in a takeover, minority shareholders receive just as much protection as they would under S314. To do less, is to make a mockery of the intentions of the Act

The share remains of interest only to investors looking to an early solution to Rhodesia's problems. If everything goes well, it will be the gold interests which underpin the share's performance. But there are better and more secure gold investments available locally *Jean Moon*

John White

23C, FM 4/5/79

RHODESIAN CORPORATION

A recognition spec

Activities: *Principal interests are in Rhodesia Conducts farming and ranching operations Owns 25,6% of Falcon Mines, 40% of Olympus Consolidated, 34,5% of Willsgrove Brick & Potteries and 37,4% of Bulawayo Board of Executors.*

Chairman: *N H Marshall*

Capital structure: *8,9m ordinaries of 16,67p Market capitalisation R5,3m*

Financial: *Year to September 30 1978 Borrowings long and medium term, £398 000 Net cash £815 100 Debt equity ratio 9,1% Current ratio 2,8 Group cash flow £159 000 Capital commitments Nil*

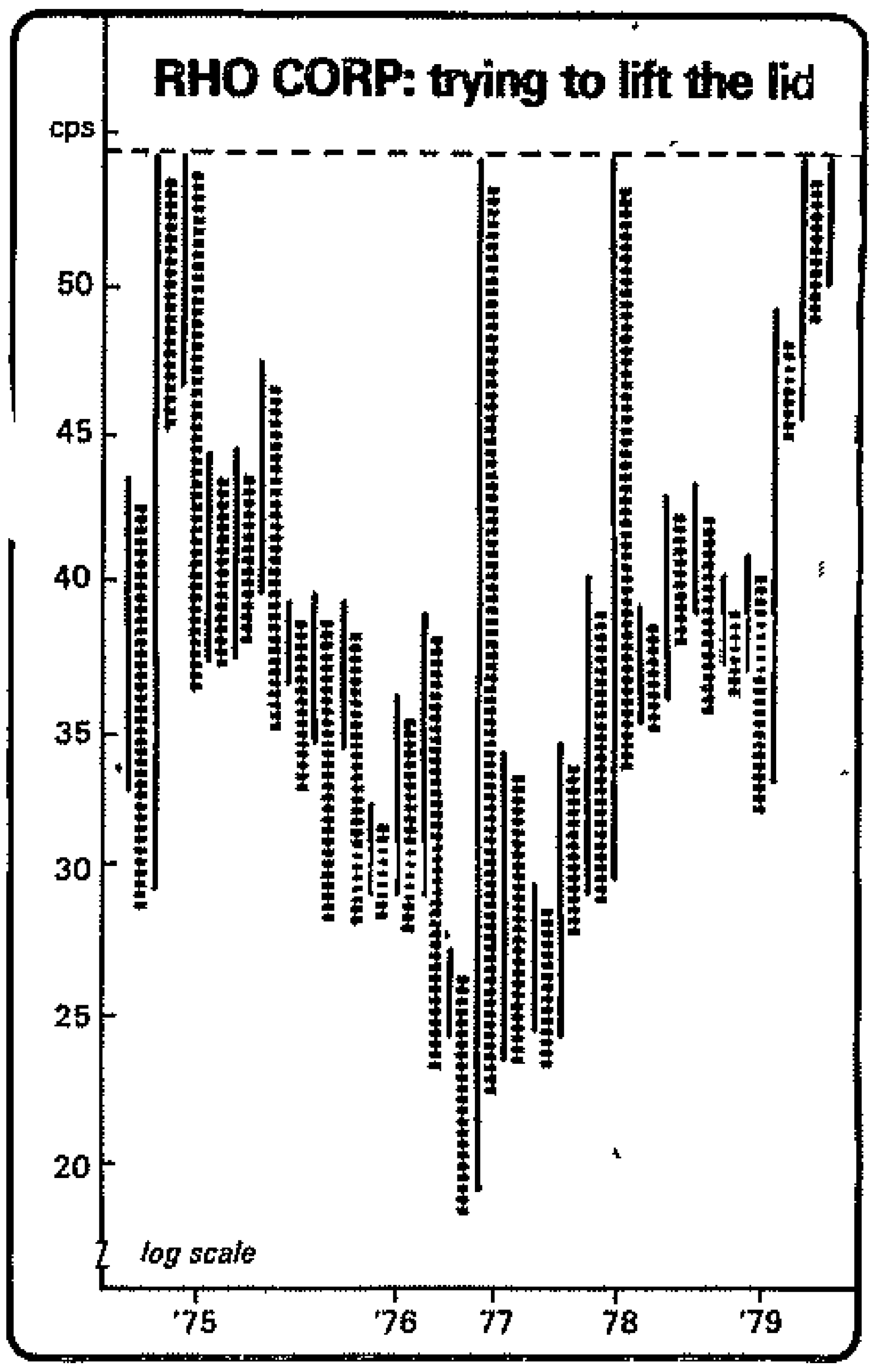
Share market: *Price 60c (1978-79 high, 60c, low, 34c, trading volume last quarter, 30 000 shares) Yields 12,1% on earnings, 1,5% on dividend Cover 7,4. PE ratio 8,3.*

Ahead of international recognition of Rhodesia-Zimbabwe and gambling that it will come sooner rather than later, hitherto inactive Rhodesian counters have recently attracted attention in both Johannesburg and London Even if recognition is delayed, back interest and frozen dividends which might be freed in the future could compensate for the wait.

Already showing a 75% price increase this year, RhoCorp has been among the favourites Investors are particularly interested that the company's activities are widely spread between mining, farming, industry, land and building.

	'75	'76	'77	'78
Return on cap %	16 5	17 1	14 7	10 1
Pre-tax profit (£000)	592	733	686	590
Earnings (c)	5 8	0 8	6 5	7 2
Dividends (p)	1 0	0 56	0 56	0 56
Net asset value (c)	72 7	73 5	89 4	114 7

While Rhodesian and SA interests contributed considerably higher earnings last year, UK operations continue to be hamstrung. It is still not possible to remit profits derived from overseas to the UK and this impedes the developments of further investments and earnings in that country. Dividend distributions therefore continue to be restricted in order to preserve UK resources



Of RhoCorp's scattered interests, earnings for the Rhodesian farming operations were Rh$68 109 higher for the year at Rh$237 314, with "excellent" yields obtained from grain crops The better quality of the tobacco crop compensated for lower production with increased realisations

Practically no stands were sold in townships near Bulawayo, while rents from the office block in the centre of the city were similar for those for 1977. The same pattern of inactivity in RhoCorp's township development, Jameson Park, 40 km from Johannesburg, was recorded for the year, though the SA economy upturn is expected to produce improved sales this year

The value of listed investments rose from £2,5m to £3m, with holding in Falcon Mines and Willsgrove amounting to £1,5m

Leyland, Sigma se troue suur

Rapport 6/5/79 232 ~~192~~

Deur DAVID MEADES

DIE samesmelting tussen Anglo American se Sigma-motorkorporasie en Leyland in Suid-Afrika, het suur geword. 'n Amptelike aankondiging word môre verwag oor hoe die twee groepe weer „losgemaak" gaan word.

Die samesmelting moes al verlede jaar in Oktober van krag geword het, maar weens probleme oor die voorwaardes van die samesmelting is dit uitgestel. Die indruk is later gewek dat die samesmelting begin vanjaar in werking sou tree. Nou blyk dit dat daar ernstige meningsverskille tussen die twee groepe was.

Ná dringende samesprekinge vandeesweek in Johannesburg tussen Sigma en verteenwoordigers van die Britse Leyland-groep, is daar glo besluit dat die samesmelting nie meer sal plaasvind nie.

Geen amptelike kommentaar kon gistermiddag by Sigma of Leyland verkry word nie, maar bronne na aan Sigma het aan RAPPORT bevestig dat die samesmelting afgelas is en dat elkeen sy eie pad vorentoe sal loop.

Die plan was dat Sigma — wat reeds vir Peugeot en Citroen geheel en al oorgeneem het — Leyland se passasiersmotors by Sigma-park in Pretoria sou vervaardig, terwyl Sigma se ligte en swaar handelsvoertuie weer by Leyland se aanleg naby Kuilsrivier vervaardig sou word.

Die nuwe ontwikkeling kan vir handelaars oor die hele land netelige probleme lewer. Talle Sigma- en Leylandhandelaars het reeds begin deur altwee groepe te verteenwoordig. Terselfdertyd hang daar nou ook 'n ernstige vraagteken oor die toekoms van Leyland in Suid-Afrika.

232 FM 11/5/79

AMGOLD

Prospects from prospecting

Activities: *Anglo's major gold and uranium investment vehicle. Holds most of the group's strategic gold mine company stakes, both in-house and in mines controlled by other groups Also has 10,9% of GFSA. Participates in Anglo's gold and uranium exploration programme world wide.*

Chairman: *J Ogilvie Thompson.*

Capital structure: *22m ordinaries of R1 25m red cum prefs of 10c. Market capitalisation. R820m.*

Financial: *Fourteen months to February 28 1979. Net cash· R19m Current ratio 0,9. Capital commitments. Nil.*

Share market: *Price. 3 725c (1978-79. high, 3 825c; low, 2 530c, trading volume last quarter, 68 000 shares) Yields. 7,3% on earnings; 5,6% on dividend Cover 1,3. PE ratio: 13,7*

	'75*	76*	'77*	'79
Investments				
Book value (Rm)	141	148	185	207
Market value (Rm)	775	613	766	1 103
Investment income (Rm)	68,2	46,9	45,2	74,4
Earnings (c)	340	207	189	318
Dividends (c)	260	180	165	250
Net asset value (c)	3 629	2 882	3 415	4 916

**12 months to December 31*

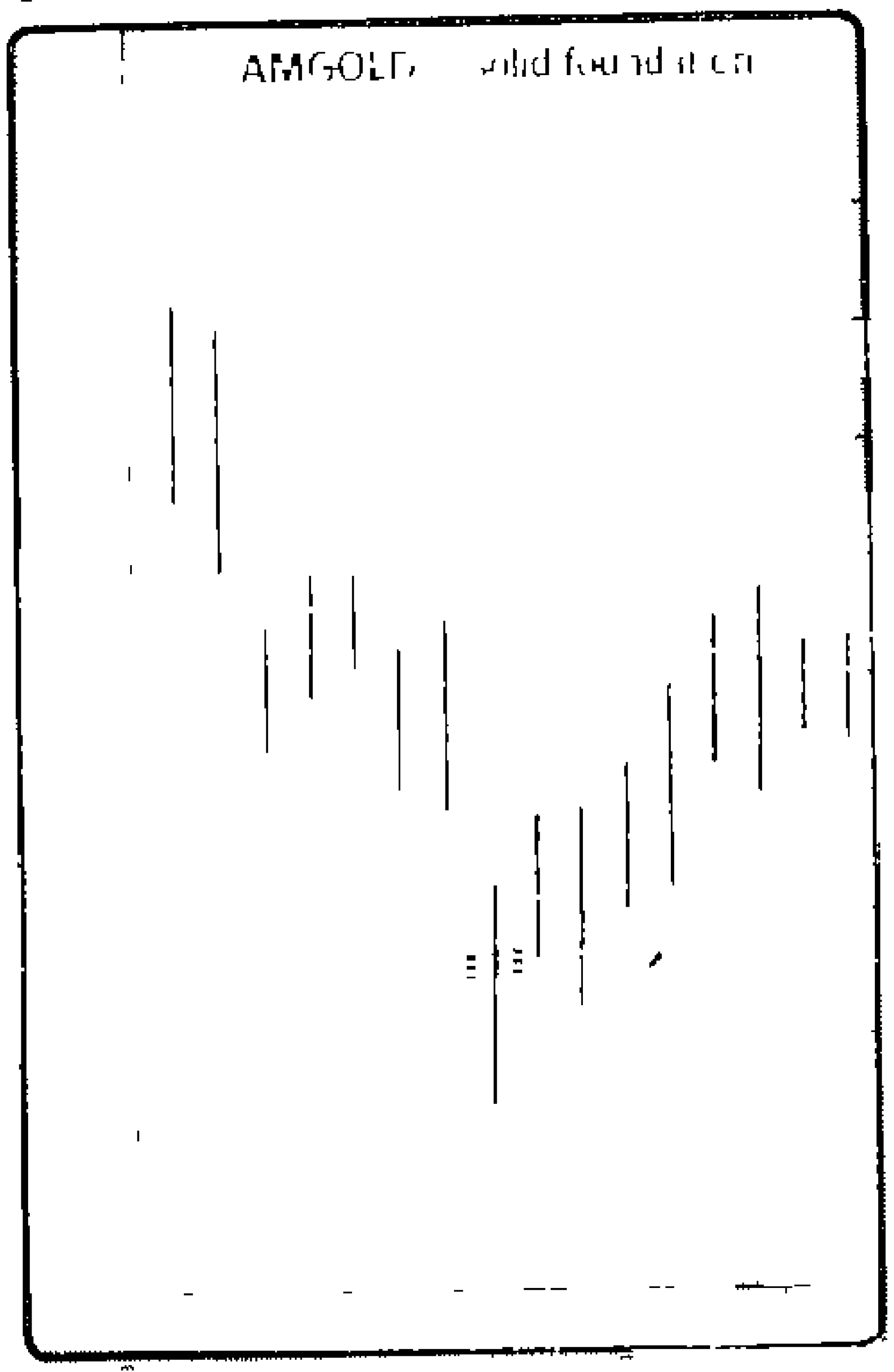
Last year's R25m pref issue and an investment income increase to R74,4m for the 14 months under review (1977. R45,2m) have relieved the pressure on the company's cash position.

From an end-1977 level of R21,4m, net current liabilities were reduced to R2,6m at the balance sheet date, with no major calls for funding new business likely this year.

During 1977, Amgold sold an unprecedented number of non-strategic investments and, at one stage, it appeared that the latest period could have seen a repeat performance. In the event, there were only relatively unimportant disposals of Loraine, St Helena and Venterspost. Apart from following rights issues by Elandsrand and Deelkraal, the only additions to the investment portfolio were 17 500 Unisel shares, rounding the holding up to 900 000.

This year it seems unlikely that the portfolio will see much more activity than selective switching. Elandsrand, though officially in production, will need fairly substantial additional financing this year to bring the mine to full capacity. But this will probably be funded through bridging loans from parent Anglo rather than through further share issues.

Perhaps more important than portfolio changes is likely participation in new mining ventures There is no mention of participation by the Anglo group in Anglovaal's eastern Transvaal drilling (*Fox* April 27). However, geological evaluation of the Erfdeel/Dankbaarheid area north of Free State Saai has been completed Chairman Julian Ogilvie Thompson says that on assessment to date "at best, this is a marginal and low grade proposition". With mining and



engineering studies continuing, public caution on prospects is reasonable. But the area, perhaps developed in conjunction with Welkom and Western Holdings, is the group's most likely first candidate for new uranium/gold developments.

Nothing is being given away on drilling near Union Corp's Beisa mine, but it seems that Anglo's geologists are having difficulty in determining just what underlies the options held in the area. The drilling programme has been stepped up, but at this stage it seems that decisions on the area will not be taken this year even though significant gold and uranium values have been obtained.

Meantime, drilling has been resumed on ground south of Western Areas, though the reefs of particular interest are deep and may have to be mined as an extension to that mine. In the longer term, uranium developments could be on the cards north of Klerksdorp. The area being drilled there is large, so complete evaluation could take several years.

Linking these drilling programmes with others in SA, SWA, Australia and Brazil, there is little possibility of a slowing in prospecting costs. Even so, that is hardly going to be a drag on distributions if gold simply maintains its current level.

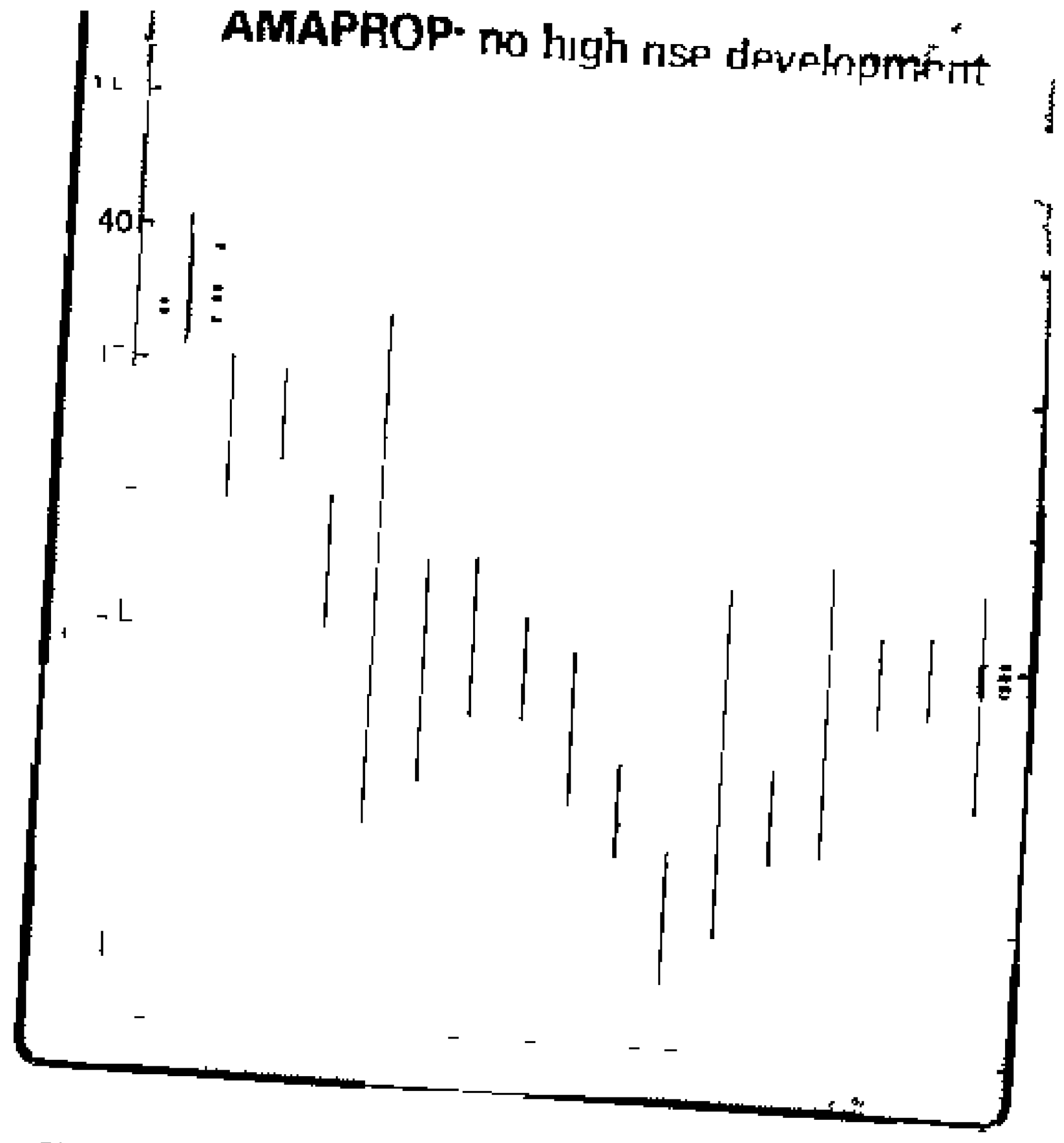
During the last period the only non-comparable feature of dividend income was receipt of a third dividend from GFSA worth R1,2m With gold mine working costs stabilising, several higher-grade mines reaching the end of their recent capex programmes and gold currently almost $60 higher than 1978's $193,30 average, there seems plenty of scope for Amgold's dividend income to at least test the R90m level this year

Taking a medium-term view of the company's likely capital and debt repayment commitments, there could be some incentive to increase retentions But especially if gold continues its advance for the rest of the year, there is plenty of scope for a dividend increase to at least 320c this year for a prospective 8,4% yield

Over the next few years dividends from high grade mines will peak However any dividend declines from this source should be offset by receipts from investments which have yet to reach the dividend paying stage.

On a prospective yield basis and current 13% discount to nav the share is attractive. Investors looking for $300 gold by the year end are advised not to defer purchases

Jim Jones



AMAPROP

Widening deficit

232

FM 6/79

Activities: *Property holding and development company holding a 30% interest in Carlton Centre. Controlled by Anglo American.*

Chairman: *G H Waddell*

Capital structure: *20,8m ordinaries of 50c. 10,7m deferred ordinaries of 50c. 31,4m 7% cum convertible redeemable prefs of 50c.*

Market capitalisation: *R4,8m (based on ordinary shares)*

Financial: *Year to March 31 1979. Borrowings: long and medium term, R48,3m; net short term, R43 000. Debt.equity ratio. 209% Current ratio 0,9. Group cash outflow· R4,1m Capital commitments: R400 000.*

Share market: *Price. 23c (1978-79: high, 29c; low, 13c, trading volume last quarter, 763 000 shares).*

Chairman Gordon Waddell may discern the beginnings of recovery in the property market, but for it to have any beneficial impact on Amaprop is going to require time — lots of time. And first there are arrear pref dividends totalling R6m to be taken care of.

Over the year, Amaprop's trading loss escalated from R655 000 to R802 000, largely due to no dividend being received from Prospecton Industrial Township outside Durban. In the previous year it received R225 000 from this source.

However, after providing R3,9m against its investments in Chakas Rock and Marina da Gama, the attributable loss rose to R4,8m Not surprisingly, preference dividends were again passed and they continue to accrue at an annual rate of R1,1m.

Waddell reports that developed properties are now well let and that the Cabana Beach Hotel increased its dividend Although he also reports a rise in Carlton Centre's profit, this 30% investment is not consolidated. So there will be no direct benefit until Carlton begins paying dividends. This could be some time off For, while it earned a taxed R2,45m for the year to June 30 1978, this included a surplus of R957 000 from the purchase and cancellation of its own debentures and a non-recurring surplus of R100 000 from the sale of an unlisted investment Also, all surplus cash generated probably will continue to go towards paying off high-interest bridging finance rather than to paying dividends

Although sales are reported to have increased significantly at Marina da Gama, the prices realised were below book cost. Amaprop's assets may be divided into three categories. Developed rent producers; investments in Carlton Centre and Cabana Beach Hotel, and industrial/residential township developments.

On the rental side, 93% of office space, 96% of the shops and 100% of the residential accommodation is let. But rent levels are increasingly only slowly. In Durban, however, they are still falling So little can be expected from this source in the short term Township sales thus remain the only avenue for generating any significant profit increase. But, says Waddell, this continues to be a very depressed market.

On income considerations, the share has no appeal And the only way to unlock the stated nav of 45c a share (after deducting the arrear pref dividends) is by dealing in the portfolio But given current investment returns, this does not appear practicable In Durban, for example, Amaprop earns a mere 3,3% on its Bay House, 5,7% on 320 West Street, and 6,6% on Duroc Centre With the share trading near its high for the year, this is as good a time as any to reinvest elsewhere.

John White

DEBINCOR

232

Solid diversification

Activities: *Industrial finance and investment company held 61% by De Beers. Major investments are 40% of AECI, 5,1% of Highveld, 5,5% of Amic and a 9,2% direct investment in Mondi Paper.*

Chairman: *H F Oppenheimer*

Capital structure: *13,75m ordinaries of R2, 1m 5,5% cum prefs of R2; 15m 12,25% cum prefs of R1. Market capitalisation· R209,7m.*

Financial: *Year to December 31 1978. Borrowings. long and medium term, nil. Net cash· R4,7m. Current ratio. 0,76. Net cash flow: R864 000.*

Share market: *Price· 1 575c (1978-79. high, 1 575c, low, 830c; trading volume last quarter, 27 300 shares). Yields. 5,6% on earnings; 5,2% on dividend Cover· 1,08. PE ratio· 17,7.*

	'75	'76	'77	'78
Return on cap %	7,6	6,4	7,7	6,0
Dividend income (Rm)	8,7	10 1	13,8	14,6
Market value listed securities (Rm)	39,4	40,6	58,4	81 5
Directors valuations of unlisted securities (Rm)	66,0	76,1	79,6	123,3
Earnings (c)	75,4	79,6	81,8	88,9
Dividends (c)	62,5	65,0	75,0	82,5
Net asset value (c)	987	966	1 129	1 621

AECI continues to be the top performer in Debincor's portfolio with a 22% dividend hike to provide R3,62m (73%) of income from listed investments. And although AECI's Coalplex project is taking longer than expected to reach break-even, the investment should remain the largest contributor for some years

Amic's contribution to dividend income was 14% higher than last year at R1,2m

Highveld's contribution amounted to R556 000 (R522 000). Last July's merger between Highveld and Rand Carbide made a 13% contribution to Highveld's earnings Though the company's steel operations are at full capacity, vanadium product demand, although steady, is faced with stiff competition and world-wide excess capacity.

Debincor's indirect interest in Mondi has increased to 2,89% with Amic's acquisition of an additional 5,4m shares to make Mondi its subsidiary. Mondi increased its dividend payout by 10% contributing R388 000 directly to Debincor's dividend income.

The listed portfolio yielded 23,7% on cost and 6% on year-end market value, while the unlisted portfolio yielded 31,3% on cost and 7,4% on directors valuation.

Since the year-end, the value of the listed portfolio has risen R8,6m to R90,4m, giving a current nav of 1 680c.

Debincor gives an attractive alternative means of investment in AECI. A prospective 90c payout this year for a 5,9% yield seems likely

Jean Moon

SUIDERLAND

Wood fired

232

FM 18/5/79

Activities: *Investment and holding company with interests in the timber and fishing industries Holds 33% of Kaap Kunene and 7% of Diroyal Directors hold 28,1% of the equity and Kaap Kunene 30,2%*

Chairman: *P G Neethling*

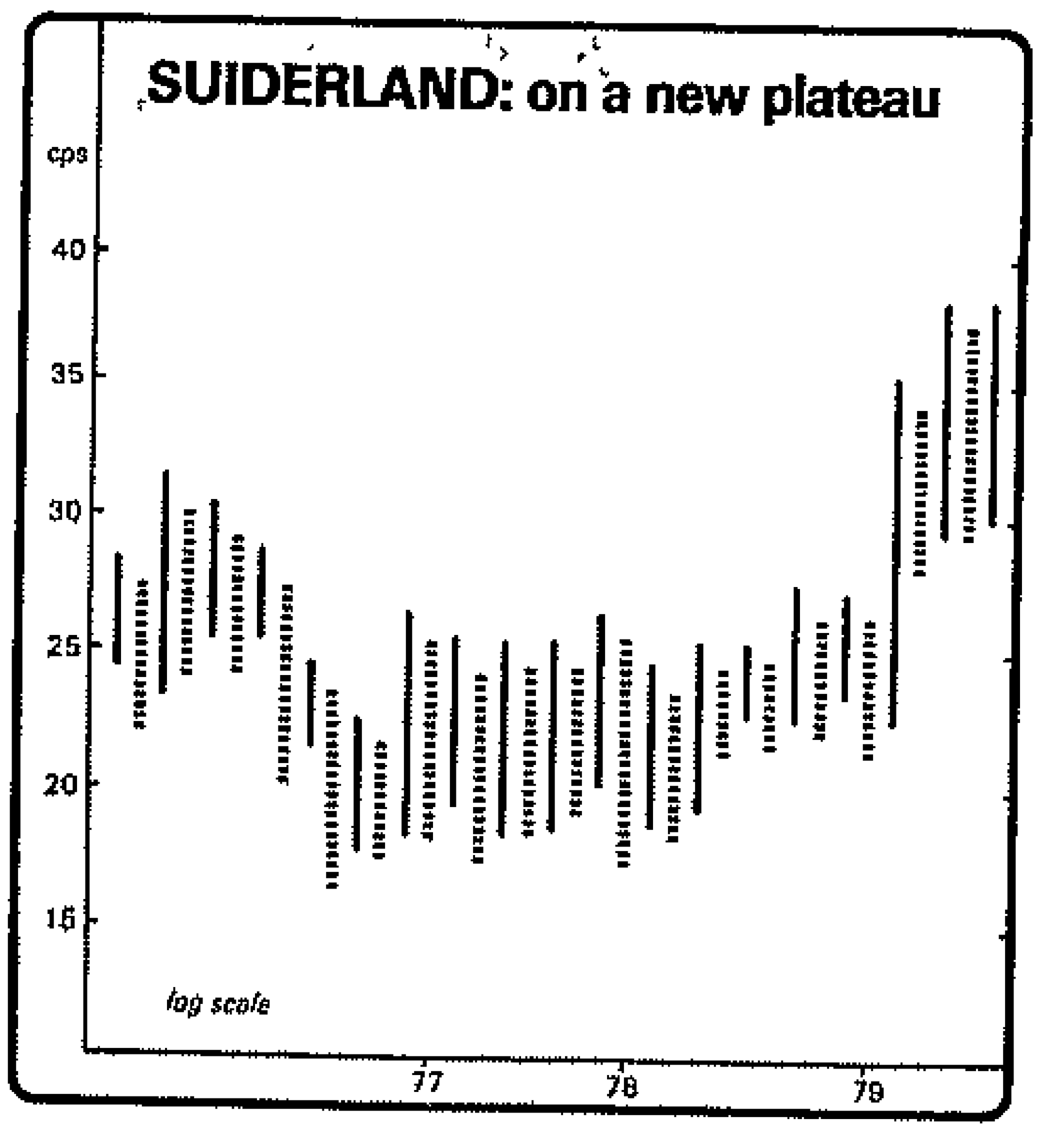
Capital structure: *22,8m ordinaries of 50c Market capitalisation R8,4m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R3m, net short term, R1,7m Debt equity ratio 51,3% Current ratio. 1,2 Net cash flow: R937 000 Capital commitments R357 000*

Share market: *Price· 37c (1978-79 high, 38c; low, 18c, trading volume last quarter, 652 000 shares) Yields. 15,7% on earnings; 8,1% on dividend. Cover. 1,9. PE ratio· 6,4.*

	'75	'76	'77	'78
Return on cap %	16 2	24,9	16 8	14 2
Turnover (Rm)	6,4	8,4	8,9	11 3
Pre-tax profit (Rm)	1 8	2 0	1,7	1 7
Gross margin %	35 5	38 1	23 6	18,6
Earnings (c)	5 6	5 9	5,5	5,8
Dividends (c)	3 0	3 0	3 0	3 0
Net asset value (c)	42	35	36	40

Higher profits are expected this year, and the timber division should again produce the bulk of revenue But technical changes and a shift to SA rather than SWA income sources, augurs well for similar profits from 33%-owned Kaap Kunene There is no hint of whether the dividend will be lifted from its four-year 3c peg



Last year, timber contributed 62,8% (62,7%) of group income Income from fishing investments amounted to 33,4% (35%) of income, although Kaap Kunene weighed in with an unchanged 12,5c total dividend.

The outlook for the timber interests appears bright The directors say there have been positive signs of a revival in the industry since the beginning of the year Last year this division reported taxed profits of R717 000 (R678 000), and "good results" are expected this year To take advantage of the pick-up in the industry Suiderland has modernised its sawmills and has "substantial" production capacity available

Last year, Kaap Kunene did better than expected despite severely reduced SWA pilchard quotas The almost unchanged R3,6m (R3,8m) taxed profit was earned through technical advances which allowed ships to range further from the canning jetties, and more emphasis on the St Helena operation. The Suiderland directors reckon Kaap Kunene should be able to yield satisfactory returns in the future

Farming profits were R31 000 (R28 000) One of the farms in the Tsitsikama area was sold at a profit. The sale should not seriously affect milk production

Last year borrowings increased to R4,7m (R3,6m), financing 27,4% (24,7%) of total assets But this is not particularly onerous as gross profit covers the interest/leasing bill 4,2 times (4,4), although a significant profit fall could place dividends in jeopardy. Liquidity was almost unchanged with the current ratio at 1,2 (1,4) and the acid ratio unchanged at a low 0,5 Creditors financed increased stocks of R1,3m (R829 000)

Debt repayments this year of

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culture. Therefore, the regression for the
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he sample size. It is possible that the sample
ey do not reflect the real population of dates. Because
an independent evaluation of the two mechanisms of
ersal is necessary.

The data used in the present study were derived from only one tradition,
flutted and bevelled complex, and therefore the analysis would seem to be
to the validity of a particular culture-historical reconstruction.
le this is true, the rapidity of spread associated with the simulation of the
continuous spread model would seem to indicate that this is the most
ely mechanism of dispersal.

NOWLEDGEMENTS

I would like to thank Professor T.N. Huffman for reading and commenting
the numerous drafts of the paper. Miss C.S. Harcourt helped edit the
uscript and Mrs J. Howard-Tripp typed the final drafts.
I would like to express my special thanks to Dr D.S. Wilson who
roduced me to evolutionary ecology and helped to debug the programmes.

tm 18/5/79

232

SOREC

Stable at last

Activities: *Property investment company holding city centre shops and offices, suburban shopping centres and residential apartments. A subsidiary of African Eagle Life Assurance Society. In total, Anglo American owns 66% of the equity.*

Chairman: *D G Nicholson*

Capital structure: *25m ordinaries of R1; 559 000 ordinary deferred 'D' shares of R1.*

Market capitalisation: *R21,3m.*

Financial: *Year to March 31 1979. Borrowings: long and medium term, R60,6m; net short term, R2,0m. Debt.equity ratio: 80,3% Current ratio: 0,4 Net cash flow· R1,4m. Capital commitments: R552 000*

Share market: *Price· 85c (1978-79: high, 95c; low, 47c; trading volume last quarter, 759 000 shares). Yields: 4,8% on earnings. PE ratio: 20,7.*

	'76	'77*	'78*	'79
Return on cap %	6,0	6,7	6,5	6,4
Turnover (Rm)	9,8	11,3	13 3	14,5
Pre-tax profit (Rm)	3,4	2,7	1,4	1,4
Earnings (c)	9,4	7,2	3,6	4,1
Dividends (c)	7,5	5,2	nil	nil
Net asset value (c)	286	272	278	282

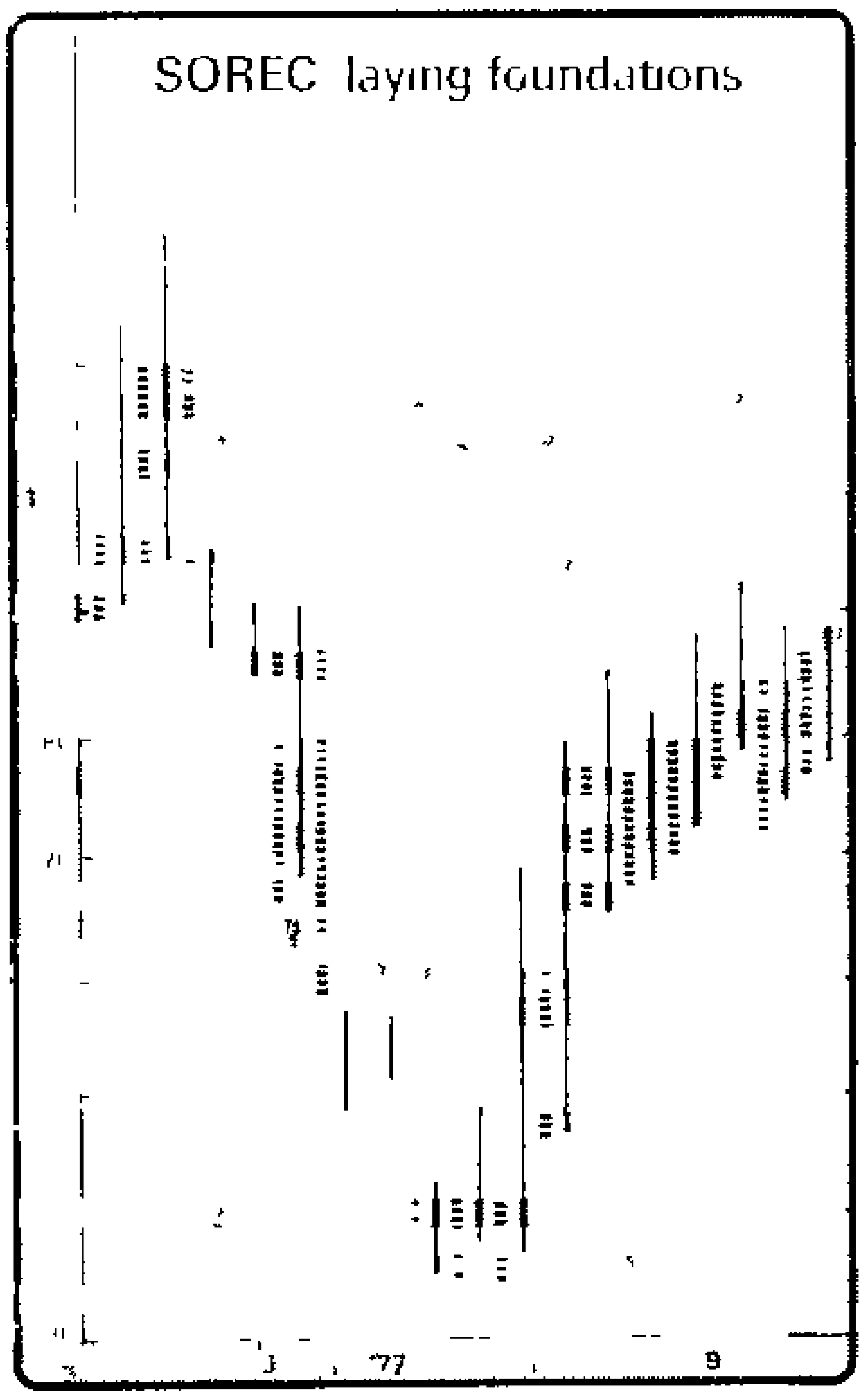
**Annualised*

Due to a broader spread of interests, and very limited exposure to township development, Sorec has weathered the property doldrums far better than its sister Amaprop But, though the market appears to be perking up, it is going to take several years for Sorec to rectify its reverse gearing and repay about R7m in short-term, high-interest loans Only then can it reasonably afford to resume dividend payments

While gross income rose by 8,8% to R14,5m, pre-tax profit remained unchanged at R1,4m A lower tax rate, however, led to taxed profit rising from R853 000 (on an annual basis) to R1m In the end, Sorec managed to post earnings of 4,1c compared with 3,6c in the previous year

The extent of reverse gearing is apparent from the fact that interest paid last year consumed 83,9% of gross profit The group is also earning 6,4% on capital employed while paying Anglo 11% (13,5%) on its short-term loans and an average of 10% on long-term borrowings of R53m

Few will deny the quality of Sorec's portfolio, and the market has firmed sufficiently for it to be substantially let. Shops and residential units are 99% let, while offices are 90% occupied But, says chairman Guy Nicholson, rents are rising slowly and group policy must remain that of containing costs and strengthening the balance sheet.



Sorec's main interest in the township field used to be a 13% stake in Rogoff Rand Now that RR's assets have been appropriated by its bankers, mainly Sanlam and Senbank, arrangements have been made to exchange the interest for Zambesi House, an office and shop complex opposite the Carlton Centre To help spread the cost, African Eagle will take up a 35% interest in the property.

Apart from the taking up of a direct 21% interest by African Eagle in Sorec Properties Sunnyside, which significantly reduced minority interests, no other changes were made to the portfolio Nor are any new developments contemplated until the market has sufficiently recovered

So capex was a relatively minor R552 000 at the year-end in respect of developments completed by companies in which Sorec holds less than 50% and where construction accounts have yet to be finalised But, following the year end, another R1,3m has become payable for Zambesi House

Even allowing for a return to normality in the property market and continuing low interest rates, the share offers no income prospects for several years As such it is better left to the institutions which can afford to take a long view

John White

Perseus en Leo saam

232

Twee van Suid-Afrika se voorste rekenaarorganisasies, Perseus en Leo Computer Bureau, het 'n gesamentlike onderneming vir die bemarking van minirekenaars en pakketstelsels aangepak.

Volgens 'n aankondiging van die twee maatskappye is Leo as Perseus se verspreider van sy Data General C/S-reeks-rekenaars vir klein sakeondernemings aangestel.

Leo en Perseus snoer ook hul kragte saam in 'n gesamentlike ontwikkelingsprogram om 'n rekeningkundige pakket beskikbaar te stel wat op die C/S-reeksstelsels vir klein sakeondernemings gebruik sal word.

Perseus, wat geheel en al 'n Suid-Afrikaanse maatskappy is, is die grootste verspreider van minirekenaars in Suid-Afrika en Leo, 'n lid van die Sage Holdings-groep, is een van die groot vier in die Suid-Afrikaanse burobedryf.

Mapfront 20/5/79

XB

Chairman: *J A Rogan*

Capital structure: *800 000 ordinaries of 50c 50 000 6% cum prefs of R2 Market capitalisation R680 000*

Financial: *Year to December 31 1978 Borrowings long and medium term, R2,6m, net short term, R2,4m Debt equity ratio 117% Current ratio 1,5 Group cash outflow R500 000 Capital commitments R257 000*

Share market: *Price 85c (1978-79 high, 90c, low, 70c, trading volume last quarter, 2 100 shares)*

	'75	'76	'77	'78
Turnover Index*	240	281	329	290
Pre-tax profit (R'000) (loss)	1 081	(192)	(18)	(584)
Earnings (c)	77	nil	nil	nil
Dividends (c)	10	nil	nil	nil
Net asset value (c)	582 8	629 0	584 5	498,8

*Base year 1972

Dugson's accounts have been qualified by auditors Schwartz Fine, who report that provision for possible losses made in the holding company in respect of certain subsidiaries whose financial statements reflect an excess of liabilities over assets, is dependent on the success of future operations Say the auditors "We are unable to express an opinion on the realisation of investments reflected at a cost of R3m (1977 R3,1m) which are subject to Rhodesian foreign exchange control "

The most disturbing factors in the balance sheet are the near doubling of stock holdings to R2,2m, accompanied by a 63% rise in bank overdrafts to R1,4m and a 31% rise in long-term loans to R2,6m At the year-end, Dugson was illiquid, with net current assets of R2m falling below the stock figure

However, MD Ivan Levy is optimistic that stability has been achieved following three years of losses The rationalisation programme has reduced the number of factories from five to two, and it was the transfer of the children's wear division to Isithebe in Kwa-Zulu that caused the big build-up of stock This in turn required the hike in borrowings

The move, scheduled for May, was delayed until September and this completely crippled production Substantial orders were cancelled, leaving Dugson with excess stock But Levy assures shareholders that these stocks include schoolwear which does not date

As for property assets, last valued in 1973, Levy feels the balance sheet figure of R1,4m is fair The remaining Kimberley property was sold during the year for R479 000 and the proceeds utilised since the year-end to discharge the first mortgage. Suitable arrangements have also been made for the settlement of the balance due to the lender Dugson has received an offer of R500 000 for one of its Durban properties, which is book value, and the remaining Johannesburg property is currently well let

Despite cash flow problems, Dugson acquired an additional 22 800 Durity Clothing 'B' shares in March 1978, and a similar amount in March 1979 for a total consideration of about R100 000 in two equal annual instalments from March 31 1980

Subsidiary Dugson Clothing acquired the entire issued share capital of Textilinen Manufacturing during the year for R122 000 and subsequently rationalised its management in the group's Durban head office

Since the 1977 bottoming of the clothing industry, clothing shares have advanced over 70% In Dugson's case, the improvement has been limited to 40% Stout-hearted investors may feel that the share is a good speculation as a recovery situation, but even at its current price of 85c it looks overpriced The group has a long way to go before being able to entice investors with a large enough dividend to make the risk worth while

Jean Moon

DATES TO REMEMBER

Last day to register for dividends

Friday June 11 Afcol 7c, Afrox 9c, Amal Medical 5,5c, Argus 75c & *20c, Dermacult 5,5c, HWL 12c, Lion Match 11c & *5c, Metro Cash 56c, Nampak 18c, Pioneer Hlds 7,5c, Romatex 16c, SA Brew 9c, Toyota 13c

Meetings

Monday May 28 Amaprop, Saan, Sage, Sorec

Tuesday May 29 De Beers Cons (Kimberley), De Beers Ind (Kimberley), President Catering (S)

Wednesday May 30 Adcock Ingram, Frencorp, Gefco, Lemor (S), Lion Match (Durban), Rho Corp (London)

Thursday May 31 East Rand Cons (London)

***=Non-recurring bonus dividend**
S=Special meeting
All meetings are in Johannesburg unless otherwise stated

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambie besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriele firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie)

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

ALTECH (155) (232) FM 25/5/79

Flush with success

Activities: *Electronics and electrical manufacturer formed in 1977 through the merger of STC (SA), Allied Electric and MSN Products Owns 75% of Powertech Directors own 51 3% of the equity and STC 36%*

Chairman *L Wildman, chief executive W P Venter*

Capital structure *8,7m ordinaries of R1 3 4m 11% cum red prefs of R1 Market capitalisation, R60m*

Financial. *Year to February 28 1979 Borrowings long and medium term, R1,5m Net cash R11,8m Debt equity ratio 6,3% Current ratio 1 6 Net cash flow R4,6m Capital commitments R706 000*

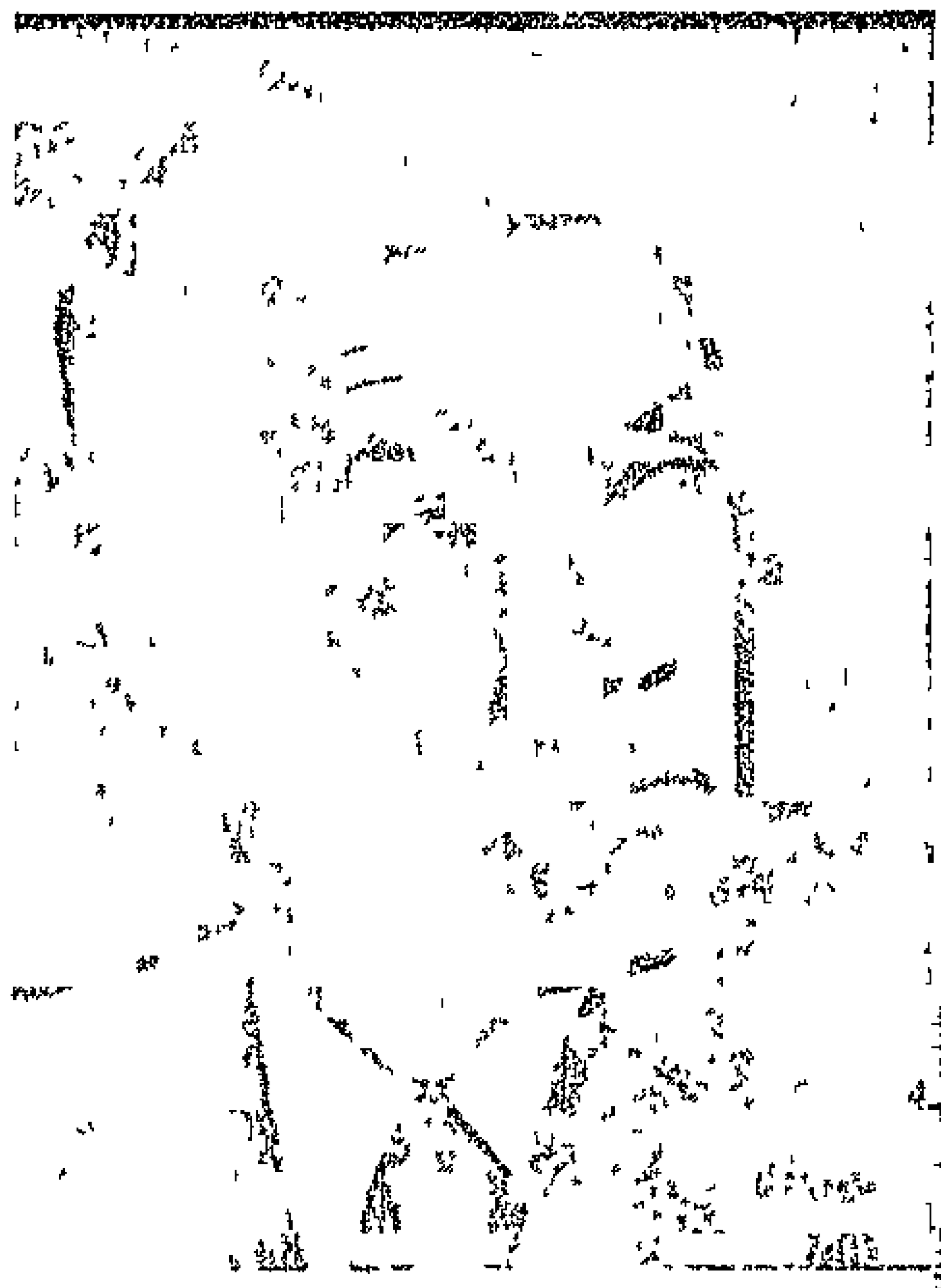
Share market *690c (1978-79, high 700c, low, 275c, trading volume last quarter 187 000 shares) Yields 10,0% on earnings, 4,1% on dividend Cover 2,5 PE ratio 10,0*

	77	'78	79
Return on cap %	30 9	34 7	41 8
Turnover (Rm)	3 1	53 8	58 0
Pre tax profit (Rm)	0 6	7 4	10 6
Gross margin %	21 3	14 5	18 8
Earnings (c)	20 9	50 8	68 7
Dividends (c)	8	20	28
Net asset value (c)	114	192	224

With no further acquisitions, Altech spent 1978 rationalising and consolidating its operations, says chief executive Bill Venter The result was that the group ended the year highly liquid with cash balances making a total of R11,8m and representing 25,3% of total assets

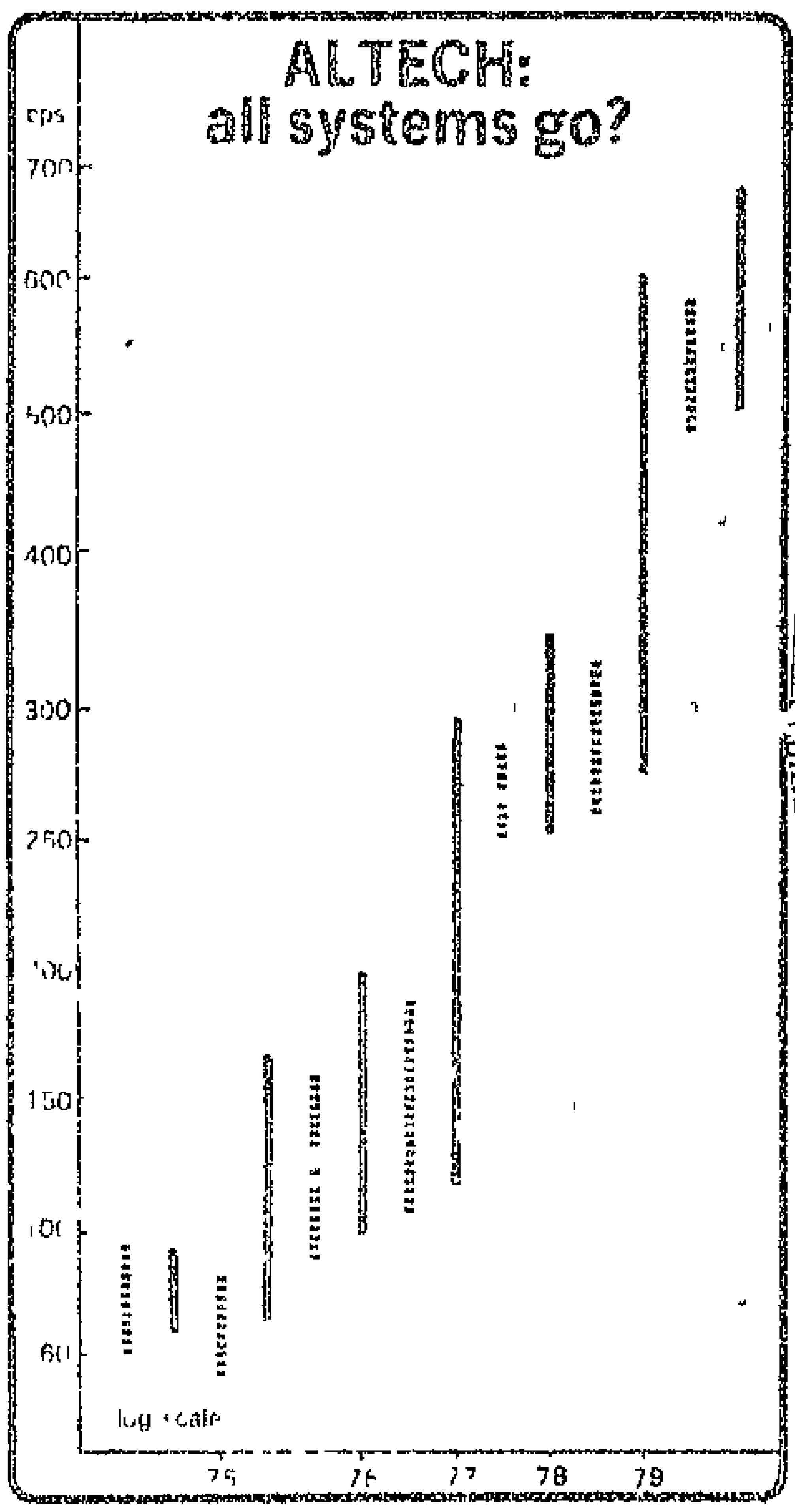
A 43,2% hike in pre-tax profit allowed Altech to approach its longer-term objectives, which are spelt out in the annual report Borrowings, which totalled R1,5m at end-February, amounted to only 5,9% of fixed capital against a self-imposed ceiling of 50% The gross return on capital employed was 43,4%, beating a budget of 40% The only ratios which failed to match house targets were the current ratio, which slipped from 1,8 to 1,6, and the taxed return on fixed capital, which was 28,4% compared with the 30% objective However, the 28c dividend was 40% of earnings and was in line with group policy

Chairman Lou Wildman says the electronics industry should be one of the fastest growing sectors of the economy over the next five years as local content of manufactured components is stepped up And, with the Post Office moving onto electronic switching, there should be plenty of scope for increased turnover this year Overall Wildman expects the industry to at least maintain its growth rate in 1979



Altech's Venter going shopping soon?

Venter says Altech has been successful in broadening its customer base, and the effect was to boost year-end orders from R41m to R63m, which augurs well for profits this year



Growth this year will probably also be aided by acquisitions The group has sufficient cash on hand and borrowing facilities of R4,9m, besides its own paper, to go on a shopping spree The scope to increase borrowings is reflected in the low 6,5% debt·equity ratio

The market has ascribed a blue-chip rating to Altech Since March the share has risen 130c to the present 690c ex-dividend price, where it yields 4,1 There is quite some evidence of increasing institutional interest in the share, which, although expensive should in the longer term, prove rewarding

Des Kilalea

(227)

FM 25/5/79

LION MATCH

Seeking a match

Although matches continue to provide the major share of profits, Lion Match has now diversified to the point where it can give you a close shave in the morning before pruning the roses (Wilkinson Sword) After that, you can don your Camargue sunglasses, light up a Henri Wintermans with your disposable Firefly lighter, and go shopping for some Pronutro (Interpak and Interprint)

As a result of these successful diversifications, cash flow has been building up for several years to the point where the group now considers itself sufficiently liquid not only to increase the total dividend but to also distribute a 5c bonus while still retaining R1,4m (R786 000)

While turnover rose by 10,4% in the year to March 31 1979, taxed profit rose by 14,7% to R3,5m With earnings 14% higher at 39,8c a final dividend of 11c (9,5c) has been declared Together with the bonus, the total payout for the year is thus 25c (17,5c)

According to MD Bob Harker, the reason for the 5c bonus is "simply to distribute some excess liquidity" Although he would not quantify net cash resources, they stood at some R2m at the end of 1978 — and could now be as high as R5m.

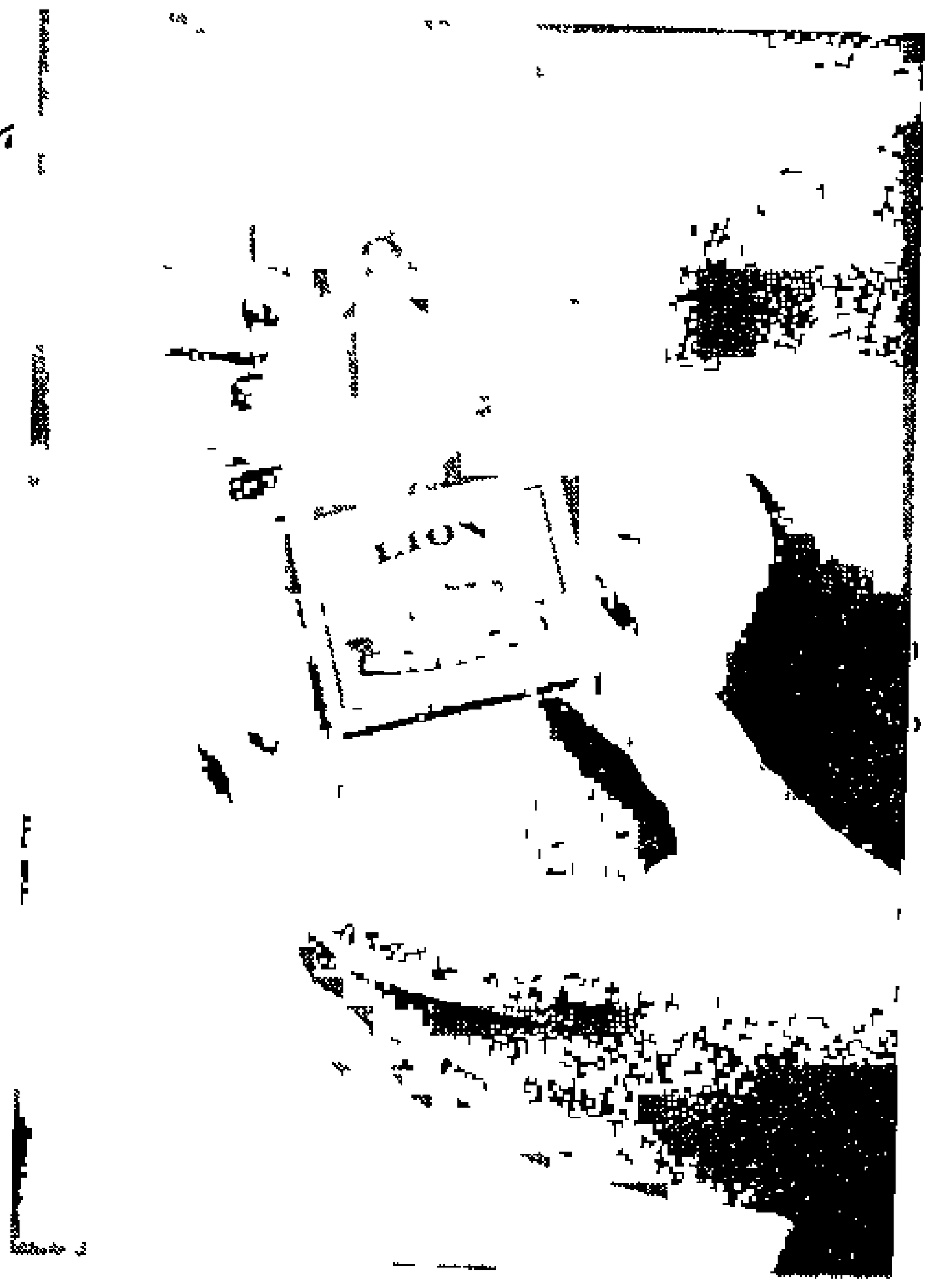
Another Otis?

This action, coming as it does after the acquisition last year of 44% of parent Wilkinson Match (UK) by US speciality steel maker Allegheny Ludlum, has prompted market talk that Lion could turn out to be another Otis "I thought this might happen," says Harker "But the bonus is definitely non-recurring and we, optimistically, hope to soak up excess liquidity through a major acquisition this year"

With a debt equity ratio of probably less than 2%, there is obviously room to manoeuvre in expanding into major consumer or semi-durable products Not that Lion has not been hungry It has been on the prowl for two years now, and has only been unsuccessful for two reasons

Harker says it has taken lots of time searching for a good outfit that is really for sale In addition, in order to not dilute returns, Lion has had to go after prey with at least a 21% return on capital employed Obviously, these targets are few and far between

As for the new venture in sunglasses, Harker says that the Camargue range is proving successful "In the first season we aimed for a 10% market share in terms of sales That we achieved 9,8% is very satisfying."



Lion . . . striking out soon?

The marketing division, Wilkinson Lion, obviously knows its consumer products and is probably dying to get hold of some more lines And with the group facilities available it should not be impossible to eventually burn the match contribution down to 50% or less

Given the prospect of further diversification this year, the yield of 6,5% (excluding the bonus) does not look too high — even if some of the attraction has been a belief that Lion would become another overseas dividend tap

John White

4

c) Ander lede

Mnr K. Bosman
Professor A. Cupido
Mnr N. Daniels
Mnr Achmat Davids
Professor R.J Davies
Professor J J Degenaar
Mnr René de Villiers
Dr I D du Plessis

Mnr H.W Middelmann
Eerw. M T.L. Moletsane
Professor A.D. Muller
Sheik A Najaar
Mnr Victor Norton
Professor N.J J Olivier
Mnr L. Phillips
Professor H.P. Pollak

13

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...gadering van die Religious ...rheim (April).

...siologie, Uppsala, Swede ...erkgroep 6 en vergaderings die Internasionale Sosio- ...amptelike afgevaardigde

c) Ander lede:

Mnr K. Bosman	Mnr H.W. Middelmann
Professor A. Cupido	Eerw. M.T.L. Moletsane
Mnr ... Daniels	Professor A.D. Muller

POWERTECH

FM 25/5/79

232

Great expectations

Activities: *A 75%-owned subsidiary of Altech, Powertech was listed in December 1978 and has emerged in its present form from what was formerly Southern Cross Holdings. It has two wholly-owned subsidiaries, EPC and Industralec, which manufacture electrical relays, protection equipment, transformers and battery chargers*

Chairman: *K T Gilson.*

Capital structure: *21,3m ordinaries of no par value. Market capitalisation R15,3m.*

Financial: *Eight months to February 28 1979 Borrowings long and medium term, nil. Net cash R1,3m Current ratio 4,1 Group cash flow R48 000 Capital commitments R29 000*

Share market: *Price 72c (1978-79 high, 100c, low, 45c, trading volume last quarter, 648 000 shares) Yields 2,2% on earnings, PE ratio 45,0.*

	'79
Return on cap %	3,9*
Turnover (R'000)	736
Pre-tax profit (R'000)	69
Gross margin %	10,7
Earnings (c)	1,6*
Dividends (c)	—
Net asset value (c)	13,6

* Annualised

Two acquisitions, a fully subscribed rights issue and orders amounting to R1,1m are Powertech's accomplishments since its listing in December 1978. And with cash amounting to R1,3m and facilities for a further R1m available, Powertech continues to be on the lookout for further acquisition. In December 1978 Electrical Protection Company (EPC) was acquired and Industralec in January this year.

[illegible]

719

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TIGER OATS (232) FM 1/6/79

Reaping the rewards

Activities: *Diversified food group Controls Oceana group of fishing companies and the Adcock-Ingram pharmaceutical group Other important investments include 66% of Lamberts Bay, 31% of Sea Products (SWA), 14% of Imperial Cold Storage, 30% of Metro Cash, and 30% of J Bibby*

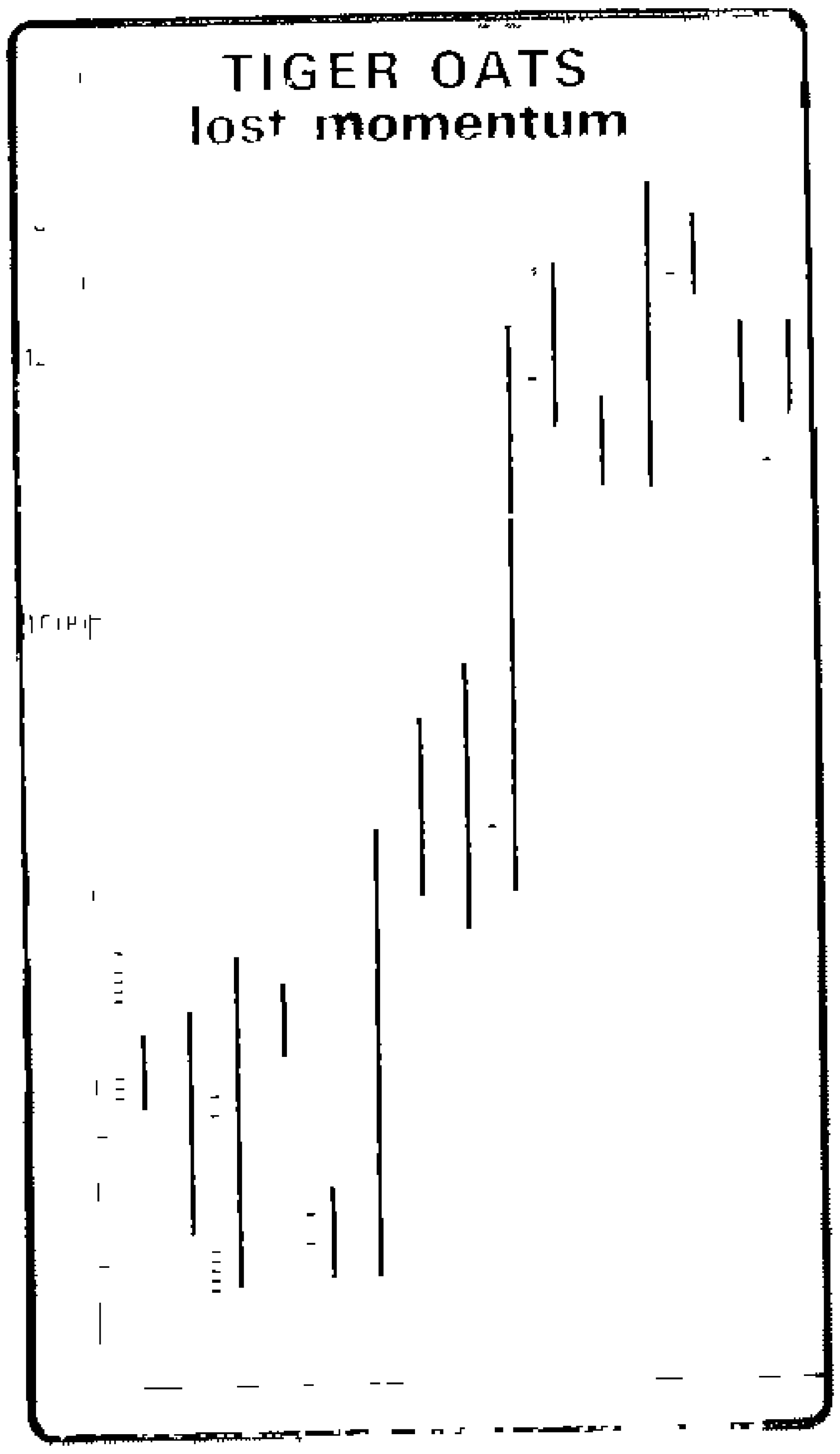
Capital structure: *11,2m ordinaries of R1, 1,85m automatically convertible prefs of R1, 11,3m 12,5% redeemable cum prefs of 10c, 555 000 cum prefs of R2, and 660 000 variable rate red prefs of 10c Market capitalisation R156,6m (including automatically convertibles)*

Financial: *Year to December 31 1978 Borrowings long and medium term, R50m, net short term, R68,1m Debt equity ratio 52,1% Current ratio 1,2 Group cash flow R51,1m Capital commitments R9m*

Chairman: *R L Frankel*

Share market: *Price 1 200c (1978-79 high, 1 325c, low, 835c, trading volume last quarter, 133 000 shares) Yields 19,1% on earnings, 4,8% on dividend Cover 3,9 PE ratio 5,2*

	'75	'76	'77	'78
Return on cap %	16,8	18,0	16,6	15,7
Turnover (Rm)	334	412	551	770
Gross profit (Rm)	31,4	40,7	50,0	58,2
Gross margin %	9,4	9,9	9,1	7,6
Earnings (c)	140	170	202	229,7
Dividends (c)	41	46	52	58
Net asset value (c)	943	1 086	1 291	1 612



While Tiger Oats's turnover rose last year by 39,7% to R770m, R84m of this represented sales of newly acquired subsidiaries Therefore, organic growth increased turnover by 25% to R686m when compared with the previous year's R551m Although inflation had a significant effect on the monetary value of sales, there was a satisfying increase in volumes under highly competitive conditions

Trading margins, however, came under considerably pressure last year Taxed profit fell from 4,3% of sales to 3,7%, and the gross margin was pared from 9,1% to 7,6% Nevertheless, attributable income rose by 12,3% to R25,1m (R23,4m) and the dividend increased by 11,5% to 58c

While for the time being Tiger says that it has come to the end of its major capex programme, several projects are still in hand, such as the re-modelling of the maize mills at Delmas and Welkom, and additions to the group's bulk handling complex in Durban But with the commissioning of the animal feeds plant at Paarl, Tiger's objective of having modern animal feed mills in all strategic points has been accomplished

As such, only R9m has been earmarked for capex in the current year against R15m previously, and the group should now begin to reap the rewards of years of investment in plant

While the bulk of group taxed profit is still derived from maize and wheat milling, this sector's contribution declined from R8m and R7m and accounted for 24,8% of group income Following the incorporation for the first time of the Adcock-Ingram group, pharmaceuticals now contribute 8,2% or R2,3m to company coffers The fastest growing section, however, remains that of genreal trading and distribution Last year its contribution increased from R3,1m to R4,4m and accounted for 15,4% of the total

Contrary to many expectations, fishing profits rose from R2,5m to R3,7m Tiger's fishing interests are held through the Oceana group, which had no problems landing early its unchanged South African quotas of pelagic fish and lobster In the case of Lamberts Bay, earnings amounted to 70c (1977 54c) as a result of higher production volumes, higher yields, and better prices realised for fishmeal and oil.

The SWA season, on the other hand, was disappointing But for the late, and completely unexpected, appearance of large anchovy shoals, with a particularly good oil content, the industry would possibly not have caught its reduced quotas of raw fish

This year, income from the SWA fishery is again expected to decline, even though there are promising prospects for improved lobster catches As far as the SA fishery is concerned, Tiger chairman Rudi Frankel reports that inshore fishing is again proving successful and that the lobster season has been good

As for the agri-business, Frankel says that broiler chickens and eggs have failed to show any meaningful signs of revival Although he is confident that both will respond to improved economic conditions, he points out that poor winter and summer crops have led to a substantial increase in the price of maize In addition, the latest escalation in the prices of oilseeds and fishmeal have further increased the costs of animal feeds, which in turn has caused higher prices for all dairy products, broilers, and eggs — and eventually meat will follow suit All of which adds up to lower income groups having to spend a greater proportion of their salaries on essential foods And to Tiger battling to improve volumes

On the acquisition front, 30% of WG Brown Investments was acquired, which in turn took over the grocery wholesaling division previously operated by Stein Bros. Just under 10% of Frasers was also acquired, which gives Tiger a foothold in a

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d) Twee Ere-Fellows:
Professor J.L. Boshoff
Dr Sheila T. van der Horst

Lede word na die Algemene Jaarvergadering van die Maat-skappy uitgenooi en kies elke drie jaar 'n verteenwoord op die Beheerraad. 'n Verkiesing is in 1978 gehou en c huidige ampsdraer is Biskop A.W. Habelgaarn. Terwyl g verpligtinge aan lede opgelê word nie, word hulle gera pleeg in verband met sake wat die Sentrum se program r

NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is 'n paar jaar gelede aangepak. 'n Onder soek onder die kleurling bevolking van die Kaapse Skier eiland is onderneem. 'n Aantal tydelike navorsings-

dend for a 10,4% prospective yield could be in the offing but the shares are not readily obtainable

UNITS/LAMBERTS BAY

FM 1/6/79

Plain sailing

232

Activities: *Investment holding company with subsidiaries in the SA and SWA inshore fishing industry. Activities include catching pelagic fish and lobsters and producing fishmeal, fish oil and canned pilchards Tiger Oats owns 96,5% of Units Units, in turn, owns 67,3% of Lamberts Bay Holdings, which holds 44% of Seaswa*

Chairman. *R L Frankel*

Capital structure: *4,8m ordinaries of 50c, 4,8m "A" ordinaries of 50c, and 400,000 6% cum part prefs of R2 Market capitalisation R13,0m*

Financial: *Year to December 31 1978 Borrowings long and medium term, R553 000, net cash R13,4m Debt-equity ratio 12,1% Current ratio 2,0 Group cash flow R8,6m Capital commitments R616 000*

Share market: *Price. 135c (1978-79; high, 145c; low, 93c; trading volume last quarter, 14 000 shares). Yields 29,5% on earnings, 9,6% on dividend Cover: 3,1 PE ratio 3,4*

	'75	'76	'77	'78
Return on cap %	28,2	30,2	21,9	30,2
Turnover (Rm)	32,1	45,2	50,2	55,0
Pre-tax profit (Rm)	7,0	9,1	9,1	10,5
Gross margin %	21,8	20,1	20,3	19,6
Earnings (c)	26,7	38,2	34,3	39,9
Dividends (c)	10	12	12	13
Net asset value (c)	124	143	176	211

With nearly all of Unit's income being derived from Lamberts Bay, and in view of its limited marketability, having only 336 000 ords and "A" ords in outside hands, a look at Lamberts Bay's accounts is more fruitful.

Higher landings of pelagic fish and increased fishmeal prices, together with higer fish oil yields, resulted in an 18,7% increase in pre-tax profit. Earnings were hoisted 22,6% due to a decreased 32,4% (40,3%) tax rate This enabled Lamberts Bay to increase its dividend to 27c (25c) Last year's results were further helped by the excellent performance of subsidiaries in the Blue Continent group, which provides onshore services, such as marketing and refrigeration, for the rest of the group

Lamberts Bay did not feel the decline in subsidiary Seaswa's profit as equity accounting has been adopted So only the unchanged R809 000 dividend was brought to account Any further profit decline is not expected to reduce dividends from this source

But Lamberts Bay's earnings growth could be hampered by cost escalation. For instance, since the beginning of the year, fuel costs have risen 60% However, with quotas unchanged and higher fishmeal prices as well as continuing high fish oil yields, increased income could more than offset higher costs

At the end of March the SA fishing industry had landed 260 000 t (202 000 t) of the 380 000 t total quota Lamberts Bay had caught 110 000 t (77 000 t) or 42% (38%) of the total landings and therefore has only to catch 39 000 t to fill its quota

The company has nearly filled its lobster packing quota, with 151 000 (175 000) packs completed Unfortunately, the lobster quotas were cut by 14% this year, so a drop in revenue from this source is likely

Overall, chairman Rudi Frankel forecasts satisfactory results, pointing to an increase in profits The company's R12,9m net cash and R2,4m investments had a steadying effect and continue to underpin the share price. Currently, net cash is worth 134c a share, and investments 24c

With that sort of security, the 8,7% yield is justified despite the relatively high risk This year a 29c dividend is possible — putting the share at 310c on a 9,4% prospective yield Units, at 135c, is on an historic yield of 9,6% A 14c divi-

BREAKFAST FOODS

Popping

As you listen to your breakfast cereal snapping and crackling tomorrow, spare a thought for leading producers Food Corporation, and Kellogg battling for domination of the R20m a year ready-to-eat breakfast food market.

In nutrition-enriched foods Food Corp's Pronutro developed about 17 years ago as a dietary supplement aimed at combatting malnutrition and kwashiorker, it

king. The product didn't take off amongst blacks at whom it was directed but when promoted among whites it succeeded to the extent that it now commands 33% of the ready to eat market.

Kelloggs hit back recently with its high protein Top Form cereal — offering a grape fruit and cup of coffee more than the traditional Pronutro equivalent of a bowl of porridge, milk, egg, rasher of bacon, and slice of toast with butter.

Food Corp GM marketing director Ray Wood says his company got wind of the product before it was launched and was able to pre-empt it with Pronutro Great Start. "Things aren't going too well for Top Form," claims Wood. "Great Start has about 4.7% market share compared to Top Form's 2.3% while it made inroads on Kellogg's Special K slimmers cereal."

He points out that Kellogg is using "a promotional angle remarkably similar to ours." Top Form also plugs the sporting angle — endorsing jogging for fitness, but according to Kellogg marketing manager Jim Linsell this is to emphasise nutritional values and fits in with Health Year.

The up hot of this was that Food Corp took Top Form to the Advertising Standards Authority (ASA) on the grounds that it claimed unsubstantiated food value although Linsell insists that the wording (on Kellogg's favour) specified the advertising was not unfair. Kellogg was allowed by the ASA to use the pictoral display.

At the same hearing Kellogg scored another minor victory by forcing the withdrawal of a leaflet which promoted the Pronutro sporting Greats competition on the grounds of disparaging wording.

Says Wood: "It was a rather hollow victory because the promotion had run its course anyway."

This is all part of what Wood calls continued sniping. "Top Form has had to be relaunched after a year in which research shows advertising costs exceeded sales," he asserts. Linsell rebuffs this, counter-claiming that it is part of Kellogg's philosophy to revamp packs regularly. "Wood hasn't seen our sales figures either," he adds.

Breakfast foods fall into two main categories: ready-to-eats and hot porridges. Ready-to-eats comprise cornflakes, popped rice, nutritionally enriched foods like Pronutro, instant porridges and the like.

Excluding mealie meal, oats dominates hot porridges but there are also sorghum porridges like Maltabella.

Kellogg leads in other instant breakfast foods. Since it acquired the Post franchise about two years ago it has held about 40% of the ready to eat market. The other major seller is Bokomo's Weetbix with a 14% share. GM Philip Barnard plans to double production capacity to meet soaring demand.

Hot oat porridges are a different market worth about R8m annually with Tiger Oats' brands enjoying the lion's share. Between them they have about 70%, with brands like Quaker and Pioneer sharing about 20% and house brands 10%. Tiger Oats' Bob Lewis says: "Things have been pretty static with ready-to-eats preventing expansion." He adds that because SA is a dedicated oats eating nation, Tiger Oats' brands have managed to hold their own. "After all, cost per serving shows that it offers substantial value. We're moving away from the family cook-up scene at breakfast with individuals doing their own thing."

But research shows that 80% of white SA households have oats in the larder (66% have Jungle Oats) compared to 10% in the US.

The imponderable for the industry is how to break the back of the vast market in black households where 41% eat mealie meal for breakfast and 17% eat other porridges. It is only a matter of time before the battle royal to be king of the breakfast table moves into the black townships.

FM11/6/79

232

KANHYM

No funding problems

General Mining's R3,5m acquisition of a 12,2% stake (700 000 shares) in beef and coal producer Kanhym Investments will not hasten the start of the Kanhym/BP 4,5 Mt a year coal export project But the deal, "a big boost for Kanhym," does mean that its share in funding the estimated R140m project will not be a problem, says executive director Julius Kahn

In fact, the deal gives a 52,5% stake in Kanhym to the triumvirate of General Mining, Union Corporation, and Trans-Natal Technically, however, it is not a controlling interest as Trans-Natal is a General Mining associate, not a subsidiary

Founding directors Jack and Julius Kahn, and Harold Kramer now have 14,1% of the company (as opposed to nearly 40% two years back), but their stake will rise to 16,6% as a result of the Bothashoek deal The surface rights here, previously leased to the company by the founders, are to be sold to Kanhym for R900 000 and will be paid for by the issue of 180 000 shares

This issue, to be put to the annual meeting later this year, will reduce the General Mining/Unicorp stake to 38,3% and Trans-Natal's to 12,8% There will be no change in Kanhym's senior management, says Julius Kahn, but General Mining has in fact been invited to appoint two nominees to the Kanhym board The chosen two are coal mining experts, Steve Ellis and Robin Clark The Ellis appointment kills two birds with one stone — he is also a Trans-Natal director

Work on the project should start some time in 1981, with profit benefits not likely until 1982-83 But Kahn does expect coal mining to show at least a small increase in its profit contribution (14% in 1978) before then

Taxed earnings for the year to September 30 are likely to be "at least" the projected 54c a share, the directors say in the interim report In the six months to March 31, pre-tax profit was 72,6% up at R2.5m, but, after a higher provision for tax, attributable earnings were 52,6% higher at 29c

The improvement was due entirely to the meat and coal divisions as drought affected the maize and potato crops, and losses were suffered The estimated loss for the full year has been written off in the first half, however, says Kahn The first half historically produces 45% of profits — so with the crop loss already absorbed, Kanhym could earn 65c for the year

This expectation would explain, in the light of the recently formulated liquidity build-up policy, the 9c (6c) dividend The interim dividend is covered 2,1 times, which is generous if sizeable capex funds are to be drawn from lesser earnings

The share, at 530c, yields 3% with a projected PE (on my figures) of 8,2 That might not be discounting what happens later, but it is discounting the early benefits of the BP coal venture — and a possible merging of Kanhym's coal reserves with those of adjacent Trans-Natal.

Ian Muil

Mnr H.W. Middelmann
Eerw. M.T.L. Moletsane
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...naar
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RETCO TM 8/6/79 (232)

Cautious approach

Activities: *Property investor and developer, 32% owned by SA Breweries. Offices generate 40% of group rental income, 40% comes from shops, and 15% from residential accommodation. Longtill and Trescon are 40%-owned construction associates.*

Chairman *R J Goss, managing director J G Ward*

Capital structure *65,2m ordinaries of R1. Market capitalisation R26,7m*

Financial: *Year to February 28 1979. Borrowings long and medium term, R50,96m. Net cash R2,6m. Debt equity ratio 71,6%. Current ratio 1,5. Net cash flow R823 000. Capital commitments R287 000*

Share market: *Price 41c (1978-79 high, 48c, low, 30c, trading volume last quarter, 1,7m shares). Yields 8,5% on earnings, 7,3% on dividend. Cover 1,2. PE ratio 11,7*

	'76	'77	'78	'79
Return on cap %	10,7	9,1	6,5	6,6
Rental income (Rm)	19,7	11,0	11,3	11,9
Pre tax profit (Rm)	7,5	7,4	3,8	3,7
Earnings (c)	6,9	6,8	3,5	3,5
Dividends (c)	6,0	6,0	3,0	3,0
Net asset value (c)	107	108	109	109

While many investors are suspicious of the quality of Retco's portfolio because of its high proportion of old buildings in the CBD, it is in fact the group's newer properties which are causing the biggest headaches.

For example, the 11-storey Salmon Grove office development in Durban, with an estimated final cost of about R11m, could take up to 10 years to become profitable. Additional long-term finance for the completion of Salmon Grove has increased the company's total borrowings from R47,5m to R50,9m. Of the building's 11 floors of office space, only four have been let, and out of the 1 700 m² ground floor shopping area very little has been let. Under these circumstances the two floors of parking for 146 cars must be quite lonely.

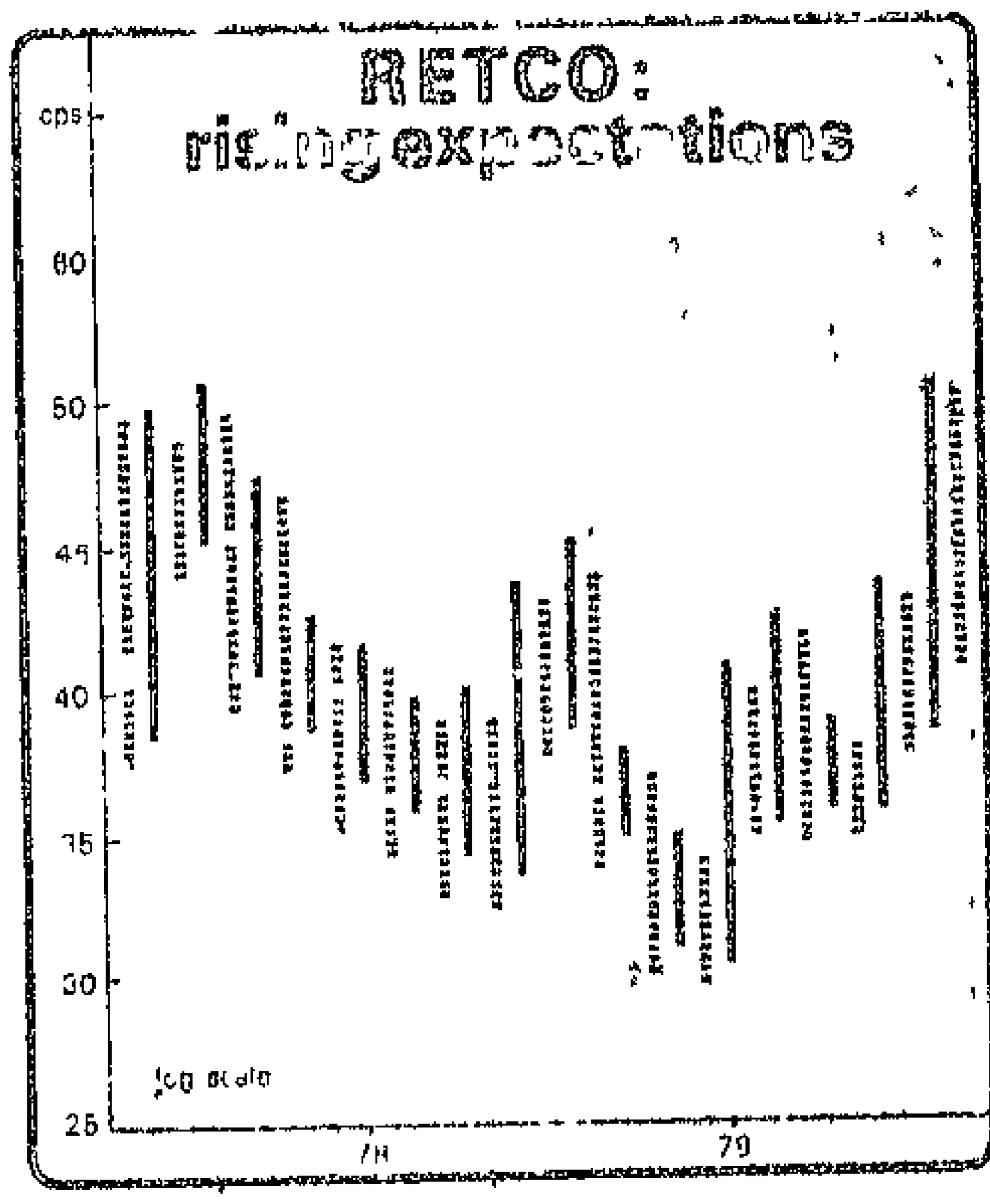
"Hampered by escalating building costs during construction and with completion taking place during a recession, Salmon Grove's letting potential has been severely reduced," says chairman Dick Goss. "Income is considerably below the sum of operating expenses and interest charged on the loan for its development."

Following the Salmon Grove experience, it is highly unlikely that the Arbitrage site directly opposite the new JSE building will be developed in the near term. Although the area urgently needs shopping and eating facilities to cater for the influx of JSE personnel, Retco would rather leave it as a car park for the time being.

Goss points out that while there are signs of the supply and demand for both commercial and residential accommodation slowly reaching equilibrium, the shrinkage of office space is at times being brought about at uneconomic rentals.

It remains company policy only to sell property at "realistic" levels and profit arising from this source rose by R401 000 to R508 000 during the year. The group must rely on its ability to increase income through organic growth in rentals, or otherwise be willing to reduce its portfolio in order to supplement income. As such earnings could well decline once more in the absence of further sales in the current year.

Last year the R508 000 profit realised stemmed from sales of Retco Salisbury and Vannell and the disposal of fixed assets held by Forest Investments and Kempsquare. Of the proceeds R1,3m was



in cash. R1,0m was included in debtors, and R110 000 was secured by a first mortgage bond.

Despite the evidence of improvement in the property market, lease restrictions will delay the benefits flowing through to most property companies.

In the case of Retco 40% of rental income is derived from offices. Most of these leases contain 6% escalation clauses covering the next three years. The same situation applies to stores, which also account for 40% of group income.

While residential property is let mostly on a monthly basis, the sector accounts for only 15% of income.

Trading volume over the past few weeks has reflected renewed investor interest in the property sector, of which Retco is considered one of the better shares. However, even the company feels that it is far too early to get excited about a property boom.

Jean Moon

HLH HOLDINGS FM 15/6/79 (232)

A neglected situation

Activities: *Holding company with interests in timber production for the mining and building industries, construction engineering, production and distribution of steel tubing and profiles, builders' hardware, instrumentation and insurance broking Directors own 61% of the equity*

Chairman: *A I M Hepburn; managing director C B Perry.*

Capital structure. *11,8m ordinaries of R1. Market capitalisation R36,6m*

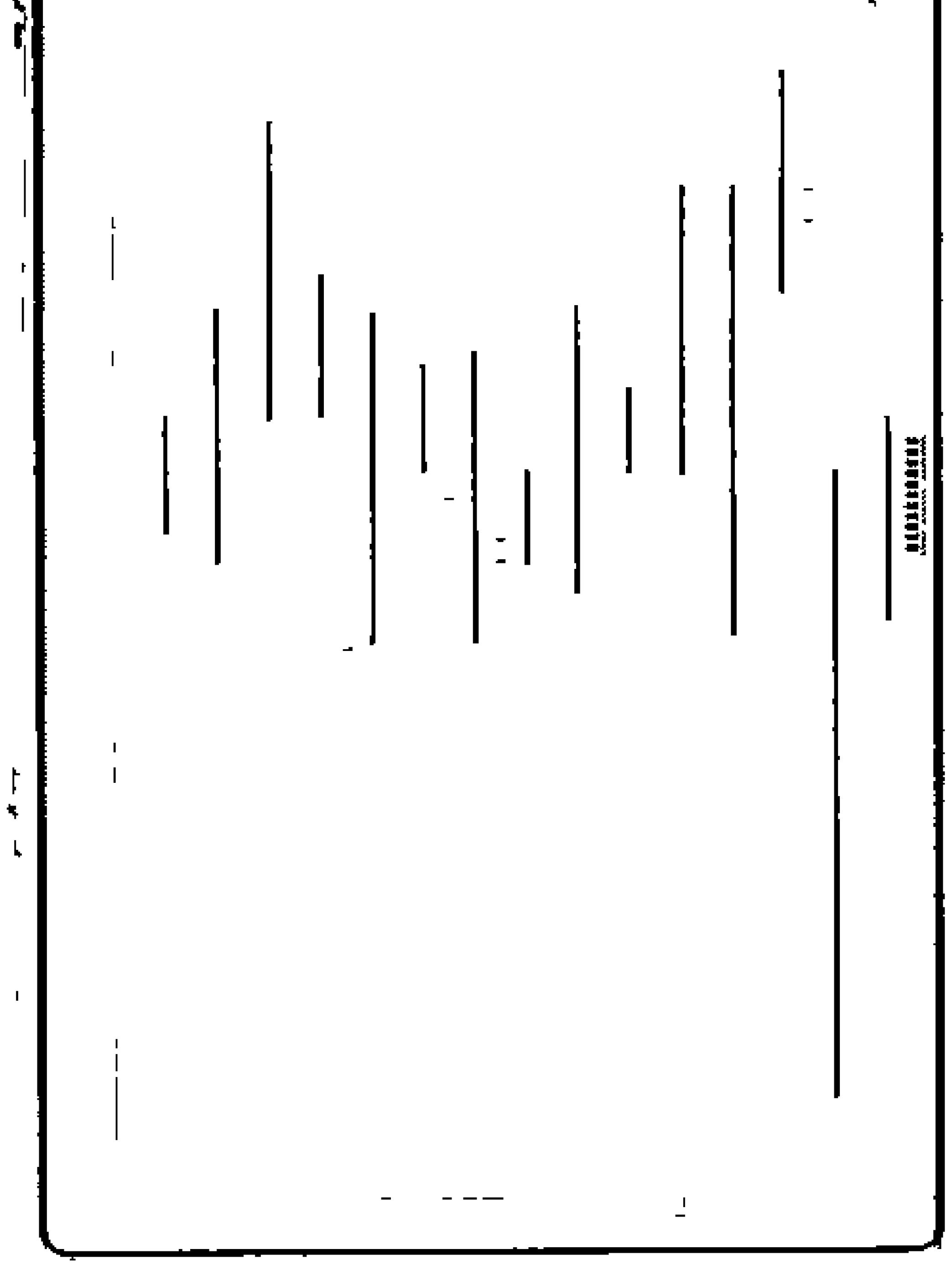
Financial: *Year to February 28 1979 Borrowings long and medium term, R15,5m, net short term, R8,9m Debt equity ratio 53,8% Current ratio 1,7 Net cash flow. R7,5m† Capital commitments R6,0m*

Share market: *Price 310c (1978-79 high, 340c, low, 150c, trading volume last quarter, 486 000 shares) Yields 12,9% on earnings, 6,4% on dividend Cover. 2,0. PE ratio: 7,8.*

OPERATIONAL BREAK DOWN

[illegible]

HLH.
due for a rise



	'78#	'79
Return on cap %	7,1	12,8
Turnover (Rm)	—	134,8*
Pre-tax profit (Rm)	0 4	7 2
Gross margin %	—	7,7*
Earnings (c)	17,9	39 9†
Dividends (c)	15 8	20,3†
Net asset value (c)	240	418

† Annualised

*No comparative figures are available (#) Refers to Randles results for the year to June 30 1978 and takes account of the 2-for-1 share split

HLH has not been the aggressive predator one would have expected. A motivation behind getting a listing was largely to broaden its acquisitive ability. But it has not been for lack of trying. MD Chris Perry tells the *FM* that, apart from mining plant producer R G Nuttall and maintenance plumber Allanson and Sommer, HLH has not been able to find anything which matches its investment criteria. Meantime, it has embarked on the biggest expansion programme for years The steel division has ordered a tube mill which will double manufacturing capacity, and has opened a new branch in Welkom The timber division plans to open a new yard for distribution of mining timber in the far West Rand, and intends installing a new plant for manufacturing timber and steel mining support material And Jessievale Sawmills is to get a new frame sawline to increase its cutting capacity. To finance this R6,0m expansion, HLH has broadened its equity base through a privately placed pref issue in its subsidiary HLH. A rights issue would not have made sense at this stage with HLH already holding 81% of equity In any event, the directors feel the time is not yet ripe for a rights issue because they believe the share price still has some way to go

Had the prefs been issued before the year-end, the debt equity ratio would have been decreased to 46,3% Not only did the issue put the balance sheet on a stronger footing, but it also left the company under-borrowed and an increase in borrowings to fund further expansion and acquisitions cannot be ruled out

However, the 9% pref dividends will annually absorb some R720 000 or 6c a share Last year, this would have left shareholders with R3,6m in annualised attributable profit covering the R2,4m annualised dividend 1,5 times But the pref dividend will not have a significant impact on next years' earnings

Despite the loss of Iran as an important export market, exports of R11,6m were achieved in the period and chairman Ian Hepburn expects this to improve this year Another promising area is mining timber which is experiencing buoyant trading conditions with the higher gold price bringing increased mining activities.

The other timber division, supplying soft woods from Jessievale Sawmills, largely for use in the structural industry, has had a disappointing year. Demand was at a low level and prices competitive However, the company expects demand for this type of material to improve as more housing is provided, particularly in the black areas This division is also being helped by industry moves to stabilise the prices of structural timber at realistic levels Export prices are also on the increase, so a general recovery in this division could be in the offing As the timber division contributed nearly half of group profits last year, any improvement this year will have a substantial impact

The steel and engineering divisions are also forecast to improve their contributions The engineering division has been a disappointment due to depressed conditions in the construction industry But, with order books up to 90% full and contract margins improving, an increase in profits from last year's low base should benefit group figures

On an assumed 25% growth, a twice-covered 26c dividend is possible, putting the share, at 310c, on an 8,4% prospective yield It appears that investors have yet to appreciate this company's potential Perhaps the limited marketability, with only 2,2m in outside hands, is holding them back

Peter Pittendrigh

EMPISAL FM 15/6/79 235

More for minorities

The lengthy wrangle over the offer to Empisal's minority shareholders was ended yesterday as an undisclosed cash buyer formulated a firm bid for all the shares

An offer of 46,1c a share has been made to majority shareholder Royal Holdings, which controls 60% of Empisal, while minorities — including Sage Holdings with 5% — were offered 47c Considering the current net asset value of 42c-43c, all minorities are expected to accept

Most of Empisal's shareholders are institutional, or nominees representing large investors, and up to now they have been an angry group Reason for their disquiet was a strong feeling that Royal was allowing Tedelex, which has now taken over all Empisal's trading assets leaving a cash shell, to acquire R2,5m in assets at a 26,7% discount

Then there were a number of legal actions Royal went to court against the Minister of Finance in an effort to free itself of Reserve Bank restrictions hampering the flow of dividends abroad from its investment in Empisal

And this action followed on earlier litigation by Louis Shill, of Sage, who applied for an urgent interdict to prevent the sale of Empisal's assets to Tedelex until the Minister had investigated the shareholding of Empisal

At the time it was suspected that the majority shareholder in Empisal, Royal Holdings, was simply a vehicle for David Abramson and Stuart Pegg, whose role in the Info affair was under close scrutiny.

Shill said Empisal's assets were to be sold at an unexplained discount of R796 000, thus reducing the net asset value by 28% The company was converting from "a holding company operating successfully in the lucrative knitting and sewing machine market to a shell company owning only cash "

Said Shill "The entire transaction is so unbusinesslike as to warrant an investigation as to the motivation and reasons for the disposition of the assets on these terms " At present, Empisal is still only a cash shell Its assets consist of a R1,2m loan to Tedelex and about R0,5m in cash

Subject to approval

The offer of 47c has been made subject to Reserve Bank approval (which has apparently been granted in principle), as well as the permission of the JSE

According to one influential minority shareholder who has not yet seen the offer "If all the other conditions are right, and it's cash on the dot, I will certainly accept " Asked whether he accepted the seller's rationale that the 20c paid to shareholders as a special and final dividend meant the real price was 67c a share, one large institutional investor was, however, unimpressed

"There was no interim dividend and we have had a loss of income for a substantial period On balance, though, it looks like a reasonable deal The company has deteriorated to the degree that we are not sure of our investment at all

"And taking into account the assets, it looks as though the offer is about 5c above net asset value. Though this is not an attractive offer, it's as much as can be expected under the circumstances I believe minorities would be foolish not to take it," he added

The interesting question now is, who holds the Empisal shell? According to the parties' legal eagles, that information will be made known once the necessary approvals have been registered

Hugh Murray

COMPANIES ACT

232 FM 15/6/79

Nominees beware

Tucked away in the Companies Act Amendment Bill, published in Cape Town last week, is a provision which could spell trouble for some of the thousands of corporate shareholders who hide their true identities by buying and selling through nominee front companies

The bill proposes substantially wider powers for the Minister of Economic Affairs to haul nominee shareholders out of anonymity Though Minister of Economic Affairs Chris Heunis tells the *FM* that "the amendments are proposed in the normal course of events and are not aimed at specific undertakings," one lawyer notes that "the government may feel that things are getting out of hand."

Section 255 of the Companies Act at present allows the minister to call for the identity of beneficial shareholders "when it appears to (him) that there is good reason to investigate the ownership of shares or debentures of a company" He may get this information from anyone whom he believes has an interest in these shares or is acting as an attorney, agent or nominee of a person with such an interest.

In terms of the amendment, however, the minister will be able to ask for such information when he thinks it necessary to investigate "any interest" in shares or debentures And the list of people from whom he may request these details is being extended to include the company's directors and officers, and trustees of anyone having an interest in the company The minister's queries will have to be answered within three weeks

The definition of an "interest in a share or debenture" is considerably widened by the amendment. Up to now a beneficial shareholder has been one who has the right to buy or sell the shares in question, or one whose consent is necessary for the exercise of these rights.

The amendment retains these conditions, but adds others Thus, a person is deemed to have an interest in a share "if he has any right against any member of the company in respect of dividends, interest or capital received from the company" The definition also includes anyone who is able "materially to influence" the exercise of voting rights, or in a catch-all phrase, a person "who is a beneficiary of whatever nature, in relation to such share or debenture"

Government's intentions are not clear Does it want to know more about the ownership of a number of English-language newspaper groups? Does it need wider powers to find out the connection between Messrs Abramson and Pegg and Royal Holdings? Heunis won't say. He tells the *FM* he will deal with the amendment in detail during the second reading, which will take place next week.

Nominee company . . . who's behind the front?

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the liquidator may ... contribution from the estate concerned.

MAY COAL SALES

	May 1979	Progressive total to May 1979	Progressive total to May 1978
	'000 metric tons		
AAC			
Amcoal (5)	2 876	12 988	10 504
Morupule (5)	28	140	122
Natal Anth (5)	84	428	418
Swaziland (2)	3	21	20
Vierfontein (5)	159	677	581
Vryheid			
Coal (5)	20	109	93
Coke (5)	45	203	202
Wankie			
Coal (9)	188	1 667	1 569
Coke (9)	17	138	153
Zuinguin (5)	39	174	167
GFSA			
Apex (5)	147	670	649
TAVISTOCK			
Phoenix (11)	83	913	842
S Witbank (11)	126	1 389	1 501
Tavistock (11)	137	1 127	1 034
GENERAL MINING			
Afrikander Props			
Delmas (11)	173	1 646	1 768
Clydesdale			
Coalbrook (11)	372	3 226	2 578
New Clydes (11)	120	1 282	1 206
Trans Natal			
Blinkpan (11)	184	1 935	2 019
Ermelo (11)	100	918	86
Haasfontein (11)	79	761	700
Hlobane (11)	83	905	956
Kilbarchan (11)	131	1 498	1 932
Matla (11)	70	686	—
Northfield (11)	34	356	302
TNC Opencast (11)	92	1 000	1 050
Tvl Navigation (11)	154	1 551	1 473
Usutu (11)	429	4 693	4 648
Optimum (11)	483	5 422	5 794
JCI			
Natal Cam (11)	33	350	460
KANHYM			
Eikeboom (11)	47	493	403
LONRHO			
Duiker Explor (8)	209	1 575	1 591
RAND MINES			
Welgedacht Explor			
Open Pit (8)	53	335	399
Umgala (8)	79	586	683
Utrecht (8)	21	111	64
Zimbutu (8)	18	134	198
Witbank Coll			
Albion (8)	39	292	344
Douglas (8)	92	854	1 001
Union (8)	16	154	213
Van Dyks Drift (8)	252	2 000	1 878
Wolvekrans (8)	153	1 082	1 240

Figures in parentheses are the number of months in each company's financial year completed at the end of May

AFCOL

Solid growth

Activities: *Manufacturer of furni- and particle board with interes- allied activities SA Breweries holds 56% of the equity Investme- include holdings in Amrel, Barlow and Romatex (2,4m shares)*

Chairman: *R J Goss; joint managing directors, A Berger, and L Goldberg*

Capital structure: *23,1m ordinaries of 50c, 550 000 6% cum prefs of R1 Market capitalisation R34,7m*

Financial: *Year to March 31 1979 Borrowings long and medium term, R13,1m, net short term, R9,1m Debt equity ratio 45,3% Current ratio 1,8 Net cash flow R5,2m. Capital commitments R533 000*

Share market: *Price 150c (1978-79 high, 195c; low 98c, trading volume last quarter, 405 000 shares Yields 18,9% on earnings, 9,3% on dividend. Cover 2,0 PE ratio 5,3*

	'76	'77	'78	79
Return on cap %	16,1	14,8	14 4	15 7
Turnover (Rm)	96,9	91 3	99 6	116,2
Pre-tax profit (Rm)	8,2	7,5	5 5	8,9
Gross margin %	12,3	10 1	7,9	9,7
Earnings (c)	21,6	22,5	18 1	28,4
Dividends (c)	11,5	11,5	9	14
Net asset value (c)	159	159	168	206

Despite boosting earnings by 56% in the year to end-March, Afcol is looking for a further increase in the current year Chairman Dick Goss says better demand, rationalisation, and the particle-board operations augur well for a "very good" year for the group

Afcol's strong recovery accelerated in the second half, when earnings amounted to 14,1c against a previous depressed 6,6c

The first six months benefited from the introduction of gst Afcol's directors point out that manufacturing performance last year was better than the furniture industry average — both in volume and money terms Industry sales growth in the 1978 calandar year was about 18%

Bull points for the current year include an anticipated increase in furniture demand, and Afcol — with some unused capacity — is well placed to benefit from this In general, costs should be well contained

The new particle board operation, Spankor, formed through the merger of Afcol's and Bruply's manufacturing facilities, also promises to considerably boost profits this year — especially since certain non-recurring rationalisation expenses which marred last year will not be a drag in the current period

After contributing the same in nine months last year as the Afcol operation did in the previous year, the directors are understandably optimistic, even if two other major plants are idle because of industry over-capacity In addition, Afcol's new textile mill is expected to contribute to profitability this year

Goss says Afcol will continue to pay a twice-covered dividend, and that liquidity is much improved This has "created investment scope" through reduced gearing "augmented by the realisable value of Afcol's listed investments" The use of such funds could be meaningful to profits, but as yet no opportunities meeting Afcol's investment criteria have been found However, Goss says management is looking at possibilities not necessarily related to furniture

The past year was used to reduce borrowings, while firm control was kept on stocks and debtors The latter increased 3,4% and 13,3% respectively, while turnover was 16,6% higher The reduction in total borrowings to R22,3m (R22,6m) was incurred on long-term debt And, this year, a further R960 000 is to be repaid At end-March, the gross cover on interest and leasing payments was adequate at 4,5 times

Although furniture sales are clouded by possible price increases arising out of higher fuel and timber costs, there appears little doubt of Afcol's ability to lift earnings And, as cover will be held at two, the dividend is also set to rise Shareholders should not expect the same earnings growth as in 1978-79, but a dividend of at least 15c-16c appears possible At 150c, yielding a prospective 10%-11%, Afcol is a sound purchase on income grounds alone

Des Kilalea

results and dividends

june 29 1979

Financial Mail

(232) FM 29/6/79

AFRIKANER BUSINESS

After Wassenaar?

The battle to decide a successor to the Czar of Afrikaans business and Sanlam kingpin, Andreas Wassenaar, is on. Now in the twilight of his career, Wassenaar is expected to quit next year Two men are emerging as possible successors

One is the seasoned, tough boss of General Mining, Wim de Villiers. The other, Professor Fred du Plessis, Bankorp chief and Sanlam's ruthless trouble-shooter.

As supremo of the sometimes uneasy but always mighty Sanlam-Volkskas-General Mining axis, Wassenaar will leave to his successor assets and influence unequalled by any other Afrikaner businessman But at the same time, his legacy will demand that the new man play a different role.

The programme to uplift the "poor white" — something to which Wassenaar dedicated a great part of his life — is complete The ball game now is entirely new His successor will have to sort out management problems resulting from its ventures into food (though Fedfood), retailing (Greatermans), banking (Trust Bank and others) and property And he will be required to match the skills of a new breed of managers, which Wassenaar tells the *FM* are "more trained, and more advanced" than ever before

Whether De Villiers, who has a reputation for being distant from his staff, is that man, remains to be seen At the same time, the youth and relative inexperience of Du Plessis must put him at a disadvantage

The future will be a far cry from the days when virtually every Afrikaner banked with Volkskas, took a life policy with Sanlam and insured his bakkie with Santam

All that has changed, according to such people as the head of Stellenbosch University's Bureau of Economic Research, Professor Jan Sadie

Says Sadie "So far as I can judge a revolution has been taking place, and we have been moving away from traditional cleavages A new generation of Afrikaans businessmen has emerged, with no racial or national association any longer Business without ethnics is now the thing "

The Afrikaners who set out to "save the nation" had mixed success, he reckons, largely because many of them were only out to enrich themselves. Clearly many used the emotive platform to their own ends, but as Sadie points out, the majority came short And he believes the Afrikaner businessmen now in control are a different kettle of fish

Initially, the Afrikaner concentrated on building himself up as a financier His muscle was evident in banking, insurance and other institutional business — and even now, Sadie argues, "you can count Afrikaner captains of industry on the fingers of one hand "

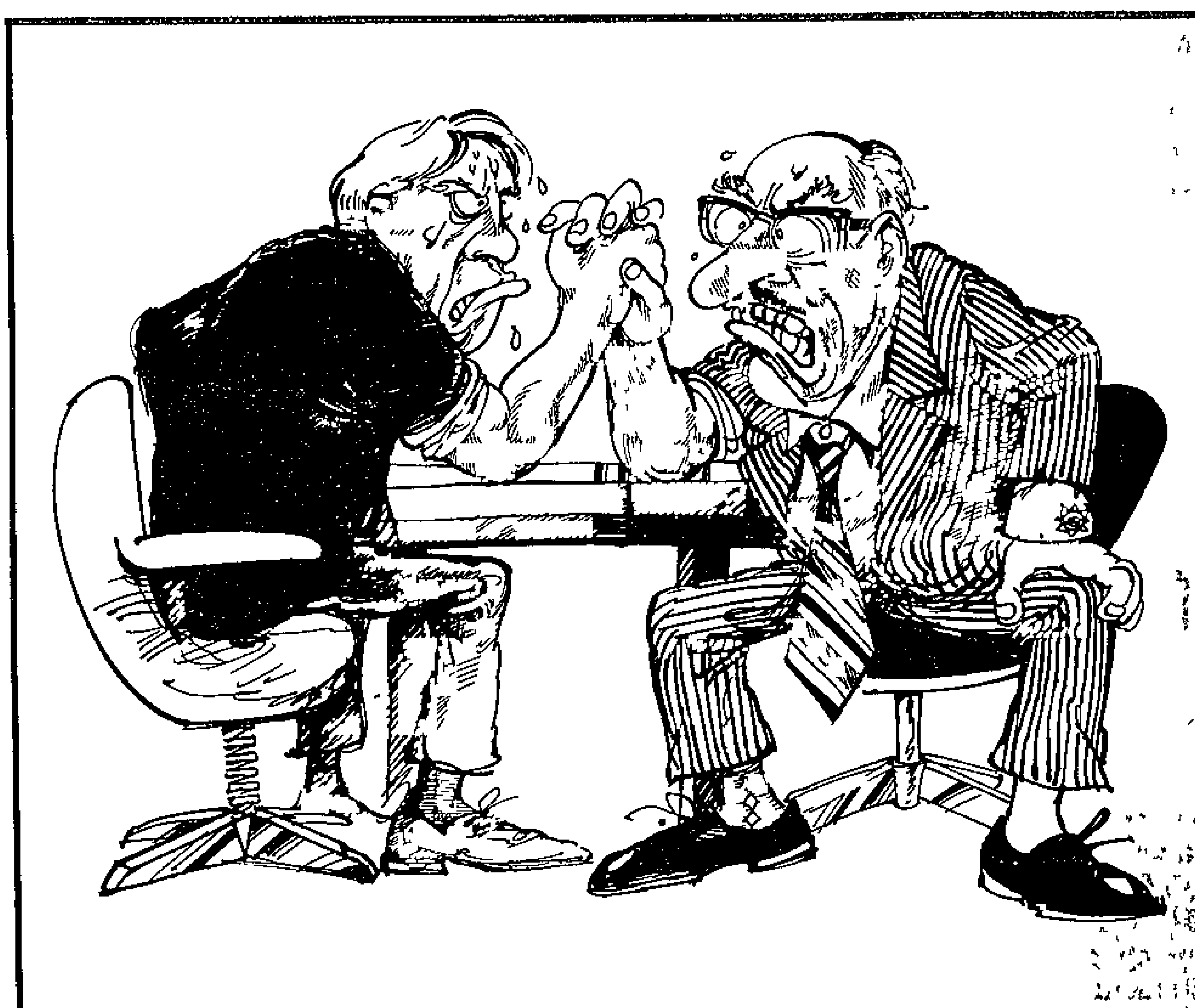
This is where things are expected to change And this is why most Afrikaans businessmen believe De Villiers will take over the mantle of Wassenaar, rather than Du Plessis

Wassenaar himself is reluctant to discuss the question of retirement He tells the *FM* "I know nothing about it "

And he rejects the theory that Afrikaans business is moving headlong into industry and other fields at what others describe as an "abnormal rate "

"I don't think the Afrikaner has made any new inroads. There has been no dramatic increase in Afrikaans business' stake in industry It is completely wrong to say Afrikaners are making dramatic advances in this way," he adds. "I have no proof of this, but I have an instinct."

Wassenaar describes Sanlam's move into mining through successive sensational takeovers — the most notable of which was General Mining's takeover of Union Corporation — as "isolated " The same, he says, applies to the group's ventures



outside corporate finance, which include major moves into the food industry and retailing

Perhaps the most impressive was the Unicorp acquisition, which demonstrated the close bond between SA's Afrikaans business barons Genmin acquired 29,6% of Unicorp on the open market in a spate of heavy buying But it found control blocked by a London Stock Exchange ruling preventing anyone taking more than 30% without bidding for the lot Gold Fields of SA was prepared to take this course and set about acquiring as many shares as it could

Suddenly, a mystery buyer appeared on the London scene, using Volkskas as banker, and bought up a crucial 18% for a nominal R70m As the buyer was able to take advantage of the Securities Rand discount, he actually laid out something like R53m.

The *FM* can now confirm for the first time the rumour often heard then that the mystery man was Anton Rupert (not the government, as has been speculated privately) Says Wassenaar "He used his own money and he did it on his own initiative" When the LSE changed its rules on foreign companies, Rupert "swapped" his holding in Unicorp for a large stake in the Federale group (which controls Genmin). So he, too, has become deeply embroiled in the affairs of the Wassenaar axis

It was a classic case of mutual self-help and typical of the ingenuity of the Afrikaner businessman

But it also raises an important question Will Anton Rupert now involve himself more in the affairs of Afrikaans business outside his own Rembrandt-Oude Meester empire? And is he perhaps not Wassenaar's logical successor?

Both have a record of bitter confrontation with successive prime ministers Dr Verwoerd's dislike and even distrust of Rupert are now legend. And John Vorster's public fracas with Wassenaar over the latter's remarkable book detailing government economic blundering is still talked about with amazement

More muted approach

Du Plessis and De Villiers have a far more muted, cautious approach to government, although De Villiers is said to enjoy a close consultative relationship with the Prime Minister and is one of the first private sector appointees to the Public Service Commission (*FM* last week)

One source close to Sanlam says he would not be surprised if, when the time comes, an outside appointment is made And he maintains there are many in Sanlam who feel that, if the right candidate is English-speaking, there will be few real objections. But it seems far fetched that the most powerful group in SA outside Anglo American and the central government would hand over its plum job to an outsider.

Granted, ethnicity in business is [illegible] Fred du Plessis himself said in an interview with the *FM* some time ago "We have no interest in building an exclusive Afrikaner set-up [illegible] Sanlam s rank-and-file world — the *FM* learns from other sources — will not take kindly to an outsider, even Rupert.

Complicating matters further, there is an antagonism between the Cape and Transvaal — just as in politics. At the moment, mighty Sanlam is run from the Cape The thought of control passing to the Transvaal is a source of some worry to the present hierarchy

There may, however, be a joker in the pack Wassenaar tells the *FM* that the approach to business of Prime Minister P W Botha is "like a fresh breeze." After his bitter dispute with Botha's predecessor, the Sanlam chairman may surprise everyone and stay on to become a court favourite once again.

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scribed for other race groups under Group Areas legislation

Mr Henry Fischat the lawyer representing 1 500 people of the farm, Klipfontein, confirmed this week that 95 families out of 190 had been carted off in lorries before the removal was stopped

He said only a "very substantial minority" of them — said to be less than a dozen families — had gone to Glenmore voluntarily

A number of people claimed they were coerced by police and officials, but this has been denied.

Mr Fischat is visiting Glenmore to take statements from people and said he may take action to have families returned to Klipfontein

The forced removal is seen against a statement by the Minister of Plural Relations Dr Piet Koornhof last week that people will only be moved to Glenmore on a voluntary basis

The State plans to move the families into a 500-house temporary township with the purpose of getting them to work on the building of 5 000 houses in a R26-million modern township

So far the plan has included.

- Moving 300 people from Kenton-On-Sea township

The action group managed to halt these removals when it brought to Dr Koornhof's attention that most of the people were pensioners and children

- Moving 140 Klipfontein families [illegible] with permission free of charge on a farm owned by a [illegible] family [illegible] Bushman's River Mouth
- [illegible] to the [illegible] who will [illegible] next according to an SABC broadcast last week

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Daily Dispatch, 10 April 1979

Families go to Glenmore

PORT ELIZABETH — All the Klipfontein squatter families, except those who refused to move and those who were registered workers, have been moved to the new temporary township at Glenmore, the chief director of the East Cape Administration Board, Mr Louis Koch, said last night.

[...] cally requested removal would be shifted, about 50 families had been moved to Glenmore

He said there were now about 140 families at Glenmore, and about 50 left at Klipfontein Those at Klipfontein, near Kenton, included about 30 families headed by registered employees and 20 families who refused to move

He said the worker families would soon be rehoused at the nearby Kenton emergency camp

Since Thursday, squatters who expressed a desire to be moved to Glenmore, were asked by [...] of consent.

In an interview from Grahamstown yesterday, the chairman of the newly formed Glenmore Action Group, Professor Rodney Davenport, said it was inexcusable that the Department of Plural Relations was refusing to allow journalists to visit Glenmore

"The public ought to be encouraged to take an interest in the resettlement There can be no possible objection if it is seen to be done properly" Professor Davenport said

He said the burning question was the long term prospect of work at Glenmore Commuting between Grahamstown and Glenmore by workers was ruled out because return bus fares were R1,80

The authorities were gambling with people's futures What work would there be in five years' time when the Glenmore settlers had finished building the proposed 5 000 house township there, he asked

"The government does not appear to have learnt the lesson at Ilinge, Dimbaza and other resettlement areas where long term work prospects did not meet expectations," he said

In an interview last week the Deputy Minister of Plural Affairs and Administration, Dr Willie Vosloo, said it was hoped to eventually establish light industries and agricultural projects at Glenmore None of the long term plans had been finalised yet he said — DDC.

Post

10 APR 1979

People 'want resettlement'

THE Eastern Cape Administration Board claimed yesterday that a steady flow of Klipfontein residents were leaving their homes after they had "specifically requested" board officials to relocate them in Glenmore Township near Grahamstown

Major Denis Bush, Ecab area manager in Grahamstown, said the removals were being carried out under the new dispensation where squatters had to provide letters of consent before their possessions were loaded

More than 125 families had already moved, claimed Major Bush.

The Board's reported insistence on letters of consent follows mounting allegations of forced removals and a court application by two squatters last week calling for an interdict halting the mass eviction

Argument was postponed until Thursday this week, during which the board gave an assurance that only squatters who specifically requested removal would be shifted

Meanwhile the future of 17 families scheduled for removal from the nearby Kenton emergency camp was unresolved yesterday

A stay on the removal of the Kenton families was ordered by Dr Piet Koornhof, Minister of Plural Relations, after opposition MPs made representations to him

Meanwhile a Glenmore Action Committee has been formed by representatives of the Black Sash, Institute of Race Relations, The Progressive Federal Party and several other community groups.

Post 8 April 1979

Squatter leader vanishes

By MANDLA NDLAZI

MR SHADRACK SINABA, leader of the Daveyton squatters, has disappeared from home after being warned by riot squad police not to hold any more public meetings

A member of the Daveyton Community Council Mr Sinaba was warned after more than 60 shacks on the fringe of the township had been demolished by the East Rand Administration Board police on Tuesday

His son Mr Ezra Sinaba (21) told SUNDAY POST yesterday that two white policemen in camouflage uniform warned his father on Thursday

"They came home and I heard them tell my father not to hold public meetings any longer They gave him no reasons and whilst the two spoke to him the others remained in their cars outside the yard," he said

He said when his father did not return home on Friday it was rumoured that he had been arrested

"I've left this to the older members of the family to investigate," he said

Normally, he said his father would tell the family if he would not return.

"This now gives us the impression that something must have happened to him and it could be that he has been arrested," said Ezra

At the local police station yesterday, Sgt E N Hlatshwayo who was in charge said Mr Sinaba was not held by them If arrested he said he could have been taken in at some other police station

PHOENIX INDUSTRIAL TOWNSHIP

It's on — at last

After shivering on the brink for some time Sanlam is to take the plunge and go ahead immediately with the development of the 178 ha Phoenix Industrial Park Township outside Durban, Sanlam GM Marinus Daling tells the *FM*. It will exercise its option to buy the land for R3,75m from Huletts Property Holdings and Natal Estatee This option was negotiated by Herbert Penny in December 1977

Initial development costs are expected to run to between R3m and R4m. And the first sites are expected to be ready for occupation next May

Daling says Sanlam's research has uncovered a lack of rail-served industrial land and strong evidence of a "latent demand" for well-planned level industrial sites to the north of Durban arising from major housing schemes and infrastructural developments such as La Mercy airport and Richards Bay At Phoenix 70% of the sites will be rail-served Asking prices are R247 000/ha for rail-served land and R212 000/ha without rail These prices are much in line with asking prices at Anglo's Prospecton

Phoenix has Indian and African labour on its doorstep in the Phoenix and Kwamashu townships as well as good road access But property men point out that after many years Prospecton is still not fully developed and, one put it, "there are not too many big land users such as motor assemblers around these days" Sanlam does, though, have considerable waiting power and it would be surprising if development did not eventually head in Phoenix's direction.

fox

(232) FM 29/6/79

SOUTHERN SUN HOTELS

Stagging opportunity

After a ten-for-one share split leaving 50,9m shares in issue, Southern Sun Hotels, a 75,5%-owned SAB subsidiary, is to raise R6m through a public issue of about 4m ords An August listing is planned with the shares offered at at least 150c to yield an historic 7% UAL and Guardian Liberty who are managing the issue have not yet fixed the price

A further R9m is currently being raised through a private placing of 11% debs with an average life of 15 years These are to be secured over the new hotel which will be built on the Electricity House site in Cape Town during the next three years

The ords will be allocated as to the equivalent of R25 for every R100 of debs at a maximum of 150c a share and the rest to the public at a price yet to be decided Part of the public issue will be allocated preferentially to members of Club Southern Sun Deb holders will be entitled to about 1,5m shares and the public offered the remaining 2,5m-odd

As for funding capex and future deals, finance manager Eugene Joannides points out that the group's balance sheet is well-structured for any long-term needs, suggesting that the listing is not necessarily a prelude to further rights issues aimed at broadening the equity base.

Planned capex over the next four years amounts to some R40m. R28m of this is earmarked for the Sun City complex now under construction in BophuthaTswana

Southern Sun's Kerzner . . . not gambling with profits

The R6m public issue will be applied to this project. Another R18m is planned for the Cape Town five star hotel development which will be financed by the debs and retained earnings.

With a debt equity ratio of 60%, the directors feel that Southern Sun is under-borrowed and its capital requirements could comfortably be financed from loans and retentions The debs together with other loans will push the debt equity ratio up to 75% by the time the BophuthaTswana and Cape Town developments have been completed.

The wraps have yet to be lifted on other possible projects and deals. One of these is the acquisition of Durban's Maharani Hotel property Negotiations on this have already been initiated, with the liquidators of Hofman.

Another deal is the take-over of Tollman Towers when the purchase of the property by Fedfund has been sanctioned Apparently Fedfund is prepared to offer a reasonable lease agreement, changing the current agreement whereby Southern Sun manages the hotel for a fee.

Southern Sun does not expect to suffer the same sort of stunted growth it experienced after the 1973 oil crisis when pre-tax profit rose only 9,4% to R2,9m in 1973-74 compared with 41,9% to R2,7m in the previous year There are a number of reasons for the group's insulation Firstly, the hotels are located in the main centres and are often the best hotels available in a particular city Secondly, the group caters for the lucrative foreign tourist trade, business trade and conventions, none of which are likely to be knocked too severely by the oil crisis And, most important, Southern Sun has been successful in working out package deals with SAA and coach tour companies, which will in future enable the group to capitalise, rather than suffer, on the fuel limitations In line with the last five year's compound growth rate it is reasonable to expect 28% profit growth this year

Another growth point is the Sun City hotel and casino, due to be opened on December 7 Already the complex is fully booked for December and part of January In the financial year to March 31 1980, new shareholders will have 3,5 months of contributions to earnings.

Last year earnings increased 50% to 152,1c, from which 1,4 times covered dividends of 105c (70c) were paid The company has maintained a 1,4 times cover since its inception 10 years ago and intends continuing this.

On a recent revaluation of assets the group's nav is now of the order of R75m — equivalent to 150c a share.

On a 28% growth assumption a dividend of at least 13c could be paid on the increased capital for an 8,7% prospective yield on a 150c issue price With the group's solid balance sheet, growth record and reputation, the shares could advance to 200c on listing It is, after all, the only gambling stock available to local investors.

Peter Piltendrigh

R40 000 PAYOUT TRICK CLAIM

04 APR 1979

AFTER returning from an overseas trip, a top government official in the Transkei Ministry of Foreign Affairs lied to the government and squeezed out an amount of R40 000 which he said would be paid to a foreign diplomat for Transkei's recognition

This allegation was made by the deputy leader of the Oppposition, Mr Caledon Mda, in the House of Assembly in Umtata this week He said after "this trick" by the government official, Transkei then decided to go into celebrating its second (independence anniversary

But all said and done the celebrations were big talk and the Matanzima government expected a fictitious foreign diplomat would attend and then influence his country to recognise Transkei

"We saw that there was no diplomat from any country This was just a lie and as a result we achieved no recognition We cannot afford to have Eschel Rhoodies in our government service," Mr Mda said

Mr Mda was addressing the National Assembly during the debate on the policy speech of the Prime Minister Chief George Matanzima who delivered the Foreign Affairs and Information speech

He attacked the government and warned that the government should investigate the bank accounts of some of the top Transkei diplomats who are alleged to have opened lucrative banking accounts in foreign countries

Mr Mda said the government was duped into believing that after the money was paid to the foreign envoy Transkei would be recognised, but this did not happen Instead the poor taxpayers' money simply went down the drain

"This must not happen again The government has to be very critical in selecting its staff and such actions should not happen again The language of diplomacy means that everybody must be screened and there should be no foreign diplomats employed by the government," he said

As Mr Mda was addressing the house, the cabinet and ruling party members sat very still and kept quiet. He did not name the official.

How Xhosas made stateless

8 APR 1979

By ZWELAKHE SISULU

THOUSANDS of Xhosas are stateless as a result of different interpretations of the Status Acts of Transkei which accorded automatic citizenship when the territory became independent

The conflicting Acts regarding citizenship in the two territories and South Africa are different — with each giving its own interpretation

The Witwatersrand Chief Commissioner for Plural Relations Mr F Durandt, this week denied that there was any conflict in the Acts.

"The Transkei Status Act defines clearly who shall be a Transkeian citizen and who is not a South African citizen," he said

The Act, which is a South African legislation, states that a person shall be a citizen of a homeland with which he has the closest cultural link One's place of birth would not be used as a determinant of citizenship

Reacting to claims that South African born Xhosas were denied Transkeian citizenship if they were not born in the Transkei Mr Durandt said he was not aware of it

"I can only go by what South African laws say, and would be [...] law," he s[...]

The agre[...] into betwee[...] ca and the [...] ent territor[...] randt said, [...] the employ[...] movement of [...] the Transkei [...] thaTswana in[...] rica

The chief trade office[...] Transkei on th[...] the under-se[...] Foreign Affai[...] Socikwa this [...] ed South Afri[...] ing to dump [...] the Transkei [...] pretext that [...] Xhosas.

Kei's men

Sunday Times 15 April 1979

[...] ANNE VOS [...] ndon

[...] has not sent [...] y to pay for [...] g of its of[...] ndon for the [...] months

[...] nt, salaries, [...] nses and ar[...] now run into [...] pounds

[...] es say there [...] e a growing [...] the Umtata [...] and the Lon[...]

[...] plomatic re[...] is former [...] Humphry [...] d Mr Scobie [...] known to be [...] "worried" [...] uation, but [...] leclined to [...] nment

[...] been work[...] ca — which [...] ills recog[...] UK — for

[...] ing a visit [...] sPei, Mr [...] abducted [...] l room in [...] d driven [...] order into [...] where he [...] ard left [...] in London [...] and with [...] bead [...] itain, Mr [...] the Press [...] ent the [...] ernment [...] ng the [...] l hit the [...] ramount [...] tanzima, [...] Minister [...] na, had

No arrests

However, Mr Berkeley returned to Umtata two weeks ago to find that no arrests had been made and that the investigation appeared to have been shelved

He is said to have been "astounded" when — on a visit to see the Prime Minister — he spotted not only the car (registration number XA 1139), but also one of his assailants in the vicinity of the Government offices

On the same evening — March 29 — Mr Berkeley received an anonymous phone call at his Umtata hotel

The caller said if he didn't leave Transkei he would be murdered

When he arrived back from Transkei in February, Mr Berkeley hinted at recognition of the former South African homeland by a "major" country

Informed sources in London said this week he was "extremely upset" by recent leaks — believed to have originated in Umtata — of a "deal" he was setting up between Transkei and Nigeria

Homelands

Buthelezi: we need R2 000m

Daily Dispatch 10 April 1979

JOHANNESBURG — [K]waZulu will require a [ra]pid injection of R2 000 [millio]n over the next 12 [year]s if it is to become [ec]onomically stable, ac[cor]ding to a major policy [st]atement issued by Chief [Minis]ter Gatsha Buthelezi [ye]sterday

Most of this money will [ha]ve to come from South [Af]rica

The policy statement [whi]ch was issued by Chief [Buthe]lezi at a press con[fe]rence at Jan Smuts Air[por]t in the form of a [K]waZulu white paper is [base]d on a development [plan] drawn up for the [regi]on by a Natal-based [urba]n and regional plann[ing] company

The plan was published [las]t year

In the white paper the [K]waZulu Government [take]s issue with a number [of] South African Govern[men]t policies and states [it]s political objectives

A strong warning is [give]n that unless the South African Government gives the power and assistance to make the separate administrative entity of KwaZulu work it will be seen by the people as undesirable sooner or later

However, the white paper states emphatically that the acceptance of the plan does not mean the KwaZulu Government accepts the concept of an independent homeland, but views it rather as the development of a region of South Africa

It was not necessary to wait for the liberation of South Africa as a whole before becoming involved in the development of KwaZulu and its people the paper said

The main goal of KwaZulu was to achieve a nine per cent growth rate for the region over the next 12 years This would require the massive influx of R2 000 million during the period

A new government department was planned to assist w[...] scheme, as well as administrative and [...] ing bodies

Major points o[f the] white paper were

The formation [of a] department of eco[nomic] affairs,

The establishmen[t of] planning, co-ordi[nating] and advisory comm[ittees] which would, among [other] things satisfy [the] KwaZulu Govern[ment] that develop[ment] proposals by the S[outh] African Government [were] in the best interests o[f the] region,

The establishment [of an] institute of interme[diate] technology to assist developing areas in Sou[th] Africa would be i[n]vestigated,

A reform of land te[n]ture to, among othe[r] things, enable land to b[e] used as security to rai[se] development loans

The establishment of building society mov[e]ment in KwaZulu,

An investigation in[to] communal farmin[g] systems the establis[h]ment of agricultur[al] credit facilities, the form[a]tion of agricultural co-operatives and a sing[le] channel marketing syste[m] for some products,

The redirection of th[e] savings of the people o[f] KwaZulu from [in]vestments in South Africa into investments within the region to promote capital formation within KwaZulu,

A drive by the KwaZulu

[...] working within the region,

The development of mining potential,

The development of tourism

The white paper took issue with the South African Government on a number of issues, including strong opposition to the migratory labour system — SAPA

[...] as announced that [...] research unit for [...] tion planning of the [...] sity of the Orange [...] State had been ap[...] ed to examine [...] ulu's education [...] so it could fit in [...] the region's re[...] ents),

[...] increase in the [...] rtion of the [...] ulu labour force

COMPANIES ACT

Anonymity rules

FM 26/6/79 (282)

An amendment to the Companies Act, giving the Minister of Economic Affairs wider powers to enquire into the identities of shareholders using nominee fronts (*FM* June 15), was unanimously approved in Parliament last week and taken through all its stages

The PFP's Zach de Beer supported the provision on the grounds that the new powers were aimed at facilitating the existing procedure of unearthing the identity of beneficial shareholders in companies and trusts, rather than expanding the scope of inquiries.

Another PFP spokesman told the *FM* that, whereas most apprehension about the clause centred on disclosure of lines of control of Saan newspapers, the party does not care who owns Saan

In his second reading speech Heunis said the principal grounds upon which it was claimed that beneficial ownership of shares should be disclosed were

- That the public should be aware of the identity of persons who are in control of important and strategic industries in the country;
- That unscrupulous people might find it easier to make "illegitimate" use of inside information when operating through nominees,
- That information about the beneficial ownership of a company would be useful to a shareholder wishing to consult fellow shareholders about the affairs of the company

Heunis observed, however, that "it may not be practicable to require all companies to disclose who the beneficial owners of their shares are " First, such a requirement could create a significant volume of administrative work for the company if its shares should often change hands Second, such a requirement will not ensure that the prescribed information will be available at all times Third, foreigners who wish to invest in the Republic often want to remain anonymous for fear of reprisals and it is therefore possible that the requirement in question may discourage investment in the Republic Finally, it should also be borne in mind that control over a company may be exercised in several subtle ways

OK BAZAARS

(2232) FM 29/6/79

Shipshape again

Activities: *Operates 139 retail stores and two hyperamas A 70,1%-owned subsidiary of SA Breweries*

Chairman: *R J Goss, managing director J M Kahn*

Capital structure: *11,9m ordinaries of 50c 240 000 6% 1st cum prefs of R2, 300 000 6% 2nd cum prefs of R2, 500 000 5% 3rd cum prefs of R2 Market capitalisation R89,2m*

Financial: *Year to March 31 1979 Borrowings long and medium term, R34,2m, net short term, R18,3 Debt equity ratio 38,9% Current ratio 2,0. Net cash flow R9,9m Capital commitments R22,7m*

Share market: *Price 825c (1978-79 high, 920c; low, 520c, trading volume last quarter, 212 000 shares) Yields 14,8% on earnings, 8% on dividend Cover 1,8 PE ratio 6,7*

	'76	'77	'78	'79
Return on cap %	14 8	13,5	12 7	14,3
Turnover (Rm)	441	509	541	592
Trading profit (Rm)	24 6	25,3	25 3	28,3
Gross margin %	5,6	5,0	4,7	4 8
Earnings (c)	113	107	107	122
Dividends (c)	58	58	58	66
Net asset value (c)	1 062	1 123	1 174	1 167

Consumer expenditure remained sluggish during the financial year, growing by 10% to yield a decrease in real terms of roughly 2% So, with turnover up by 9,5%, OK appears to have retained market share and did well to improve trading profit by 12% and earnings by 14% And, on an unchanged cover of 1,8 times, the dividend was hoisted from 58c to 66c — the first rise in three years

Much of the success is ascribed to a good merchandise mix and effective cost controls, but, while general sales improved by 11,5%, the hyperamas encountered stiff competition and recorded no growth despite the Prospecton store trading for a full year Surprising then, that over the year margins were slightly better at 4,8% and that OK improved return on capital from 12,7% to 14,3% In addition, net cash flow was almost R400 000 higher at R9,9m

Total borrowings dropped by nearly R1m, mainly in the long end where liabilities were reduced from R38,6m to R34,1m. Nevertheless, interest paid rose from R2,9m to R3,7m for an increase of 29% With a debt equity ratio of only 38,9% (39,4%), the interest burden is still relatively light and was covered 5,8 times by trading profit (5,3 times)

In recent years, management endeavours to upgrade conventional stores, by stocking goods beyond the reach of traditional shoppers, tended to force these patrons into other stores, whereas the middle to upper income group failed to be attracted other than, possibly, for food Since then the conventional stores have staged a substantial recovery under MD Meyer Kahn's control of costs, forward planning and management training (currently 100 are on a management training scheme compared with 141 stores)

Last year's results were adversely affected by the hyperamas trading well below expectation — and major restructuring costs were incurred In addition, two major conventional outlets were opened, in Eastgate and Welkom, during the second half of March Then there was the further withdrawal from the TV market, which culminated in the sale of the servicing division. Together with start up expenses for the less than ideally sited Durban hyper (and a provision for deferred profit and finance charges of R3,5m compared to a previous credit of R2,3m), last year saw an abnormally large number of non-recurring charges

The OK's apparent desire to not be far behind Pick n Pay in the hyper stakes appears, at least at the outset, to have cost it dearly. For example, the Germiston hyper is considered by many to be both badly sited and designed. Traffic from the east is cut off by Pick n Pay's Boksburg hyper, from the north by Pick n Pay's Norwood hyper and from the west by Eastgate (where OK also has a large store)

The Germiston hyper is nearly twice as big as Pick n Pay's Boksburg outlet — but turnover is roughly only 60% In addition abnormally high shrinkage was evidently experienced in the receiving and storage area This problem is said to have effectively been tackled by new chief hyper executive, Gerald Manne

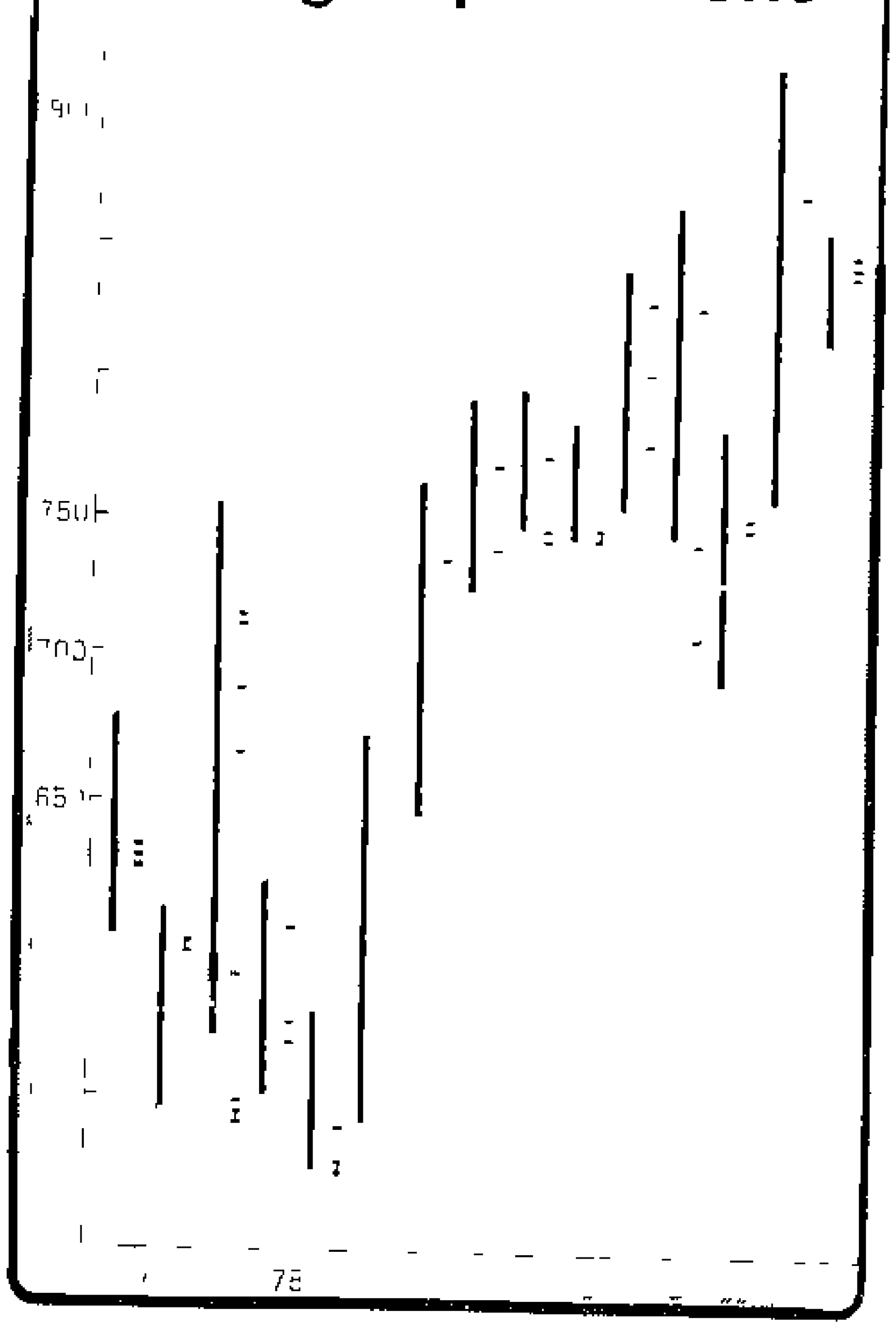
Another aspect to have been solved is that of HP financing. At the outset a bank was appointed to write HP business for furniture and white goods Unfortunately this resulted in a number of customers which were considered by the OK to be good credit risks, being turned down by the bank The OK has since taken over this function and stands to benefit from an improved sales mix (furniture traditionally carries higher margins) and additional finance profit once initial costs have been absorbed

Earlier disappointments with hyperamas have in no way dimmed OK's enthusiasm In the current year, capex will be considerably higher at R22,7m (R11,8m) and two hypers are due to be opened, one each in Roodepoort and Pretoria, and an aggressive marketing approach is planned to coincide with their launching Also planned for this year are June openings of conventional stores in Kenilworth and Cape Town, and towards the end of the calendar year, one at Secunda

Subsequent to the property revaluation by Herbert Penny, which resulted in a reduction of R7m, the Roodepoort and Pretoria hyper sites have been sold to Old Mutual at book value of R3m each Once developed they are to be leased back Kahn's objective is, in time, to substantially reduce the property portfolio which is valued at between R50m and R60m His rationale is to rather invest more in stocks and debtors than in bricks and mortar

Given the return to profitability of the conventional stores, the new management's aggressive approach to marketing and the fact that the hypers should now be able to capitalise on any increase in consumer spending, OK could easily earn 150c this year, and pay 75c On this basis, the share yields a prospective 9,1% compared to an historic 6,8% for the sector and warrants a buy for investors seeking a good yield with above-average growth over a two-year period *Joan White*

OK BAZAARS: rising expectations



Group Sales (Rm)

	1979	1978	% Change
Furniture & housewares	167 3	143 3	16 7
Clothing & textiles	69 8	67 8	2 9
Food health & beauty aid	355 3	329 7	7 8
Total	592 7	540 7	9 6

to report what had ha, pened there

"The time has come for the members of the union, the rank and file electr... to make their presence felt We must stop ha... people who... we have elected ... rough shod over us," said Mr Williams

... recommends on black trade union recognition, Assocom says its long standing policy is that "industrial procedures should be restructured on non racial lines" It adds that many employers are reluctant to "negotiate formal agreements" with unregistered unions on the grounds that such agreements "could carry no legal force"

According to unionists in the commercial distributive trade Assocom has repeatedly told them that it will not recommend African union recognition to members because it prefers a single non racial union The unionists have been trying to gain recognition for the (unregistered African) Commercial, Catering and Allied Workers' Union

... tions with whites only unions ... Wiehahn provides for mixed unions

How does Assocom react to charges of a contradiction between principle and practice? It won't say Approached by the *FM* with queries arising out of its letter to Tusca — which the Johannesburg Chamber of Commerce itself made public — executive director Raymond Parsons would say only "In view of pending developments in this field — both in the private sector and from the Wiehahn report — Assocom would prefer not to elaborate on its letter to Tusca at this stage Your queries confirm the need for the urgent publication of the recommendations of the Wiehahn commission"

Mr Reuben ...

...organisation," he said.

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OVENSTONE

Fishing for more

Activities: *Industrial holding company with main activities in international fishing, property, township development, construction and investment. Ovenstone family controls over 51% of equity.*

Chairman and managing director: *A D P Ovenstone.*

Capital structure: *14,9m ordinaries of 12,5c 205 000 8% cum prefs of R1; 1,9m 8,1% red cum prefs of R1; 2,0m 8,5% part conv red cum prefs of R1; 2,0m 10% cum prefs of R1; 4,5m 11% conv red cum prefs of R1. Market capitalisation: R4,5m.*

Financial: *Year to February 28 1979. Borrowings: long and medium term, R16,1m; net short term, R9,6m.*

Financial Mail June 29 1979

Debt:equity ratio: 88,9%. Current ratio: 1,6. Group cash flow: R2m. Capital commitments: R478 000.

Share market: *Price: 30c (1978-79: high, 50c; low, 29c; trading volume last quarter, 372 260 shares). Yields: 29% on earnings: 10% on dividend. Cover: 2,9. PE ratio: 3,4.*

	'76	'77	'78	'79
Return on cap %	6,5	12,7	12,8	10,5
Turnover (Rm)	32,1	33,6	38,5	39,6
Pre-tax profit (Rm)	5,4	4,5	4,7	2,8
Gross margin %	30,8	22,4	19,0	14,8
Earnings (c)	23,4	19,8	20,3	8,7
Dividends (c)	10	8	6	3
Net asset value (c)	127	130	121	112

"We are strongly committed to a material expansion this year of our international business," OIL chairman and MD Andrew Ovenstone tells the *FM*. In fact, the company this week announced details of a R9m rights issue to fund the overseas expansion.

There is no doubt that OIL's earnings potential lies in this direction. Divisional analysis in the February 28 1979 annual report shows that, while only 21,5% of group turnover, R39,6m, came from fishing and related activities, this division contributed 68,9% to the group's R2,8m (R4,7m) pre-tax profit. This compares with the construction and property division's contribution of 77,2% to turnover and 26,4% to pre-tax profit.

OIL's reliance on fishing was gruesomely illuminated by the murder of six Zuiderster 8 crewmen off the Mauritanian coast last October. The tragedy disrupted fishing at the height of the season and robbed OIL of an estimated taxed profit of

that geographical diversification of fishing interests is wise, despite the need to retain a fair percentage of earnings in the companies which operate internationally," the directors say.

Property, homebuilding and construction interests laboured through the year on a profitable basis "albeit at a lower level than we would like." Revenue from the rental portfolio improved as rents rose and vacancies were filled, while construction companies, Ovcon, Ovbou and Bellandia all worked on satisfactory order books but with margins largely dictated by intense competition.

Ovenstone's admission that the year "turned out to be a difficult one" is countered with the corporate aim "to be stronger in February 1980 than we were in February 1979." This, he tells the *FM*, will be achieved by the twin targets of international development and the reduction of the volume of low-return assets in the property portfolio.

OIL's ability to improve results this year rests on four factors: better fish landings and production, higher fish prices; the sale of non-revenue producing property, and an upturn in the construction industry.

Although the financial ratios are thrown out by long-term construction contracts, and the large liability percentages normal for the contracting industry, the high debt equity ratio and comparatively tiny cash flow places a question mark over the decision to pay a dividend out of last year's earnings.

The drop in adjusted earnings, from 20,3c to 8,7c, necessitated digging into reserves to pay R1,1m interest on pref shares and R450 000 on the ordinaries. Maintaining dividends may be a commendable attitude, but, in this instance, it may have served OIL better to have retained everything.

At 30c the company is capitalised at only R4,5m. Certainly the company is worth more than that and warrants a PE far higher than the current 3,4. But the market probably would like a lesser property exposure before re-rating the stock.

Ian Muil

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FAST FOODS

Taking off

The R100m a year fast food business gets ever more frenetic as the need for speed and convenience boosts growth of large franchise chains

Major operators SA Wimpy and Kentucky Fried Chicken command over 288 outlets in SA between them, with turnover of more than R20m a year each From its start in 1967, the Wimpy operation has grown to 208 outlets (including 38 Golden Eggs) Kentucky has expanded from two in 1971 to its present 80

"There is a growing demand for good quality fast food, but the emphasis is on speed, rather than price," comments SA Wimpy MD Vincent Hayes

Kentucky MD Harry Schwab believes that success of a fast food operation hinges on quality and individuality. "A fast food operation must have something different to offer," he says

Fast food outlets tend to be established in central city areas, on major national routes or in suburban areas Some rely on lunch-time trade for the major part of their business while others do more than 60% of business over weekends and after hours

The new Superfast Wimpy in central Johannesburg is geared to high turnover of city workers and shoppers, and is

Superfast Wimpy . . . geared to high turnover

aiming at sales of R400 000 within its first year The outlet emphasises speed, combining take-away facilities with a large seating area

Schwab expects demand for fast foods to increase this year. The Kentucky operation aims mainly to provide family meals, but the recently introduced hamburgers cater for a different market

"The major part of business is done at week-ends and after hours as Kentucky offers a good meal which is reasonably priced," says Schwab.

Average turnover of a Kentucky city outlet is about R240 000 a month, with smallee suburban operations taking up to R15 000 a year.

This compares with average turnover of R80 00 a year for Wimpy and Golden Egg outlets.

Average turnover of Juicy Lucy franchises varies between R36 000 and R150 000 a year, with outlets established in the CBD, in shopping centres or suburban areas The Juicy Lucy operation, which has grown from three outlets six years ago, to the present 33 outlets, concentrates on health-type snacks and fruit juices

MD Barry Aitken says Juicy Lucy in SA is concentrating on increasing the turnover of individual stores, rather than opening new stores About 80% of its CBD market comprises regular customers, and about 60% of turnover is done at lunch-time in city areas Juicy Lucy overseas is expanding and is shortly to open in the US.

"The fast food industry is becoming more professional, and the image of fast food has been upgraded," says Aitken "There is greater speed and more efficiency, and although the product may be more expensive, there is better quality control"

Smaller fast food operations established over the last few years include the R1m a year Pizza Inn, with four outlets providing take-away and restaurant facilities Between 30 and 40 outlets are planned within the next three years

The Captain Dorego operation, with 20 outlets in SA, mainly in central city areas, caters partly for the black market, while the new McMunch operation in Bloemfontein and Cape Town, provides an American-style hamburger.

Gourmet eating it's not, but there's no doubt that gulping down fast food has become part of the SA way of life.

th Africa is mainly a dry country, indige-
extensive, being limited to those few small
fall is relatively high and where severe
Thus Temperate and Montane Forests are found
t in the George-Knysna area south of the Oute-
in a number of well watered patches along
eat Escarpment. They contain valuable
the stinkwood and yellowwood trees for which
rests are famous. Unfortunately these
ng and regeneration has not kept pace with
t two centuries with the result that steps
to control exploitation. Large areas
enous forest have now been planted to faster
r trees like varieties of pine and eucalyptus

opical Coastal Forest is a very narrow strip
t coast from the mouth of the Sundays River
que. This is also known as the Palm Belt
s of palm are very common in the belt. Large
belt have been cleared completely, making way
its like pineapples and, in Natal, for sugar

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2/32 FM 6/7/79

SA BREWERIES

King of the castle

Activities: *Diversified liquor group with roughly half of earnings stemming from consumer goods that complement the liquor investments The latter include the beer division, Stellenbosch Wine Trust (100%), and Solly Kramer's Other interests encompass OK Bazaars (70%), Amrel (61%), Afcol (56%), Southern Sun Holdings (75%), Shoe Corp (100%), Retco (32%), and Amalgamated Beverage Industries (9%) JCI owns 19% of the equity*

Chairman· *Dr F J C Cronje, managing director R J Goss*

Capital structure: *222,4m ordinaries of 20c; 1m 6,2% cum prefs of R2, 42,6m 7% convertible red cum prefs of R1 10m 5,6% red cum prefs of R1, 2,5m 7% cum prefs of R1, 2m 8% red cum prefs of R1 Market capitalistion, R349,2m*

Financial: *Year to March 31 1979 Borrowings· long- and medium-term, R170,4m, net short-term, R72,5m Debt.equity ratio 49,4%. Current ratio 1,8. Net cash flow R55,6m. Capital commitments R108,7m*

Share market: *Price: 157c (1978-79 high, 169c, low, 105c, trading volume last quarter, 5,3m shares) Yields 16,9% on earnings, 7,5% on dividend Cover 2,2. PE ratio. 5,9*

	'76	'77	'78	'79
Return on cap (%)	14,3	15 4	15,6	16,7
Turnover (Rm)	1 116	1 324	1 428	1 609
Gross profit (Rm)	102 9	107,4	115,8	130,3
Gross margin (%)	9,2	8,1	8,1	8,1
Earnings (c)	19,0	21 7	23,7	26 9
Dividends (c)	9 5	9,5	11 0	12,0
Net asset value (c)	129	135	153	165

Basically, SAB is still beer It provided roughly 38% of group taxed profit last year And, despite being seriously challenged by Rembrandt through Intercontinental Breweries, SAB appears to have so far maintained its dominant position in the beer market.

ICB's strategy appears to have made only minor inroads into segments of SAB's stranglehold on the market — possibly no more than 0,5% in the white market But it has necessitated price cutting and smaller margins

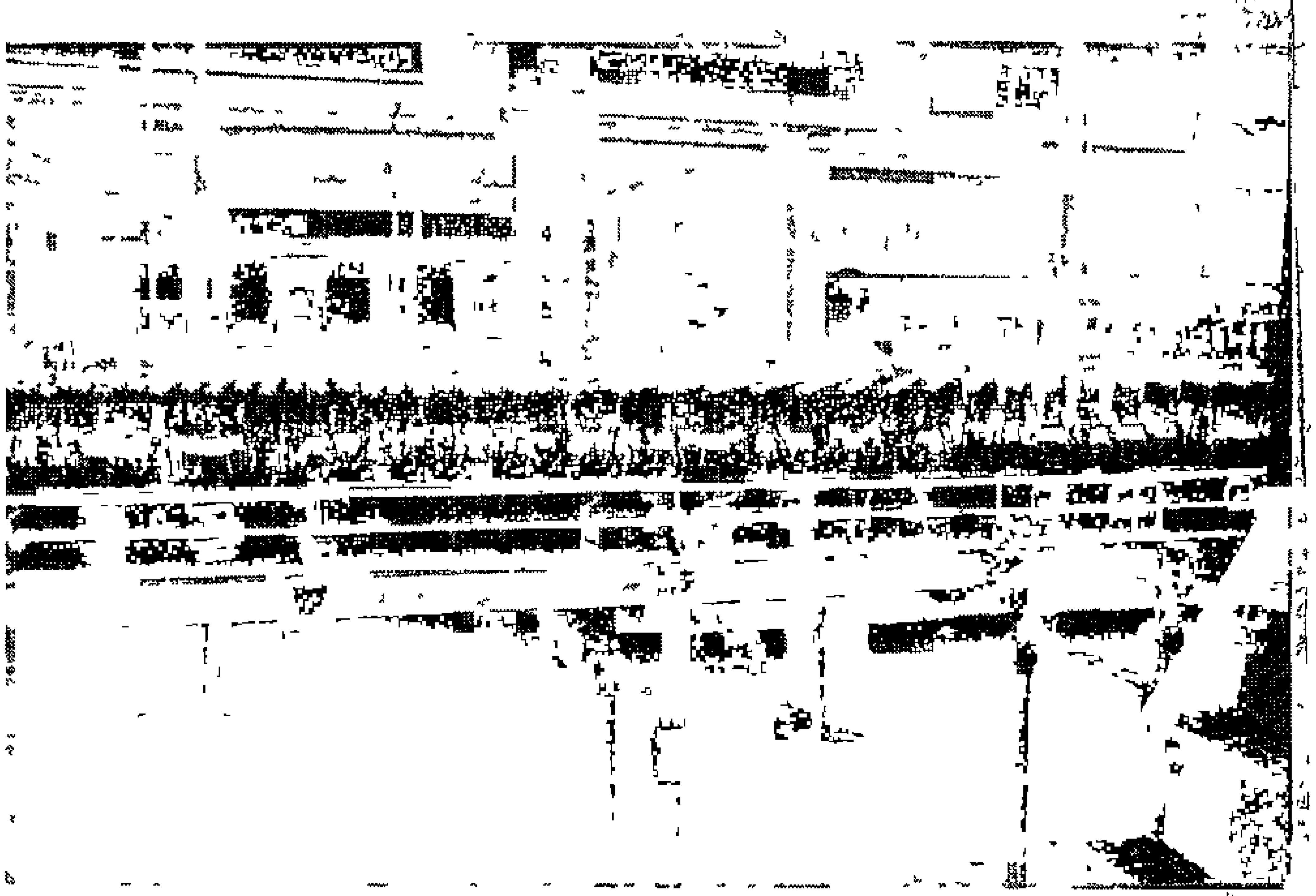
Overall, earnings advanced by 13,5% on the back of a 12,7% increase in turnover On these sales, margins were kept intact at 8,1% and the return on capital employed rose from 15,6% to 16,7%

Despite higher turnover, stocks increased by only 9,5% to R231m and gross interest paid rose marginally to R23,4m as total borrowings inched up from R246m to R250m While the interest and leasing bill was covered 2,3 times by gross profit, which some analysts hold to be on the lowish side, the debt equity ratio is hardly onerous at 49,4% (51,2%) and allows for further gearing

As with any conglomerate, though, it is too much to expect that all divisions should perform equally well at the same time Liquor remains the largest contributor to group profits and the industry enjoyed reasonable growth last year with consumer expenditure on drink rising by about 12% In the natural wine category shifting consumption patterns, especially in the Cape market where demand for cheap wines has steadily declined, adversely affected sales Against this, a pronounced upturn in demand for medium-priced wines in the Transvaal led to a good reception for several new brands In consequence, wine sales growth outstripped even that of beer

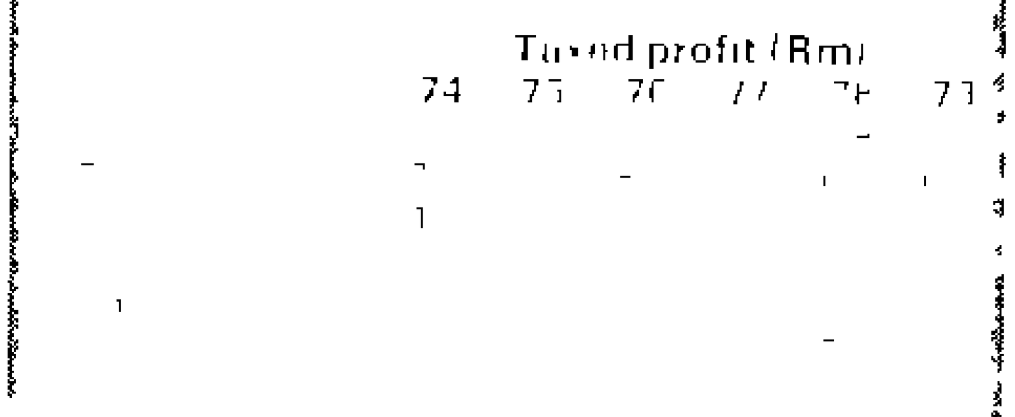
Liquor interests chipped in R37,8m after tax and accounted for roughly half of group income However, non-liquor interests last year played a significant role, contributing 75% of the increase in earnings. Nevertheless, in spite of ICB's onslaught, chairman Frans Cronje states that the beer division improved profitability and the wine and spirit side did well to hold its own in the face of slack demand.

By contrast, in 1978 a 9% improvement in earnings came entirely from liquor interests The total contributions from all diversified interests were then unaltered but within the liquor sector beer was almost totally responsible for the higher profit

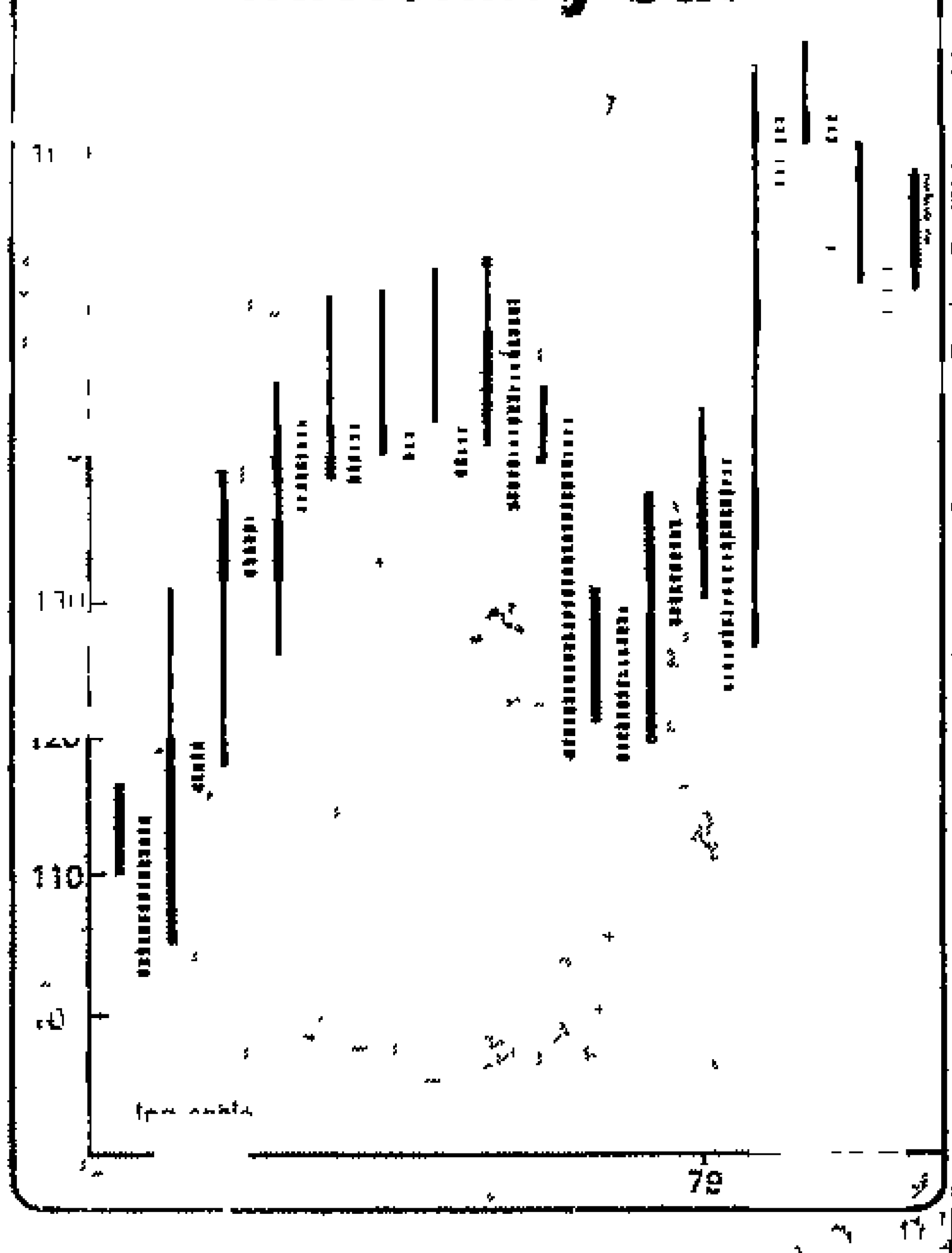


Bottling up profits . . .

PROFIT SOURCE



S A BREWERIES: flattening out



THE RADIOCARBON CHRONOLOGY

The rates derived from the simulations have shown that the fission model provided the fastest rates of expansion. The fission model was also characterised by a lower rate of expansion for a single culture than for the whole tradition. A comparison of the rates of expansion derived from the models with values derived from the radiocarbon chronology should provide a test of the appropriateness of the two models.

METHOD

Early Iron Age radiocarbon dates provide estimate of the period during which a site was occupied. Radiocarbon date... associated with them and it was d... not be calculated directly from t... used. Linear regression analysis... from a least squares analysis (Mc... Some sites had more than one date... (Huffman, 1977) was used to provi... was used only where dates cluster... with pre Iron Age events (Huffman,... recent than the earliest occurence... not used in the analysis as the an... of spread of the Early Iron Age.

DATA

Regression analyses for both ... to Silver Leaves and Kwale to Silver Leaves, were carried out. Three regression lines were calculated, the value for the expansion of the Urewe culture and the values for the two possible routes. In each case the earliest date was set at a distence of zero. The distance from this site to other early sites was measured. The regression line was then calculated and rates of expansion were derived from the results.

The sites and associated dates used in the present study are shown in tables seven, eight, and nine.

RESULTS

The regression line for the Urewe culture had a slope of 0,54 with the origin at 92 years (Fig.4). This gave a rate of expansion of 0,57 Km/year. The slope for the Urewe to Silver Leaves expansion was 0,116 with the origin at 34 years. The overall expansion rate was 9,6 Km/year (Fig. 4). The overall rate of expansion corresponded fairly well with the values derived from the simulation (Table 2) with moderate to high rates of population growth (0,035; 0,040) and medium population densities (5-10/Km^2).

The slope of the regression for the Kwale to Silver Leaves route was 0,096 with the origin at 138 years (Fig.5). The expansion rate was 10,3 Km/year considerably slower than the values derived from the discontinuous spread model ... temporal ordering within the complex indicated a North to South spread and hence a 'stream' model.

The relatively slow expansion rates associated with the simulations of the continuous spread model indicated that the wave model (Soper, 1971a) is probably incorrect. The rapid rates of spread generated by the simulations of the discontinuous spread model suggest that this was the most likely mechanism of dispersal. This mechanism mimics movements known from oral tradition (Kimambo, 1974; Legassick, 1969; Monnig, 1967; Turner, 1954; Were 1974). The groups that were hived off would have moved some distance and settled and they could have acted as nuclei for further expansion. Because more than one

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Another indication of the way the beer war is going is the rapid — and expensive — launching and dumping of new brands. For example, after a relatively short shelf life, Shaft, which is rumoured to have cost about R1m to launch last year, is being removed from the market. The "Sink a Shaft" advert appears to have been both catching — and prophetic.

While ICB appears to be concentrating its attack on the white consumer, presumably believing that blacks will automatically follow white preferences, SAB continues to dominate the townships. It pumps a considerable amount into securing this interest, for example staging a special dinner every year for the Shebeen Queens (the last one was held at the Carlton Hotel).

Noteworthy is this year's capex of R108,7m compared to the R63m earmarked for the previous year. In the main, capex will go towards expanding the liquor, retail and hotel interests. OK Bazaars intends spending some R22,7m on new hyperamas and conventional stores. Then there is to be further expansion of brewing operations in the north, a new malting plant in the Cape and the funding of Southern Sun's hotel-casino complex in BophuthaTswana.

To this end, SAB last year negotiated a R50m long-term debenture at an effective rate of 11,2%, of which R25m was drawn down during the year to finance existing loan and capital redemptions. In the current period, depreciation and disposal of surplus assets will total some R30m and fixed assets will increase by a net R70m. Together with higher working capital requirements, growth in net assets will be close to R90m.

Last year, SAB was top of the trading pops, with nearly 10m shares changing hands as the market took an unnecessarily cautious view of the potential damage of the beer war and the fact that SAB might be a vehicle for creating Financial Rands as foreign holders sold out. SAB has proved, however, that it is too diversified for that.

Compared to the flat first half, when earnings advanced by 6%, the second period bubbled with a 19% improvement when matched against the previous comparable half. This augurs well for the current year, when earnings of 30c should be possible with a dividend of, say, 14c. On this basis the share is underpriced at a prospective yield of 8,8% and should comfortably outperform the industrial market as a whole.

John White

AMREL

232 FM 6/7/79

Buckling into shoes

Activities: *Retailer of furniture and domestic appliances, from 115 outlets Also owns the retail footwear interests of Shoe Corporation SAB owns 60,5% of the equity.*

Chairman: *R J Goss, managing director: R S Cohen.*

Capital structure: *5,8m ordinaries of 25c 400 000 6% cum red prefs of R1 and 1,7m 8% cum red prefs of 87c. Market capitalisation R14,7m*

Financial: *Year to March 31 1979 Borrowings long and medium term, R6,3m; net short term, R17,3m Debt:equity ratio. 105% Current ratio 2,2 Net cash flow. R3,1m Capital commitments. R1,5m.*

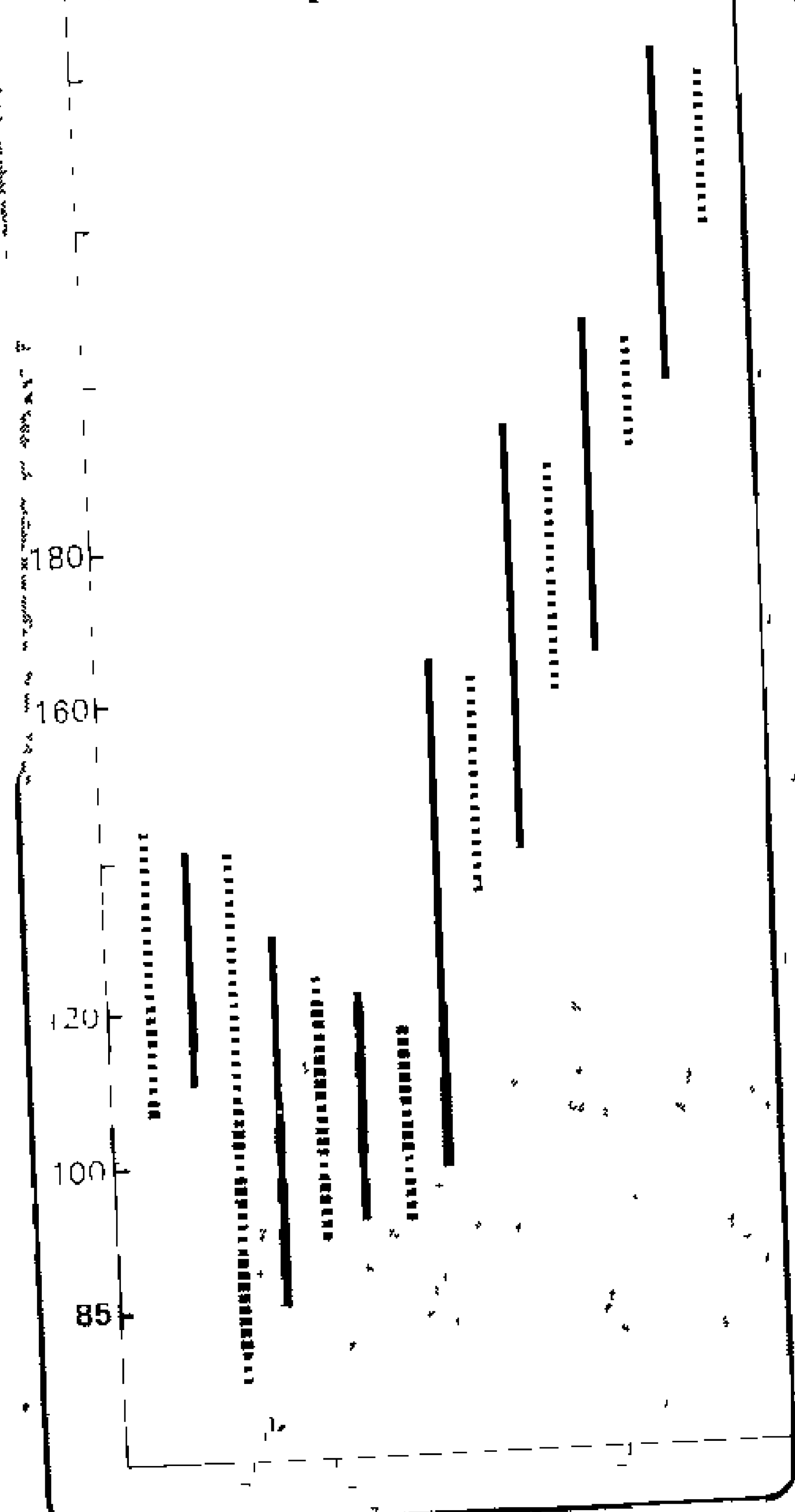
Share market: *Price 255c (1978-79, high, 285c; low, 95c; trading volume last quarter, 62 000 shares). Yields. 27,7% on earnings, 9,2% on dividend Cover: 3,0 PE ratio. 3,6.*

Since coming to the market in 1976 Amrel has been on the takeover trail Its first prey was Impala TV which it bought from OK; next was listed Melodys and, after negotiations with Samsteel fell through, SAB's retail shoe interests were taken over.

The acquisitions have pushed turnover up a compound 11,5% since 1976, and earnings up 15% since 1976 In the same period the group's annual dividend has increased from 11,5c to 23,5c. The share traded around 110c when listed, and now stands at 255c.

After two difficult years for the furniture market, Amrel turned in a 86,1% earnings rise and nearly doubled the dividend And this year further gains are on the cards

AMREL: In the pound seats



Last year Amrel's sales grew 29% against national retail furniture sales of around 4,9%. This, says chairman Dick Goss, indicates a gain in market share, and all eight trading subsidiaries beat targets The sales mix also changed with traditional furniture lines taking a greater slice of the market.

Although sales were 29% higher, Amrel managed to hold the rise in stocks to 11,6%, indicating a better stockturn Debtors rose 28,9% to R53,8m (R41,7m); but the provision for doubtful debts and unearned finance charges absorbed an unchanged proportion, and debt collection rates were "slightly" better than last year.

Total borrowings increased to R23,9m (R19,7m); but interest and leasing costs are covered a comfortable four times, and the debt:equity ratio is down from last year's 109%.

	'76	'77	'78	'79
Return on cap %	17,7	15,2	13,3	16,9
Turnover (Rm)	55,7	58,5	59,6	76,7
Gross profit (Rm)	5,6	5,7	5,7	9,0
Gross margin %	10,1	9,8	9,6	11,9
Earnings (c)	44,9	41,0	38,7	70,7
Dividends (c)	11,5	14,0	12,5	23,5
Net asset value (c)	257	281	307	356

This year's results should be helped by the acquisition of SAB's shoe interests and continuing closures of unprofitable stores. In the past two years 12 stores were closed, with three more scheduled for closure this year At the same time 22 new group outlets have been opened

The 1,1m Amrel shares issued to buy SAB's retail shoe interests will not affect net worth as Amrel paid less than net assets. Goss says there will be rationalisation benefits from the acquisition And it may be a pointer to a change in trading emphasis since there is evidence of some over-trading in the furniture market

Goss expects higher profits this year, and on the three times covered dividend policy, a higher payout seems on the cards

While prospects this year appear good, the market has given Amrel a low rating The share yields 9,2% at 255c This could stem from a high level of debt, which is nearly eight times annual net cash flow. Nevertheless interest and leasing commitments are well covered. Alternatively the market may regard furniture shares as being vulnerable to the latest round of price hikes, and expects Amrel's growth to tail off without further acquisitions.

The University of the Witwatersrand GSB's Centre for Share Research ascribes the share a high 1,9 beta rating, meaning high risk relative to the market Nevertheless, on a one year view Amrel appears a sound buy at current levels

Des Kilalea

Rentbel spring in en help kortes

(232) Deur DAAN DE KOCK Rapport 15/2/79

IN 'n interessante transaksie het Rentmeester-Beleggings 'n belang van 100 persent in Senator-Versekering gekry sonder om ook volle verantwoordelikheid te aanvaar vir die bykans R4 miljoen verlies wat President-Versekering, 'n filiaal van Senator, die afgelope jaar gemaak het.

Rentmeester moes egter van sy beste ander bates aan Senator oordra om hierdie transaksie te doen en Rentmeester se eie winsgewendheid vir die volgende jaar grootliks afhang van die mate waartoe President-Versekering kan herstel.

In 'n onlangse brief aan sy aandeelhouers beraam President dat hy vir die jaar tot 30 Junie 1979 'n verlies van R3 879 000 getoon het. Die maatskappy sê dat onderskrywingsprobleme in die verlede en abnormale hoë eisverhoudings die verlies veroorsaak het.

Om die verwatering wat die verlies op sy eienaarskapitaal gehad het, reg te stel, het President 11 persent aflosbare voorkeuraandele aan sy aandeelhouers, hoofsaaklik Senator, met 'n meer as 70 persent belang, aangebied Maar dit het nie gewerk nie en Rentmeester moes intree.

Die het op sy beurt van sy eie bates afgestaan aan Senator in ruil vir R5 miljoen se 11 persent aflosbare voorkeuraandele.

Die bates wat aan Senator oorgedra is, is die lekker winsgewende Apeldoorn Lighthouse, vervaardigers van visnette, Umdloti Strand Hotel en sy belegging in Bankorp. Volkskas-Aksepbank waardeer hierdie bates op net minder as R5 miljoen.

Die gevolg van hierdie transaksie was dat Rentmeester se verdienste per aandeel inderdaad styg terwyl sy batewaarde met ongeveer 50c tot 160c per aandeel styg. Daar word dus nie in hierdie stadium met die verlies gewerk nie en geen nuwe kontant word in Senator of President ingepomp nie.

Dit was moontlik gewees omdat Rentmeester aan die einde van die boekjaar op 30 Junie 1979 slegs 'n belang van 34 persent in Senator gehad het en dit was nie nodig om die verlies te konsolideer nie

Indien Rentmeester die afgelope jaar reeds die 100 persent belang in Senator gehad het sou sy wins van ongeveer 25c per aandeel moontlik 'n verlies gewees het van so veel as 50c per aandeel

Dit sou Rentmeester aansienlik geknou het en dit is duidelik dat President-Versekeraars vanjaar net beter sal moet doen. Indien nie, kan 'n baie ongemaklike posisie by Senator en Rentmeester ontstaan.

Die feit dat geen nuwe kontant in President gestort is nie, kan daarop dui dat dit nog redelik goed gaan met die versekeringsgroep se kontantvloei en dat daar dus nie in hierdie stadium probleme vir polishouers sal wees nie.

Maar daar moet onthou word dat Rentmeester nou van sy inkomstegewende bates verruil het vir voorkeuraandele in Senator. En voordat Senator hierop sy voorkeurdividend van R550 000 per jaar sal kan betaal, sal die verlies van President eers omgeskep moet word in 'n wins.

En dit sal beslis nie te maklik wees binne 'n jaar of twee nie.

Vermooten sê die wins sal kom

MNR. JOGGIE VERMOOTEN, ondervoorsitter en besturende direkteur van Rentmeester, sê die herorganisasie van bestuur, herversekering en kostebesparing sal meebring dat die korttermynversekeraars, Senator en President, binne 'n redelike tyd op 'n winsgewende grondslag sal kom, en dividende vanaf Senator sal vergoed vir enige moontlike verlies van inkomste uit die bates wat oorgedra is.

Die groter toetrede van Rentbel bewys juis sy vertroue in die spoedige herstel van die korttermynversekeringsmaatskappye.

Hy sê volgens konserwatiewe beramings sal die verdienste per aandeel van Rentbel, as gevolg van die transaksie, styg van 25c tot 28c per aandeel in 1980 en die netto batewaarde per aandeel van 107c tot 167c ná die inwerkingtreding van die transaksie.

Hy sê die transaksie dra die goedkeuring van die Registrateur van Finansiële Instellings weg.

Aangesien Rentbel nog goedkeuring van die Effektebeurs vereis vir die oordra van sekere inligting, is dit onmoontlik om in hierdie stadium al die inligting te verstrek, sê mnr Vermooten.

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

Konferensie van die Afrikaanse Calvinistiese Beweging, Potchefstroom (Oktober).

(c) Deelname aan Welsyns- Professionele en Openbare Organisasies

Die Direkteur het aktief gebly in die Suid-Afrikaanse Instituut vir Rasse-Verhoudinge as 'n lid van die Weskaap-Distrikskomitee, die Nasionale Uitvoerende Komitee en van die Raad.

Hy is Voorsitter van die Quaker Service Fund in die Kaap, die diensafdeling van die Godsdienstige Vriendekring (Quakers), wat gemeenskapsontwikkeling op die platteland en in die stadsgebiede bevorder.

Die Direkteur is gekies as lid van die Raad van die Vereniging vir Sosiologie in Suidelike Afrika. Hy is ook 'n lid van die Suid-Afrikaanse Sosiologiese Vereniging en van die Internasionale Sosiologiese Vereniging. Hy is aangestel as die Suid-Afrikaanse afgevaardigde in die Raad van die Internasionale Sosiologiese Vereniging vir die tydperk 1978-1982.

WAARDERING EN DANK

Ek is altyd dankbaar vir die geleentheid wat die jaarverslag bied om my waardering te betuig aan lede van die Akademiese Advieskomitee en die Beheerraad vir hulle leiding, aanmoediging en belang in die aangeleenthede van die Sentrum.

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

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Mnr C.S. Corder
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Professor G.F.R. Ellis
Biskop A.W. Habelgaarn
Mnr E.V.E. Howes*
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Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

15/7/79

Groot vervoerder uit

EEN van die grotes in Suid-Afrikaanse langafstandpadvervoer, Mainline Carriers, 'n lid van die Freight Services-groep, is aan die firma Du Toit's Transport van Windhoek verkoop.

Hoewel Du Toit's Transport in Windhoek gevestig is, bedryf die maatskappy sake op 'n landwye grondslag. Die transaksie is op 19 Junie, twee dae voor die jongste styging in die prys van brandstof, beklink. Die styging van 15c per liter was egter nie 'n onaangename en onverwagte skok vir die nuwe eienaars nie. Die saak is beklink met die volle besef dat 'n styging aan die kom was.

Mnr. Noël de Villiers, direkteur van Freight Services en voorsitter van Musgrove & Watson Castlemarine en gewese voorsitter van Mainline Carriers, is van mening dat dit vir die private karweier die moeite werd is om op kort afstande te konsentreer.

Sy filosofie is dat langafstand-karweiwerk aan die Spoorwee behoort. As iemand dit anders sou wou gehad het, moes daar al vyftig jaar gelede daarvoor beplan gewees het.

Wat Suider-Afrika betref, sien mnr. De Villiers sake anders. In die groter verband is daar heelwat geleentheid vir oorgrense vervoer sowel as geleenthede in buurstate.

Dié moontlikhede word nou deur mnr. De Villiers en sy groep deeglik ondersoek, en as die kanse goed blyk te wees, kan dit dalk benut word

10X

(232) FM 20/7/79

SAB/UNION WINE

Dick Goss v Pretoria

A planned takeover of Union Wine and Picardi Hotels - the last of the independent, vertically integrated liquor groups - by South African Breweries (SAB) has been blocked by government

And SAB managing director Dick Goss tells the *FM* "We're not exactly happy at the decision In fact it's patently unacceptable"

According to Goss, negotiations were held with Union Wine and Picotel chairman Jan Pickard over a period of some months. Negotiations were complicated, but the aim of SAB was ultimately to acquire the two companies lock, stock, and barrel This would have given SAB another 28 hotels, 27 off-sales, and 29 bottle stores, thus reducing significantly the gap in the number of outlets between it and the massive Remgro/Oude Meester combine

Twin keys to the lucrative and fiercely competitive liquor retail market are the bottle stores and off-sales outlets SAB's Solly Kramer chain owns about 130, and Remgro/OM has direct influence over something like 300 through Western Province Cellars, Liquor Town, and Gilbeys/Rebel In the light of former Justice Minister Jimmy Kruger's decision to allow Remgro to buy its 49% stake in Gilbey's, SAB was reasonably optimistic its bid would not hit official snags

Negative reaction

As Goss tells it, once agreement in principle was reached on terms of the deal, it was decided to request ministerial sanction required in terms of the Liquor Act "Before we actually affixed our signatures to the necessary documents we went to the minister (at the time it was James Kruger - Alwyn Schlebusch has only taken over the justice portfolio recently) But we had such a totally negative reaction that we decided to call it a day The rebuttal was based on the fact that there is an inquiry being conducted into the liquor industry by the Board of Trade (BOT) - but it was a rebuttal, nonetheless, and that appears to be the end of the deal" (The BOT has been directed to investigate and report on monopolistic conditions in the supply and distribution of liquor)

Just how much money was to have been involved in the deal, Goss is not prepared to say "I would not be happy about disclosing the financial details The whole exercise is in any event now only of academic importance - unless the new minister takes another view," he explains

Nevertheless, Pickard has made it clear to the *FM* that the takeover would have cost SAB many millions of rands

In a recent interview with the *FM*, Pickard said he would be interested only if SAB offered him an outright takeover or a marketing agreement A minority stake was out of the question And he said (with characteristic optimism) that 10 times

SAB's Dick Goss . . frustrated by government

earnings - or about R8m - for Union Wine would be "something to talk about"

Union Wine's operating profit before tax for the 1977-78 financial year was R1,35m (1977 R1,22m) After deducting tax and minority interests, group earnings attributable to ordinary shareholders increased from R711 000 to R801 000, giving an increase in earnings per share of 2,1c (from 17,0c to 19,1c) Picotel's interim report to December 1978, forecast pre-tax profits of R1m, and Union Wine holds 80% of Picotel's equity

In SAB terms the acquisition would not have been all that important were it not for the fact that failure to take over the Pickard liquor interests would have left that group prey to similar approaches from Remgro/OM For in discussions with the *FM*, Pickard himself made it abundantly clear that he would not be averse to talks with the Remgro/OM group "I have talked to someone at Oude Meester," he said at the time.

Oude Meester MD Gys Steyn was less forthcoming "I am not aware of discussions," he said, "and if there had been any it would not be a matter for announcement to the press"

The fact that Remgro/OM may be interested is of vital concern to SAB If it drops the matter entirely while waiting for the BOT to complete its investigation, Remgro/OM may well step in And if the all-clear is eventually given by the BOT, and Pickard is able to sell, Remgro's interests would undoubtedly be well-served by such an acquisition

Nevertheless, the ministerial edict as it stands is mystifying, to say the least The criterion normally applied to takeovers in the liquor business is whether they will lead to unfair competition With the numerical imbalance on outlets heavily weighted in Remgro's favour, it is particularly difficult for SAB to understand how and why Kruger reached his decision to stop the deal

A bitter Goss rails "Here we have a situation where things are made unequal - and on ministerial discretion"

Whatever has happened, however, Goss intends to pursue the matter when the new minister, Alwyn Schlebusch, returns to office "We must, for what it's worth, refer the matter back to the minister. Mr Schlebusch has a solid reputation for fairness But this is one helluva complicated industry, and it will take some time before he is in a position to make the necessary evaluation And even then, he may simply say we have to wait for the BOT to report," he adds

It is difficult not to sympathise with Goss He has long held the view that producers should be out of the retail liquor sector entirely Indeed, some at SAB reckon the BOT may even direct that producers should divest themselves of such interests

Such a development might suit SAB, but with Remgro/OM (through Intercontinental Breweries) deeply committed financially to achieving a much healthier slice of the market (current estimates put their share at less than 10%), it is unlikely they will take such a decision lying down

Hugh Murray

Financial Mail July 20 1979

FRANCHISING

(232)

Catching on

A high proportion of franchise operations end in failure in SA Johannesburg business consultant Cyril Charney believes 40% of them go bust, and even more of the locally conceived schemes fail It's to prevent this and to clean up the image of franchising that the Franchisors' Association has been formed The first meeting is scheduled for Wednesday Members will include representatives of the food chains, such as Juicy Lucy and Wimpy

"Franchising is not a quick way of making money," comments Charney, "but a slow development It's like bringing up a baby. The franchisee must be nursed and assisted until he is able to operate on his own."

One of the biggest headaches, says Franchise International MD Sam Meltzer, is control and payment of royalties. Most franchisees are expected to pay a percentage of turnover for advertising, administration and other services

"Franchisees are happy to pay royalties if they are getting something in return," comments Meltzer, "but if services are inadequate, the payment of a royalty becomes meaningless "

There are an estimated 30-40 franchises operating in SA at present They include food chains, motor and petrol companies, hotels and car hire firms Strongest body is in the food line, including franchises such as the US-based Kentucky Fried Chicken, the UK-based Wimpy, and the locally-based Juicy Lucy Others include the Exhaust Shoppe, Varsity Sports and Minit Print.

Charney believes that a franchise should specialise in a few products only, or offer a specialised service "The business must be specialised enough to maintain a set quality standard "

Between 70 and 80 franchise operations are expected to be established within the next few years, according to Meltzer In the US, franchise operations are responsible for about 35% of total retail sales. In SA the figure is between 5% and 10%

The franchisor usually provides advertising, promotional and administrative services, as well as new product development and setting up assistance Some provide training programmes and bulk buying of products and packaging The franchisee pays a royalty for these services, usually between 3% and 5% of turnover, with an operation like Wimpy charging about 4%, Kentucky 5% and Varsity Sports about 4%.

The initial franchise fee varies between 4% and 12%, and capital investment required is usually between R10 000 and R30 000 In the case of a Kentucky franchise, initial franchise fee is about 11%, and setting up costs about R30 000. The Exhaust Shoppe requires a capital investment of between R10 000 and R12 000

If too many franchises develop too rapidly, comments Varsity Sports MD Brian Fine, the franchisor cannot keep up the services and the franchisee becomes unwilling to pay the royalty "The success of the franchise operation depends on the success of its outlets," he says. "Best potential businesses are food businesses, which do not involve huge stock investments "

Exhaust Shoppe MD Hymie Brest believes that the potential franchisee, as well as the area of operation, must be well researched if the outlet is to be successful. The success of the whole depends on the outlets "

One franchise operation which grew too rapidly was the Econ-o-Wash launderette franchise which recently went into liquidation. Franchise outlets are now being run as individual businesses An ex-franchise owner comments that oversaturation in densely populated areas, marketing techniques and competition from operations such as Laundraland, were responsible for its collapse He believes that less than 30% of the remaining Johannesburg outlets are profitable at present Successful local franchise operations include Juicy Lucy, which is expanding to the US, and Mike's Kitchen, which is expanding to Germany Others are likely to follow.

Franchise International is hoping to establish a number of imported and local franchises within the next few years, including Papagallo ice-cream, with 100 potential outlets, and Alpen Garden furniture, with about 30 outlets.

"A number of quoted companies may start buying into franchises or become franchises in themselves," comments Meltzer He believes that numerous businesses are franchisable, but shortage of venture capital is a problem In SA the white market is not big enough to warrant large-scale franchising He believes that the biggest potential market is the black market, with black franchise operations run by blacks in their own areas.

Charney comments that there is tremendous potential for exporting SA business expertise to African states and homelands, with black businessmen sponsored by local development corporations

It seems that both local and imported franchises are likely to grow within the next few years, and more types of businesses are likely to be franchised

Meltzer . . . beware of royalties on nothing

is consistently worse than that of the whites. The 'coloureds' have higher mortality rates for all the major causes of death apart from cardiovascular diseases and neoplastic diseases in men over 65 years of age, neoplastic diseases in women in this group, and cardiovascular disease in men 45-64 years of age during 1960 and 1970. Clearly the rate of 5/1 000 which has been chosen is entirely arbitrary but a similar pattern of mortality emerges if lower or higher levels are selected.

Two aspects of these age-cause specific mortality rates require emphasis. Firstly, whilst being affected by the incidence of the diseases in question, these rates are also influenced by their fatality rates, for example, a decrease in the mortality related to Tuberculosis will not only be influenced by a decreasing incidence of this disease but also by improved prevention at primary, secondary and tertiary levels of intervention which will consequently decrease the fatality rate and, therefore, the associated mortality.

Secondly, it should be appreciated that although the calculation of ra[...] important for comparative purposes since they take into consideration [...] underlying population, for the providers of health care the actual num[...] are also of importance. This is particularly true for those groups w[...] contribute a comparatively large proportion to the total population, [...] example 'coloured' children 0-4 years old. The different demographic [...] files of the two communities for 1951 are presented in Fig. I, and th[...] vides an indication of the age distribution of whites and 'coloureds'[...] The changes in this distribution which occurred between 1941 and 1970 [...] for the purposes of the present study, of relative unimportance.

The expectations of life for 'coloureds' and whites are presented in Fi[...] Although data has been published for Africans[5], this is speculative and [...] not considered to be of sufficient reliability to warrant inclusion. Two different expectations of life have been included: (1) e_o – the expectation of life at birth, and (2) e_{45} – the expectation of life at 45 years of age. Characteristically women have a better expectation of life than men, and Fig. 6 indicates that this is so for both whites and 'coloureds'. In fact, so marked is this difference that at e_{45} 'coloured' females have a better expectation of life than white males. What is perhaps of some concern is that the gap between the expectation of life for males and females is widening. This trend is apparent in both the whites and the 'coloured' communities, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

5. South Africa (1971-1977) : Departme[...] Deaths, Reports 07 - 03 - 01 to 07 [...] Pretoria.
6. South Africa (1948) : Official Year [...] Government Printer, Pretoria.
7. Van Tonder, J.L. and Van Eeden, I.J. [...] for all the population groups in the [...] (1921-1970), Report S-34, Human Sci[...]
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10. Doll, R. (1976) : Monitoring of Gove[...] in Community Medicine, Volume 2. [...]

PACKAGING

232

Boxing match

FM 16/8/79

A newcomer to the field of corrugated cardboard manufacturing — Metal Box — will bring a welcome whiff of competition to the R500m a year cardboard and paper packaging scene The industry is currently dominated by Barpak (the alliance of Reed, Nampack and Barlow) with a turnover last year of some R263m, and Kohler, with a turnover of R92m

An alliance of Metal Box, the former father figure of the industry (Oscar Fruman, who founded Nampack) and two former Nampack executives — Cliff Bath and Brian Nienaber — will be opening two factories (one at Durban's Prospecton and one in the Transvaal) for the manufacture of corrugated cardboard containers, in about six months' time Metal Box MD Derek Jacobs tells the *FM* his company is "most excited" about the new venture, Independent Packaging, which will be under the active management of Bath and Nienaber IP will be capitalised at R1,5m in ordinary shares, with commensurate bank overdrafts Jacobs expects the Metal Box group's normal return of 25% (pre-tax and pre-interest) to be attained "within three to five years "

Key to profitability for Independent Packaging is the role to be played by Metal Box as the major customer for its product (corrugated cardboard containers for its own metal cans) Metal Box currently buys these containers mainly from Nampack and also Kohler

Metal Box's product range already includes small quantities of cardboard products, for example composite containers (ie cardboard cylinders with metal ends) for powdered products such as custard And, for the Metal Box group of companies, worldwide, the venture is by no means a radical departure, as many group companies outside SA are active in the area of paper products, including one which manufactures corrugated cardboard

Jacobs also explained that any move which could enhance Metal Box's strength in a "very competitive" situation in SA was not to be overlooked Competitive can makers include Crown Cork, Maitland Sheet, Van Leer and Hendler & Hendler. And alternative containers, in plastics and glass, are made by Consolidated Glass and others

Although it is Iscor's biggest customer after the SAR, Metal Box gets no help from the steelmaker, which sells tin plate at a flat rate to all customers A high proportion of the product range with which Metal Box's customers fill its cans (fruit, jams, fish) is destined for export, so that SA can prices must remain competitive with those of cans manufactured elsewhere"

A personal note: Oscar Fruman himself (although not restricted by a restraint of trade clause relative to Nampack) will only be a passive supplier of investment capital, though clearly his vast knowledge and experience will obviously be of great value at boardroom level

Barpak MD Bas Kardol says he is "neither surprised nor worried" by the new competition

Financial Mail (232) 31/8/79

ing indebtedness in 1978 and the timely upgrading and automation of plant, Consol has been able to fully capitalise on strong sales of wine, beer and cold drink bottles

With estimated taxed profit rising by 61% to R8,6m (R5,3m), shareholders have been treated to a 48% increase in the dividend to 40c (27c) Out of this, about R1,4m should flow up to holding company Anglo Transvaal Industries compared with R921 000 in the previous year

At the half-way mark, Consol's taxed profit was ahead by 49% at R4m (R2,7) So profitability increased further as the year progressed, despite an earlier forecast by directors of a seasonally less buoyant second half

Consol, which is estimated to hold 100% of the bottling market (Metal Box is king of the cans with an estimated 90% market share) hoisted container prices by an average 9% in June Hopefully this will offset higher production and distribution costs sufficiently to ensure steady progress in the current year

Since the cost factors still appear to be heavily geared in favour of bottles rather than cans, and since the better results owe much to productivity gains, there is ample scope for a further improvement, consumer spending permitting

Of the other companies held under ATI's banner, Steelmetals improved profit by 45,5% to R1,5m, raising the dividend by a generous 57%, or 10c, to 27,5c As an engineering supplier and contractor, Steelmetals appears to have profitably handled its share of the growing amount of work available plus the bringing to account of a major contract completed in the second half Elsewhere in the ATI stable, National Bolt improved by 17%, raising the dividend by 14% to 16c and Claude Neon turned in a creditable 21% improvement in taxed profit and paid a 25% higher dividend of 7,5c

Under the South Atlantic umbrella, T W Beckett successfully brewed a 32% advance in taxed earnings to a record R2,9m Out of this a 53% higher dividend of 23c has been declared, making the contribution to SA R600 000 compared to R391 000 in the previous year

Beckett was 47% ahead at the interim stage when R1,5m was earned, so growth appears to be slowing down slightly. Globe Engineering, however, was more pedestrian, boosting taxed profit by a mere 7% to R1,8m and the dividend by 10% to 27,5c Consequently, the cash flowing up to SA increases by R70 000 to R769 000

The other major holding, Irvin & Johnson, labouring under higher operating and distribution costs as a result of fuel price rises, still managed to trawl a useful 8% increase in profit to R5,6m

Surprisingly, the dividend was raised by 22% to 9c, boosting the contribution to SA to R1,4m (R1,1m) At the half-way stage, taxed profit was R2,8m, or half of the year's total While I&J appears to be becalmed, the higher dividend tends to support the belief that it is managing to contain costs and gain market share and can afford to lend South Atlantic a helping hand

As for South Atlantic itself, its consolidated taxed profit was 35,8% higher at R7,8m (R5,7m), excluding extraordinary items such as the R2,9m surplus earned through the sale by Kerguelen of its 10% stake in Rainbow Chicken However, SA was evidently unable to raise the dividend by more than 3c to 19c, for a 19% rise.

On the surface this is a little surprising, even though dividend income from Globe Engineering was but 10% higher The other two large listed investments, I & J and Beckett lifted their contributions by 29% and 48% respectively Since I understand that the policy of distributing most income remains unchanged, it appears

Cons Glass . . . bottling up profits

that South Atlantic's dividend income from unlisted investments has dropped Certainly the loss of income from Kerguelen will be missed, at least until such time as that R2,9m can be profitably placed.

Consol's share price has had a good run, having appreciated from 400c in January to 625c and appears fairly valued on the basis of the 6,5% yield Steelmetals has now recovered to the point where it is paying the same dividend as in 1976 and 1977 and looks slightly neglected at a yield of 12% I & J's 8,8% rating reflects investors' uncertainty over its ability to weather the fuel price rises while National Bolts suffers from a lack of marketability South Atlantic has the wider spread of interests, but its thin dividend cover does render it susceptible to any interruption in dividend income from its varied subsidiaries Nevertheless its 8,6% historic yield is not to be sneezed at in today's market

John White

congruities which are recognised by all, whatever criteria of 'value' are used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

V.D.	++	++	++	++	16
Dental problems	++++	+	++	++	16
TB	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws*	-	++	+++	++++	0

* Added to test scoring method

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different

Financial Mail
31/8/79

ATI GROUP

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A happy bunch

FM 31/8/79

By and large the preliminary results from eight of the nine Anglovaal industrial companies have fulfilled the high expectations raised by strong performances at the interim stage With the exception of Globe Engineering's subsidiary Shipwrights & Engineers, all have announced higher dividends and earnings, some of them at record levels.

Pick of the bunch this time round is obviously Cons Glass As a result of reduc-

the cost of raising the nece
The funds themselves are alr
native methods of provision,
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budget.

Where the methods of providing
sources in different proportio
by means of Linear Programming
usually be presented in the s

2. CHOICE OF PROGRAMMES

So far, we have discussed methods
objective. But what tools are
ives themselves? Can anything
to be given to particular disea
more to child welfare clinics or

Overall criteria are needed, and t
way that they can guide these deta
problem is not only to relate res
to relate the various objectives

(232) FM 7/9/79

JOHN ORR

Now or never

The mandate given Standard Merchant Bank by John Orr was to assess "certain conditional proposals" to the offer of 250c a share for the family shareholding To date, however, no firm proposals have been submitted While SMB is for the moment stymied, it does expect something to materialise by Friday or Saturday this week — if Finansbank can manage to hold together its side of the deal

One of these conditions is that Finansbank was not prepared to "buy blind" As such, it requested a look at the books before formalising the offer So that 250c is but an opening gambit Another aspect with which SMB was concerned was the substance of the people behind the deal On this score it is evidently happy

As for turning the properties to account, Finansbank opines that an infusion of as much as R7m could be needed to renovate some of the older buildings before their potential can be fully realised

Just how those properties could be put to use is the subject of much speculation According to some sources, Checkers might be tempted to occupy the basement level of the Johanesburg downtown flagship According to Checkers MD Bob Harvey, however, he is not interested in downtown locations "unless absolutely superb" Some would say that the John Orr's store qualifies in this respect

John Orr's Johannesburg flagship . . . what's happening behind those doors?

Edgars' chairman Sydney Press has had a lot of success with downtown retailing and, so the story goes, might well consider taking the Jet chain into the CBD, possibly into the ground floor of John Orr's As for the rest of the building, conversion to offices looks to be the only reasonable alternative

Elsewhere, Press is believed to have expressed interest in taking the headlease on the Durban store as well as one of the suburban leases, like Sandton

On the question of insider trading, the JSE has yet to finalise its investigation and, hopefully, make public its findings Finansbank says that its nose is clean According to director Dr J Rudolf "We have no strategic stake in the group In fact, neither us nor any of our associated companies has ever owned a John Orr share Someone else has been messing around, and it will be very interesting to find out just who"

During the period under investigation, July 16 and August 10 inclusive, upwards of 150 000 shares changed hands But there was another period last year when overactive volumes sparked rumours that Graham Beck was about to take John Orr into the Stuttafords fold Between July and August last year, 276 000 shares were traded, prompting the thought that even then the Orr family might have been responsive to a bid

John White

There are various means of doing this; but all of them require that expenditure be accounted for by the ends it is expected to achieve.

2.1 Programme Budgeting

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

This is necessary:

(a) to know the cost of pursuing each objective;

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

... the latter is ... of techniques".

He adds:

> "In practice, it is not an easy matter to make a hard and fast distinction between technical matters and matters of values or utilities in the health services. From one point of view, the question whether to treat schizophrenics in hospital or in the community is a technical one. Which is the cheaper way to fulfil whatever are the society's requirements for the treatment of this group? But community care originally became fashionable as a good thing in itself. The practitioners are very apt to muddle the medical and economic arguments when it suits them, and the politicians and administrators equally so when it suits them, but the economist's concern is to keep them separate". [9]

Programme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

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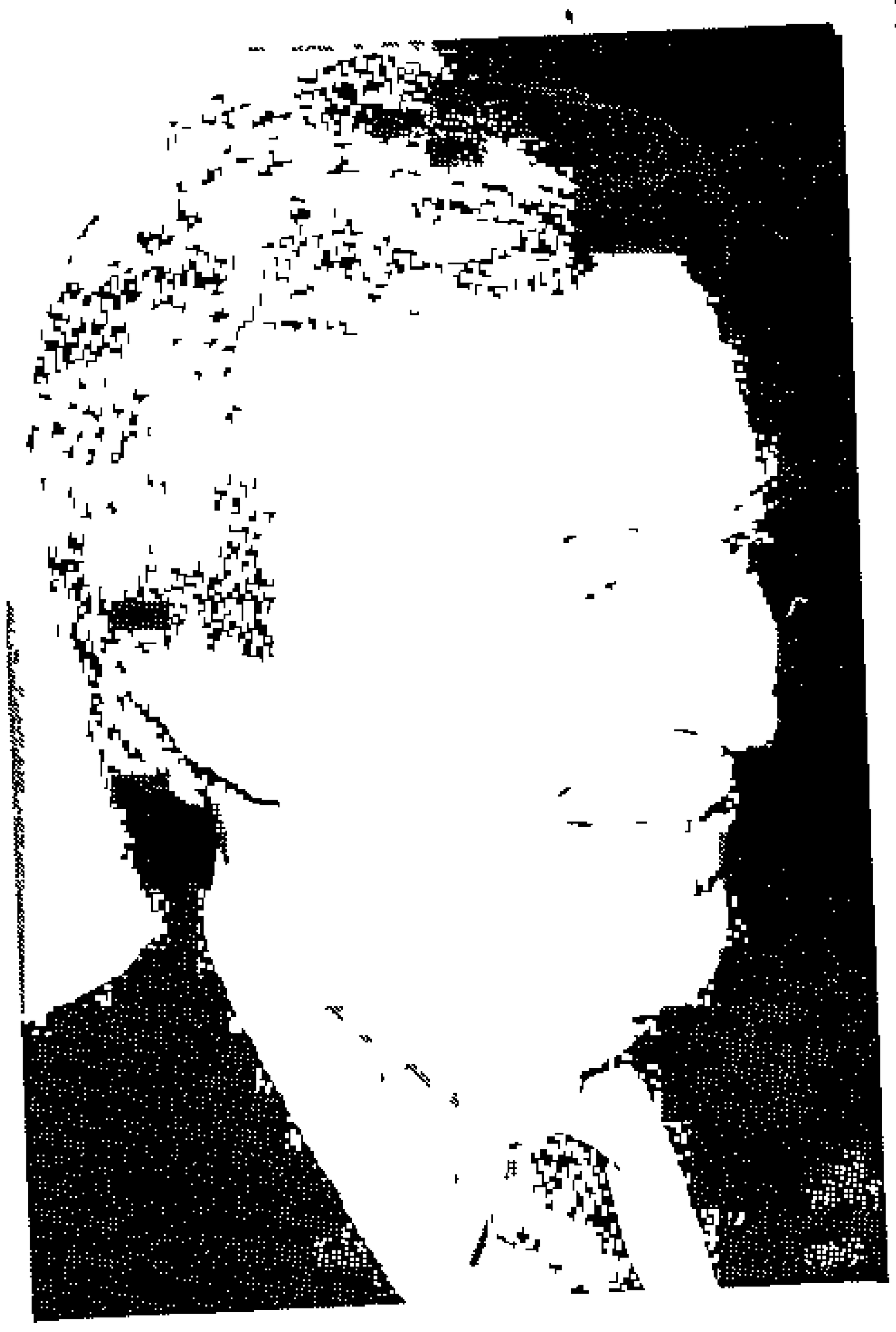
REMBRANDT

What's Anton up to?

It was only a matter of time before Rembrandt's R117m cash holdings began to burn a hole in chairman Anton Rupert's pocket. That moment seems to be at hand.

The group (Remgro) is investigating — among other possibilities — another huge portfolio investment in keeping with its holdings in Volkskas and General Mining, the *FM* learns But as usual, Stellenbosch is keeping mum on developments

The market has been rife with specula-



Anton Rupert . . . planning his next move

tion on just how Rembrandt intends to direct the vast amount of cash currently available for investment by the group Some believe there is a planned takeover of Premier Milling in the offing (hotly denied by Premier chairman and MD Tony Bloom, who tells the *FM* he would not have taken the chief excecutive's job if such a move were on the cards) or Fedfood, the Federale Volksbeleggings offshoot (equally strongly discounted by that company's management)

Remgro director and senior spokesman Tienie Oosthuizen describes the market talk as "speculation". "We won't make a statement on anything of this nature until we've got the deal concluded," he says "Dr Rupert said in his chairman's address that we were looking around for investment opportunities, that's as far as I can go at this stage," Oosthuizen adds

Nevertheless, speaking to cautious Remgro executives in Stellenbosch, the *FM* gained the clear impression that — apart from acquisitions that will strengthen his position in the beer war — Rupert is not interested in adding to his investments in marketing (There were preliminary talks between Remgro/Oudé Meester and Rennies over Holiday Inns and Rennies Liquor Holdings, but Rennies chairman Charles Fiddian-Green says nothing is happening on that front now)

"You may rest assured that what we are looking at is a portfolio investment We've got more than enough on our plate as far as marketing is concerned," one Remgro source says "Our style, which we will almost certainly keep to, is investment in such organisations as General Mining and Volkskas "

Adding substance to the reports that Rupert plans to diversify his financial interests even further is the fact that the Remgro chairman is delegating more than ever to his lieutenants in Stellenbosch For some time there was internal talk that Rupert was planning on moving into the alternative fuels market, but this too has been knocked on the head by sources close to him As the *FM* understands it, Remgro believes this area will be somewhat overtraded, with such giants as AECI and Sentrachem not leaving room for it to manoeuvre — unless it goes into partnership with one of the majors.

Rupert's admission at last week's agm in Stellenbosch that the cash his group has on hand will be used for other investments is in itself a departure from his normal corporate practice, which demands total silence on group activities Add to this the fact that the group has R117m in cash, and everything points to that money shortly beginning to talk

It is reliably learned, however, that because of the size of Remgro's potential investment(s) it is unlikely the deal(s) will be finalised in a hurry.

As is Rupert's habit, it will be another case of *festina lente*

Hugh Murray

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(c) to know the effectiveness of a given amount of money when spent on different objectives, so that choices can be formulated in terms of the alternatives we might afford - so many geriatric day care centres, so many child welfare clinics, etc.

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the cost of raising the necessary funds has to be taken into account. The funds themselves are already justified by comparison with the alternative methods of provision, but there are additional costs involved in raising them: interest on loans, or administrative and incentive costs of raising taxation. These are normally insignificant for any given project, but may affect the overall amounts ...

ing out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

to relate the various objectives

There are various means of doin... expenditure be accounted for by

2.1 Programme Budgeting

Programme budgeting, also known ... presentation of expenditure dat... is directed. Thus, projects t... geriatric problems, sanitation ...

This is necessary:

(a) to know the cost of pursuing each objective;

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

s with sugar until creamy, then add nuts,
king powder and lemon. Fold in stiffly-
g-whites. Bake at 350°F for ½ hour.
h whipped cream.

PROTEA HOLDINGS

(23)

Conservative targets

Activities: *Holding company with subsidiaries producing and trading in chemicals, medical and laboratory products, electrical and electronics goods, instrumentation, metals and engineering products, consumer products and protective clothing The directors own 1,5% of the equity*

Chairman: *F G Beard; managing director L A Beard*

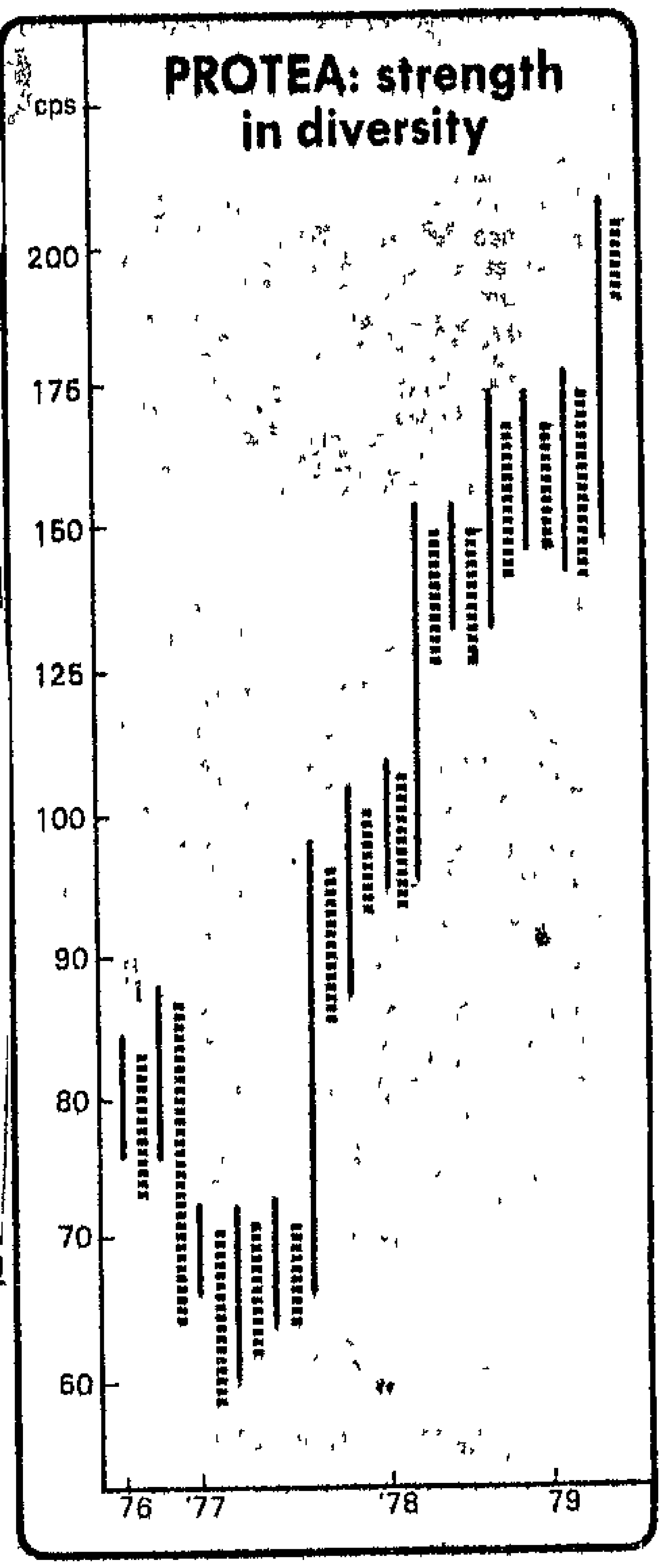
Captial structure: *30,2m ordinaries of 10c and 4,0m 12,5c dividend cum red prefs of 10c.*

Market capitalisation. *R64,9m*

Financial: *Year to June 30 1979 Borrowings· long and medium term, R20,8m, net short-term, R10,5m Debt equity ratio 61,3% Current ratio 1,8. Group cash flow R12,7m Captial commitments R1,1m*

Share market: *Price 215c. (1978-79· high, 215c; low, 96c, trading volume last quarter, 929 000 shares) Yields 15,6% on earnings, 7,9% on dividend Cover 2,0 PE ratio 6,4*

MD Aidan Beard is not one to stick his neck out unduly, so his minimum targets of 15% earnings growth and at least 10% dividend growth for the next three years are probably conservatively pitched But



if they are all that Protea attains, by 1982 the group should report earnings of at least 51c from which a 2,2 times covered dividend of 23c should be paid

	'76	'77	'78	'79
Return on cap %	20 7	20,4	23 7	25 6
Turnover (Rm)	194 9	167 3	178,2	214 5
Pre tax profit (Rm)	18 4	16 2	14 2	18 2
Gross margin %	9,5	9 7	10 1	10 4
Earnings (c)	26,6	21 5	27 4	33 6
Dividends (c)	13	13	14	17
Net asset value (c)	145	137	145	162

Added to the financial objectives set in 1977, which include a minimum 20% return on shareholders' funds and a maximum debt equity ratio of 80%, are that new investment should exceed R40m in the next three years (this is more a consequence than an objective), and that turnover should rise at an annual rate greater than 15% On this basis, by 1982 Protea's nav should be higher than 310c and sales over R246m

Prospects for the various divisions, coupled with Protea's new approach to acquisitions, which is now based on controlled diversification, suggest that these objectives are minimum norms and that they are likely to be exceeded Certainly, last year's 22,6% earnings growth should not be difficult to match, given the group's move towards increased-

PROTEA BY DIVISIONS

	Turnover (Rm) 1979	Turnover (Rm) 1978	Trading profit (Rm) 1979	Trading profit (Rm) 1978
Chemical	46 2	36 1	4,7	3,7
Metals & engineering	25 4	15 2	4 8	2,9
Electrical & electronics	55 8	51 9	1 2	1 2
Consumer products	20 3	18 3	2 4	1,8
Instrumentation & laboratory	28 3	23 6	3 0	2,4
Medical	19,1	16 3	2 7	2,1
Protective clothing	19 9	17 5	1 1	0,8

profitability particularly in the electrical and electronics division

On this division's 26% contribution to group turnover, it accounted for only 6,2% of group trading profit due mainly to loss-making situations in the lighting and electronics manufacturing arms However, the directors forecast a turn-around with elimination of certain loss makers, managerial changes in the electronics division and improved market conditions.

This division's only acquisition was Bryson's Electrical, a Witbank-based electrical supply company The group's most successful acquisition appears to have been the cold-room equipment manufacturer, SA Linde, for R800 000, this has been incorporated with the commercial refrigeration operations Together, these subsidiaries could achieve high margins and have already won highly profitable defence contracts for the production of mobile refrigeration units

Profitability should be further enhanced by the acquisition of Rockwell Standard for R2,2m, which supplies axle assemblies and the sale of the unprofitable wheels division of Protea Wheels & Axles The engineering and metals division's profitability is higher than that of any other divisions Last year it contributed R4,8m (R2,9m) or 23,9% (19,8%) of group trading

Aidan Beard . . . not expecting conservative performance

Financial Mail

(232)

14/9/79

profit o[n sales of] only R25,4m (R15,2m) 11,9% (8,[illegible]%) of group turnover.

The chemical division is budgeting for an increased profit, with rationalistation of newly acquired industrial chemical distributor B Owen Jones, increased technical competence and the substitution of petrochemical products with non-petroleum substitutes. The division is also expanding its marketing network for special chemicals, which is expected to give better market penetration, particularly in the mining industry

Another division likely to benefit from increased demand in the mining industry is instrumentation. It also hopes to benefit from moves to produce alternative fuels and rapid developments in electronics and telecommunications manufacturing Acquisition of Pretoria Telecommunication Industries is likely to boost profits further in view of its defence telecommunications contracts

The R5,2m increase in long-term debt caused the debt equity ratio to rise to 61,3% (56,3%), but this gives no cause for concern, and is R10m off the set limits

The source and application statement reveals that R10,7m (R5,5m) was applied to increasing net current assets, through R22,2m increased stocks and R22,9m higher debtors, — partly offset by a R10,7m rise in creditors The increase in stocks is in line with the increased sales, and Beard points out that the stock turn remained constant at 2,5

This year, the group appears to be capable of at least emulating last year's growth rate, pointing to earnings of at least 42c from which a twice covered 21c dividend is possible for a 9,8% prospective yield. On this basis the share price does not fully discount medium-term prospects.

Peter Pittendrigh

(232) FM 10/8/79

REMBRANDT GROUP

Tobacco smoke screen

Activities: *Investment holding company with subsidiaries and associates in tobacco, liquor, mining and banking Rembrandt Controlling owns some 51% of the equity*

Chairman· *Dr Anton Rupert, managing director. D M Hoogenhout*

Capital structure: *52,2m ordinaries of 10c Market capitalisation R214,0m*

Financial: *Year to March 31 1979 Borrowings long and medium term, R72,4m Net cash R56,1m Debt equity ratio 20,4% Current ratio 2,4 Group cash flow R119,8m Capital commitments R10,6m*

Share market: *Price 410c (1978-79 high, 420c low, 295c, trading volume last quarter, 624 000 shares) Yields 44,1% on earnings, 6,2% on dividend Cover 7,1 PE ratio 2,3*

	'76	'77	'78	'79
Return on cap %	16,4	14,9	13,0	11,9
Turnover Index†	138,4	165 5	180 4	194 5
Pre-tax profit (Rm)	118,2	117,2	102 4*	120 0*
Earnings (c)	122,9	134,8	149 6	181 0
Dividends (c)	17,6	20,0	22,5	25,5
Net asset value (c)	664	728	902	1 253

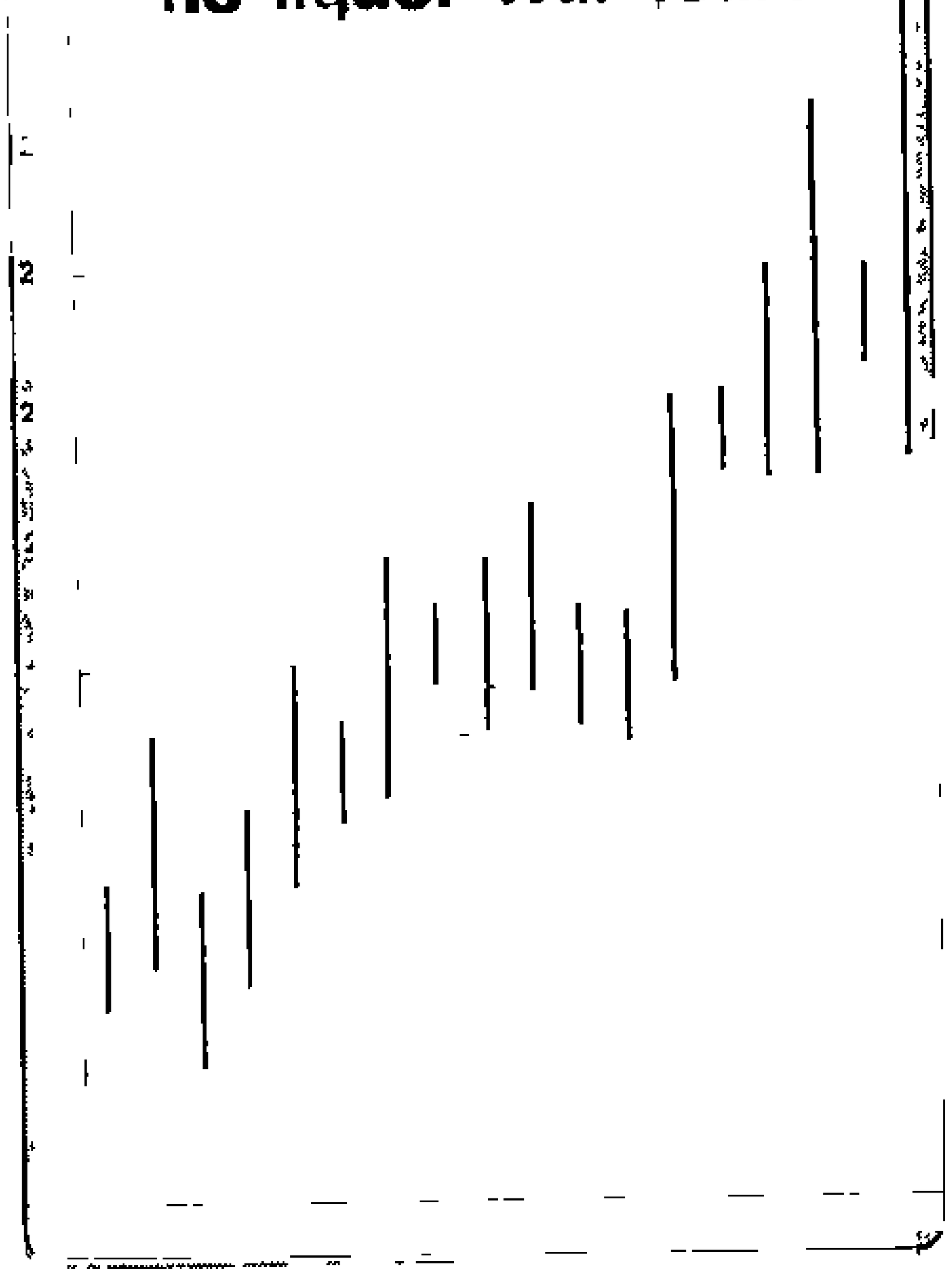
*Excludes tax on profits of associate companies † 1974=100.

Despite Remgro's high 85,9% retentions', the share has under-performed the market in the last 12 months, tending to disprove the theory that cash dividends do not count

Over the year, the share was traded only 12,9% higher, while the *RDM* industrial index rose some 25% Meantime, the group's net worth rose 38,9% and earnings increased 21,0% Maybe investors were anticipating the higher cover, which resulted in a 5,3% dividend growth Or perhaps they have come to realise that earnings too are relatively unimportant Certainly, Remgro's blue-chip status should justify a higher earnings-multiple rating than the current 2,3

Neither cash flow nor earnings appear to have been detrimentally affected by the liquor war, which has been steadily intensifying and is now being fought at the price-cutting level However, it is not clear from the latest accounts whether ICB's losses have increased, as the liquor and tobacco divisions' profits are lumped together, lest competitors use the information against Remgro Together these divisions accounted for R78,9m (R69,7m) of group taxed profit but, due to the improved performance of other divisions, weighed in with a lower 84,4% (89,4%) proportional contribution to the total

REMBRANDT CONTROLLING: no liquor war fears



For instance, the mining interests kicked in with an increased 10,6% (8,2%) or R9,9m (R6,4m) contribution. Income from unspecified sources shot up to R3,7m (R946 000), probably due to the decline in IL Back's loss to R1,6m (R5,5m)

Remgro's 20% stake in Volkskas accounted for a mere R991 000 (R905 000), but the group has yet to feel the effect of Volkskas' improved performance last year However, in the overall Remgro picture, this does not play a significant part

The new method of accounting means that the taxed profits of equity accounted associates are brought in at the after-tax level So the R76,2m (R68,1m) indicated pre-tax profit does not reflect the full position To approximate this position, the *FM* has added associates' taxed earnings of R43,8m to the disclosed R76,2m pre-tax figure, to give R120,0m (R102,4m)

Taking into account associates' tax payments, the true group pre-tax profit is, of course, higher than this figure But the accounts give no indication of how much tax was paid by associates and it is not possible to calculate the true, and higher group pre-tax figure

Despite Remgro's R40m deb issue, the debt equity ratio declined sharply to 20,4% (36,9%) due to the changed group structure, which has resulted in certain subsidiaries, whose accounts were previously consolidated, being equity accounted in the latest set of figures

Consequently, long-term debt declined to R72,4m (R105,4m), short-term borrowings to R61,4m (R131,5m), stocks to R216,2m (R345,4m) and debtors to R91,1m (R140,3m)

The sharp rise in cash holdings arose largely from the sales of the Canadian interests, albeit to an associate, for R71,8m, of US-based Carling National Breweries for R29,2m and of the Ligget Group for R24,3m, as well as a R27,3m exchange rate profit The proceeds are thought to be lodged in a Swiss bank waiting for further foreign or local investment oportunities

While it is possible that Remgro could feel the bite of the liquor war this year, it is unlikely to eat into profits significantly as the group derives most of its income from overseas subsidiaries and associates It is possible that earnings growth could approximate that of last year, meaning that earnings of at least 210c could be achieved, and dividends of 30c paid, for a 7,3% prospective yield

Perhaps the better investment route into the group is provided by Technical Investments (Tegkor), which owns 39,5% of Rembrandt Controlling, and is trading at a 6,8% historic yield and is on an earnings multiple of 2

Peter Pittendrigh

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2.1 Programme Budgeting

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

This is necessary;

(a) to know the cost of pursuing each objective;

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

14/9/79 (232) FM 14/9

JOHN ORR

Bid post mortem

Finansbank's attempt to organise a takeover of John Orr has turned out to be a minor disaster for all concerned. Chairman Piet Liebenberg has been embarrassed — with his consortium of bankrollers, Federated Insurance and the Mine Employees' and Mine Officials' pension funds, together with head-lease hunter Edgars, either unwilling or unable finally to hold their act together

In the John Orr camp, the events of the past few weeks have taken a toll on management and staff, with at least one meeting at the Johannesburg flagship to reassure the rank and file that the rug was not about to be pulled from under their Hush Puppies At the centre of the debacle is John Orr chairman Dr Nick Labuschagne Adding to the confusion, the JSE is well advanced with its investigation into insider trading in John Orr shares between July 16 and August 10

The events leading up to Saturday were certainly exciting enough Following firming up of the idea after a visit by Cape property broker Geoff Chait in June, executive members of Finansbank decided on the weekend of August 4 to proceed with negotiations. Subsequently, they met with Labuschagne at 11h00 on August 7 at John Orr's Johannesburg office for roughly 30 minutes

Liebenberg indicated interest at opening negotiations at 200c a share, only to be told by Labuschagne that the probable level of family interest was 250c At the time, though Labuschagne assures me that no such deal was contemplated, Liebenberg understood that Labuschagne and others might be prepared to consider buying the profitable Milady's chain out of John Orr (*Fox* August 17)

At this point, Labuschagne assured Finansbank that Orr's business was recovering, that stocks were clean with provisions in excess of 15% The meeting ended with pleasantries such as a discussion on the forthcoming Natal/OFS rugby match

On August 8, Liebenberg phoned Labuschagne in Durban, who confirmed that the family stake was roughly 58% and that he could not accept or justify a price of less than 250c.

On the morning of August 9, at about 10h00, Labuschagne reiterated that, if 250c was the price the consortium was prepared to pay, serious negotiations could start on Monday August 13 Later in the morning, considerable interest developed in the shares, which rose from 110c to 140c on a volume of roughly 47 000 shares Since Finansbank director Dr Johan Rudolph assures me that neither Finansbank nor its prospective partners were buying — nor had been buying — there were fears of an information leak or a counter-bid.

Later that day, Rudolph flew to Durban to discuss these developments with Labuschagne, who indicated his intention of pouring cold water on the trading activity

Nick Labuschagne . . . in the thick of things

as he he had no firm offer in hand. He suggested that, possibly, John Orr could do a better job of re-organisation and that Finansbank submit its plan on an advisory basis. However, in view of John Orr's trading and stock cycle, the consortium considered timing to be right and were unwilling to delay

However, on August 10, Labuschagne informed the JSE that no deal was contemplated and the share tumbled from 140c to 118c. This was done in the context of numerous previous approaches by others and the fact that he had no concrete offer

Finansbank then decided to approach the Orr family directly for the first time On August 10, Geoff Chait spoke to the members of the family in Cape Town and, on August 11, Liebenberg approached Leonard Orr and Derek Irish in Johannesburg.

At a meeting on Tuesday, August 14 in Durban, at which another family member and former director (he retired last month) Ossie Dawson was present, Finansbank tabled various draft heads of agreement and outlined its proposal. Then Labuschagne and Dawson authorised Finansbank to submit the draft agreement to Leonard Orr and other board members

Financial Mail

14/9/79

While the financial community feels that Liebenberg's reputation as a merchant banker has been tarnished, he claims that he is "not embarrassed at all — not in the least." It is understandable too that he should wish the JSE to make public its findings as soon as possible, thus vindicating the image.

On the question of trading with privileged information, some reckon that part may have stemmed from a former John Orr associate who may originally have put the proposition to Geoff Chait. I also understand that the John Orr board is prepared to issue a formal statement should the JSE findings indicate that there was insider trading. Perhaps, in this instance, the JSE should request the unmasking of any nominee companies involved.

The one positive aspect to emerge is that the Orr family now has confirmation of its blueprint for re-organisation. It knows that several parties are interested in its downtown stores — and it could always do a deal with those who were associated with Finansbank at the outset. After all, with the threat of more retail space coming on stream than SA can digest, and with sharply escalating building and fitting costs, it makes sense to use existing retail space effectively.

Meantime, the market has taken a more positive view of John Orr's future now that the PE Consulting Group has finally been called in. When the share was relisted on Tuesday, it put on 17c to close at 145c, then rose to 150c on Wednesday.

John White

TRUMCOR (232) FM 14/9/79

Standing alone?

Activities: *Investment holding company with operating subsidiaries Combined Clothing Corp and Criterion Equipment*

Chairman: *C G Ferreira*

Captial structure: *11,2m ordinaries of no par value.*

Market capitalisation: *R2,0m*

Financial: *Year to February 28 1979 Borrowings long and medium term, R679 000, net short-term, R6,6m Debt equity ratio 93,6% Current ratio 0,9 Group/cash outflow R604 000*

Share market. *Price 18c (1978/79 high, 25c, low, 12c, trading volume last quarter, 169 000 shares)*

It has taken almost two years of corporate panel-beating by Dr Charles Ferreira and his Mercabank team to get Trumcor lean and clean enough to be able to stand on its own two feet

The restructuring programme has been painful for shareholders, whose shares now stand at 18c — a far cry from the 125c trading price of 1976 But that was prior to the realisation that Trumcor's net asset value consisted of unrealisable goodwill, a six-month JSE-imposed suspension, a shock R5,6m loss for the 1978 year and the emigration of Trump Corporation architects, brothers Julius and Eddy Trump.

Trumcor bears little resemblance to the company of the early Seventies Five of its eight directors are Mercabank men, losses have been written off share capital bringing this item down from R12,5m to R2,4m, and a R5,1m reserve has been created to cater for the property-backed bills, which, the board feels, are unlikely to be realised at anything like face value

Accordingly, the accounts for the year to end-February are qualified as to the realisability of the bills and the consequent creation of an undistributable reserve, and the stated value (R600 000) of two undeveloped properties

Ferreira says in his review that all the assets of the group are encumbered as security for financial facilities, of which the company has dire need as it is illiquid with a negative cash flow Interest cost R917 000 (R896 000), while operating expenses declined to R456 000 (R502 000). The re-organisation will, says Ferreira, have its full effect during the current financial year

Last year's operating results indicate the establishment of foundations for future recovery and growth Criterion Equipment almost doubled its contribution to operating results from R237 000 to R430 000, while Combined Clothing suffered a trading loss of R220 000 (R208 000 profit) Ferreira says, however, that the retail clothing group could return to profitability this year "although a rationalisation scheme now in progress may result in extraordinary losses"

Salect has reduced its stake in Trumcor from over 60% to 11%, leaving Mercabank as the largest single shareholder

At 15c, the shares reflect history and there is little risk of any further drop For those not reliant on income, a buy at the current price could provide healthy capital growth — once the clothing group has been restored to profitability and demand for forklift equipment rises

Ian Muil

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ore to child welfare clinics or care of the aged?

erall criteria are needed, and they have to be expressed in such a
ay that they can guide these detailed questions. Essentially, the
oblem is not only to relate resources used to objectives achieved, but
relate the various objectives to each other.

iere are various means of doing this; but all of them require that
penditure be accounted for by the ends it is expected to achieve.

1 Programme Budgeting

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

s is necessary:

(a) to know the cost of pursuing each objective;

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

Programme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

232
21/9/79

MACCABEE

Bid value

Activities: *Industrial holding company with 100% of Matheson & Bremner, 100% of Bitcon Industries, 100% of PVM Diemakers and 75% each of PVM Engineering and Equipment Manufacturing Interests cover steel doors, windscreen wipers, pumps, and engineering plastics Malbak, which owns 52%, has made an offer to minorities*

Chairman: *J C Haslam*

Capital structure: *1,25m ordinaries of 50c, 400 000 12,5% cum red prefs of R1*

Market capitalisation: *R4,6m*

Financial: *Year to June 30 1979 Borrowings long and medium term, R479 000, net short-term, R1,1m Debt equity ratio 34,1%. Current ratio. 1,7 Net cash flow R761 000 Capital commitments R424 000*

Share market *Price 370c (1978/79 high, 372c, low, 195c, trading volume last quarter, 63 350 shares) Yields 19,4% on earnings; 8,1% on dividend Cover 12,3 PE ratio 5,2*

	'76	'77	'78	'79
Return on cap %	41 9	34,6	24,5	34,7
Turnover (Rm)	10 2	13,3	13,3	19,1
Gross profit (Rm)	1,6	1,6	1,4	2 3
Gross margin %	16,0	11,7	10 2	12,0
Earnings (c)	60,9	55,8	43,2	71,8
Dividends (c)	24	24	20	30
Net asset value (c)	206	241	258	301

In what could be its last year as a listed company, Maccabee pushed earnings 66,2% higher to 71,8c on the back of a 44% gain in turnover to R19m MD David Makins pinpoints the reasons as being "continued improvements of profits in the well-established companies, the arresting of losses in two loss-making companies and excellent results from Chemplast, the latest acquisition"

Chairman Jimmy Haslam adds that demand for building products, serviced by the Bitcon subsidiary, "reflected a strong

recovery from the depressed levels of the recent past"

With Malbak's offer to take out minorities now current, the company seems to have adjusted its financial philosophy marginally to both the detriment and the advantage of shareholders The business is one which requires cash to maintain market position, so dividend growth over the past five years has averaged a modest 8,1%, with attributable income growth fractionally lower at 7,8% But last year's improved results have led to a 50% increase in dividend payout While this is generous in view of cash requirements and the company's good return on capital, it is not as high as directors could have gone considering the offer to buy out minorities

The question that must now be asked is whether shareholders are being offered a realistic price Net worth is 301c which is unlikely to be much affected by Haslam taking out the Bitcon group for close to the nav of R1,7m as part of the deal Earnings potential of Bitcon must now be considerable and a premium to nav could have been justified That notwithstanding, the 14% premium being offered appears to treat too lightly such items as a six-year-old valuation on the R400 000 property assets, high depreciation write-offs and a well-structured management.

In terms of the group's earnings potential, based on last year's recovery, shareholders are being asked to accept a price which discounts true value by arguably as much as 50% But in terms of the share's performance, shareholders are being offered a reasonable out as the price has not exceeded 250c since 1974

It is not a case of Haslam picking the eyes out of this operation Maccabee will make money for Malbak Shareholders, under the circumstances, should accept the 380c cash offer which relieves them of the tax burden on the 30c dividend declared for 1979

Ian Muil

results and dividends

retired this year

Although the interim figures this year might not be as good as those for the first half of last year, Greeff is confident that the group will not experience a second-half downturn as was the case last year when during the period Eidoc took a second-half bath Considering the strengthened operating platform, interim and final dividend are likely, reversing the trend of the past couple of years It is too soon to anticipate exactly the payout, but even a nominal 4c total puts the share on a prospective 7,8% Possibly investors should wait for the interim before taking a view on recovery potential *Jonathan Bader*

232

MM 21/9/79

ADVANCE

Operations clean up

Activities: *Principally involved in linen hire and laundry, fabric processing, quilting and rendering through subsidiary Eidoc Also financial services and property Holding company is Mercatrust*

Chairman: *H H Schwarz, managing director W Greeff*

Capital structure: *3,0m ordinaries of 50c, 715 000 cum convertible redeemable "A" and "B" prefs of R1,00 Market capitalisation R1,5m*

Financial: *Year to March 31 1979 Borrowings long and medium term, R2,7m net short-term, R1,3m. Debt equity ratio 79,5% Current ratio 1,6 Net cash outflow R7 500. Capital commitments R75 000.*

Share market: *Price 51c (1978-79 high, 60c, low, 27c, trading volume last quarter, 33 000 shares) Yields 5,6% on earnings; 7,8% on dividend Cover 0,7 PE ratio 17,6*

	'76	'77	'78	'79
Return on cap %	16,2	12,4	5,5	6,8
Turnover (Rm)	8,8	9,9	6,8	7,8
Pre-tax profit (R000's)	828	245	101	134
Gross margin %	15,6	9,9	6,5	7 8
Earnings (c)	16,7	8,4	2 3	2 9
Dividends (c)	7,0	7,0	—	4,0
Net asset value (c)	163	159	143	144

Despite the sale of the retail depot network, and closure of the dry cleaning and retail laundry and garment cleaning factories last year, the linen hire and laundry division failed to return profits The rationalisation took place mainly in the latter half of the year, so the results "do not reflect the expected improvement in profitability," according to the directors

The overall group picture is not too inspiring On the back of a 15,6% increase in turnover to R7,8m (R6,8m) pretax income was 32,4% improved to R134 000 (R101 000) Because estimated tax losses allowed the company to avoid paying normal tax, taxed profit was 93,5% higher at R131 000 (R68 000)

To avoid payment of UPT, an interim of 4c was declared, though the final was passed This was in part paid from reserves, and put the group into the loss situation from which it benefited tax-wise

With rationalisation underway, the profit picture might well change this year All other divisions reported profits, with fabric processing accounting for 90% of attributable group trading profit. Eidoc the quilting and rendering division suffered a profitability decline in the second half of the year because of relocation of the Krugersdorp factory to the main factory site of Advance Laundries Although this provided increased capacity, higher fixed overheads affected profitability, and overall contribution from this division was less than the previous year

The group has further diversified with the acquisition of a 70% interest in Spartan-Rand Warehouses, retailers of household linen and crockery, for R105 000, effective from January 1 Although retrospective, the impact of the new acquisition on Advance's figures was negligible

Cash flow to total debt was unchanged last year at 9,4%, and interest and leasing charges were covered a mere 1,02 times (0,96) by gross profit Debtors, which comprise nearly half of the current assets are 31% higher at R2,1m (R1,3m), and are being allowed extended terms of 96 days (72 days) If the group is to consolidate its new operating base, these will have to be tightened, or even factored to release funds for operations.

MD Willem Greeff is confident that cash flow this year to date is strong Extended debtors resulted in the main from the seasonality of orders at Eidoc and the need to provide competitive finance These are being pulled in, as is the stock turn being improved The group is nowhere near running at full capacity so there is little need to inject cash into the business for capital expansion, according to Greeff Also, lower lease payments should result in larger interest cover ratios, especially since some debt is

DATES TO REMEMBER

Last day to register for dividends:
Friday September 28: Adcock Ingram 29c, Amic 32,5c; Anchusa 13c, Asea 40c Carrig 1,5c, Coronation Synd 40c Duiker 18c, Ellerine 13c; E Haddon 14c, Falcon 60c (Rhod), Hanhill 4c, Harmony 85c; Hesperus 13,5c; HGX 3,5c, Kohler Bros 27c, Lamberts Bay 10c, Minorco 8c (US), Murray & Roberts 21,5c, Mutual & Federal 30c, Ninian 5c, Robbs 4c; Sea Products 15c, Tweefontein 120c, Waverley 1c; Witbank Cons 33c
Meetings:
Tuesday September 25: Edgars Stores
Thursday September 27: Calan, Nampak (S)
Friday September 28: Advance, Lonrho Sugar (Swaziland), Prem Paper, Protea Holds, Wit Deep
All meetings are in Johannesburg unless otherwise stated
S = Special meeting

used for Christmas dinner in 1916 by my mother and gran, who says "we used 1 cup of flour and 1 cup of stale breadcrumbs instead of 2 cups of flour. Very successful".

---oOo---

MUTTON, ROAST SHOULDER OF 1900

shoulder of mutton salt
dripping flour

Put the joint to a bright clear fire, floured well. Baste contin-

MIDDLE WITS (232) RDM 28/9/79

Minerals promise

Activities: *Investment and exploration company in the Anglovaal group with interests in gold, uranium, base metals and mining finance. Major unquoted investments include Prieska and Finsch Diamonds Anglovaal owns 51% of the ordinary shares*

Chairman· *C S Menell.*

Capital structure: *9,7m ordinaries of 25c, 1,4m 8% cum red prefs of R1*

Market capitalisation: *R65m*

Financial: *Year to June 30 1979 Current ratio 3,2*

Share market: *Price 670c. (1978-79 high, 670c, low, 230c, trading volume last quarter, 214 000 shares) Yields 11,0% on earnings, 5,2% on dividend Cover· 2,1 PE ratio 9,1*

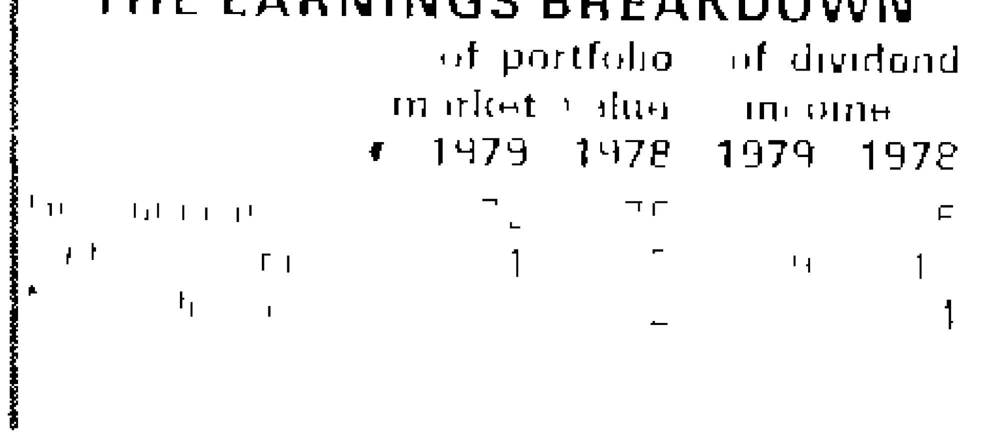
	'76	'77	'78	'79
Quoted investments				
Book value (Rm)	16,4	17,2	17,3	18,6
Market value (Rm)	44,4	40,9	52,6	72,6
Net profit (Rm)	4 3	2,9	3,9	7,3
Investment income (Rm)	4,4	3,6	4,4	6,9
Earnings (c)	43,0	27 9	38,9	73,7
Dividends (c)	35	22,5	25	35
Net asset value (c)	548	510	709	969

Higher dividends from the gold portfolio and a R1,7m (R261 000) share dealing profit pushed pre-tax earnings up 86,3% to R7,3m (R3,9m), and allowed ordinary dividends to be restored to 1976's 35c a share With the gold price for the current year likely to be well in excess of the 1978 average, and increased emphasis on coals, higher profits should be easily earned this year

Portfolio changes were relatively small The coal holdings were increased with Amcoal, Clydesdale and Trans-Natal added to the stake in Witbank Colls In golds, changes were relatively limited though total share-dealing profit increased to R1,7m

Though dividend income is set for a substantial improvement this year, the share's speculative attraction lies in realisation of the company's mineral rights potential Last year, R1,3m (R734 000) was spent on exploration, and chairman Clive Menell says this is to be followed by a further R1,5m this year, on gold, uranium, chrome, copper, zinc and general investigations. In addition, "some new ventures will also be undertaken" Perhaps most attractive is the gold/uranium potential of the Kaapse Hoop area, where drilling is taking place with parent Anglovaal.

THE EARNINGS BREAKDOWN



Mid Wits recently bought a stake in Ntuana Chrome Mines in BophuthaTswana after prospecting deposits there Investigations are underway regarding expansion of the present small-scale mining operation But potential of the area is well known and chrome exploration will probably be targeted on other areas in the Transvaal

At current metal prices, mineral rights near Cons Murch appear increasingly attractive 51%-owned Harmony Lands has antimony potential, while copper/zinc diversifications could be in the offing via 75%-owned Letaba Copper & Zinc

Provided gold does not collapse, Mid Wits should have no trouble improving on last year's 35c payout while financing an expanded exploration programme On a 5,2% historic yield alone, the share is not particularly attractive But investors prepared to take a medium-term view may not be disappointed

Des Kilalea

DATES TO REMEMBER

Last day to register for dividends:
Friday October 5: African Cables 36c; Braken 28c, Carlton Paper 6c, Chemical Holds 13c, Foschini 60c; Gypsum 25c, Ind & Comm 40c; Ind Invest 52,5c, Inv Club 14,5c, Issues & Invest 70c, Kinross 42c, Lefic 6c, Leslie 18c, Lonrho 4,81c, Math & Ash 12,5c, Mooi River 10c, Panafic 3c, Searles 24c, St Helena 175c, SWA Fish 20c, Unisec 4,5c, Winkelhaak 125c
Meetings:
Wednesday October 3: Edcon.
Thursday October 4: Sentrust.
All meetings are in Johannesburg unless otherwise stated

SENTRACHEM

Chemical reaction

Activities: Diversified chemical group Owns 40% of the Coalplex PVC plant. Sentrachem is 57%-owned by Central Chemical Holdings, which in turn is jointly owned by FVB, BP Chemicals and the IDC

Chairman: J H Smit, deputy chairman F J H le Riche, managing director D J Marlow

Capital structure: 56,6m ordinaries of R1, 20m 11,5c dividend red. prefs of 10c. Market capitalisation R283m

Financial: Year to June 30 1979. Borrowings long and medium term, R65,2m, net short term, R16,9m Debt equity ratio 58,9% Current ratio 1,2 Group cash flow R43,1m. Capital commitments R153,6m

Share market: Price 500c (1978-79, high, 505c; low, 220c, trading volume last quarter, 348 000 shares) Yields 8,2% on earnings, 4,6% on dividend. Cover 1,8 PE ratio 12,1.

	'76	'77	'78	'79
Return on cap (%)	23,2	19,2	16,4	16,4
Turnover (Rm)	142,3	155,4	186,5	236,5
Pre-tax profit (Rm)	25,2	30,1	34,1	38,4
Gross margin (%)	20,9	24,2	22,0	20,6
Earnings (c)	33,3	33,0	36,4	41,2
Dividends (c)	15,5	18	20	23
Net asset value (c)	156	173	196	259

A feature of the financial statements is the way capital commitments have rocketed. The group has authorised R153,6m (R22,1m) capex, of which R100m will be applied to a polyisoprene rubber plant based on local raw materials — the big-

1295

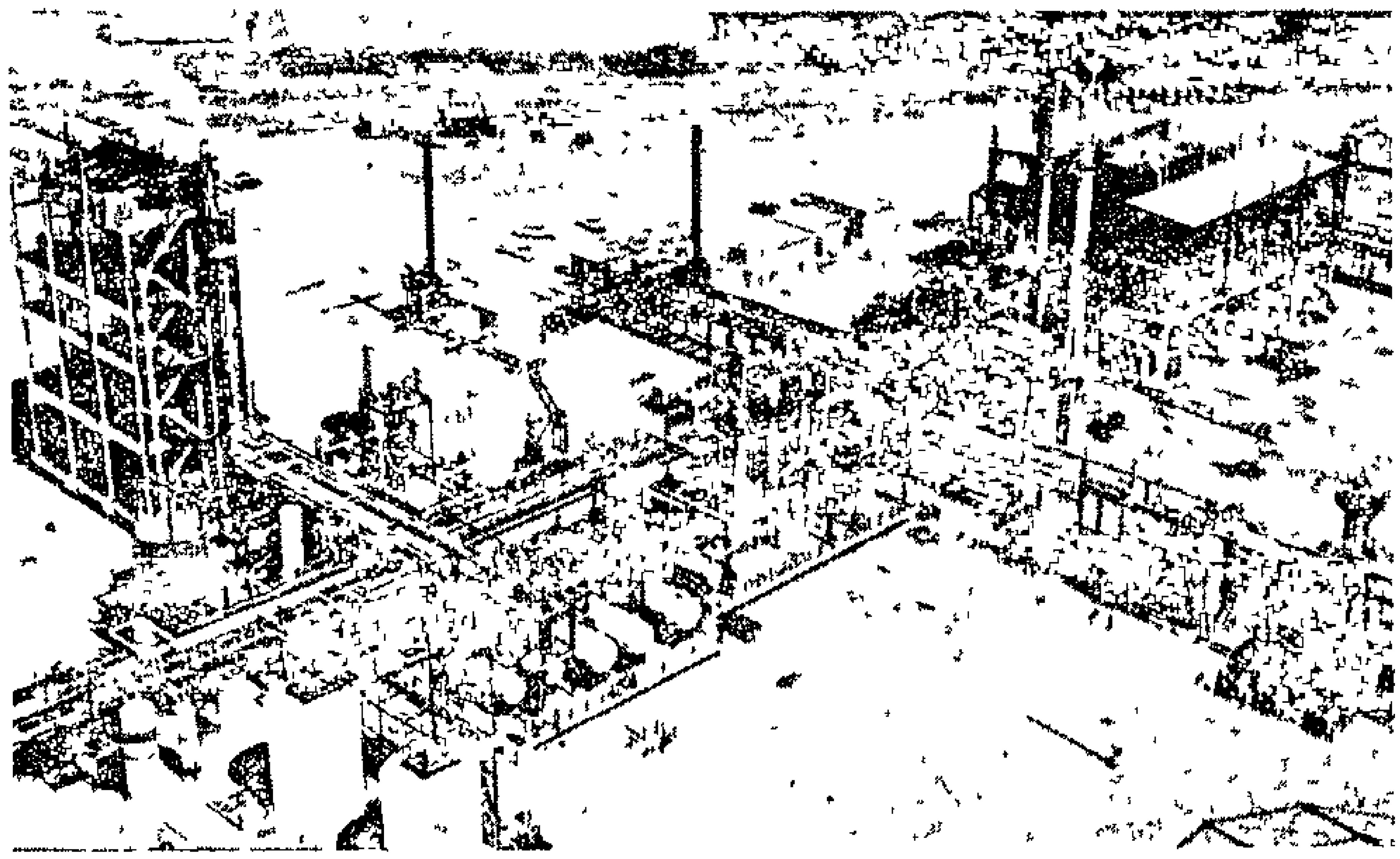
	W M	W F	A M	A F	C M	C F	B M	B F
65+	1,84	1,95	8,32	6,56	8,55	5,71	14,69	14,84
ALL	0,22	0,23	0,56	0,38	0,8[illegible]	[illegible]65	1,80	1,96
NO.	463	485	199	134	943	761	3765	3145

XVII ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

ALL CAUSES

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	21,76	16,18	40,44	27,11	133,70	119,02	91,30	88,18
1-4	1,17	0,94	2,42	2,39	17,22	16,21	10,23	9,93
5-24	1,05	0,46	1,31	0,74	2,26	1,25	1.64	1,12
25-44	3,02	1,47	4,33	2,48	8,80	4,96	4,78	3,70
45-64	17,46	9,49	26,27	18,72	24,27	17,87	18,06	15,57
65+	73,62	54,55	92,20	82,93	96,90	71,79	53,38	45,89
ALL	9,44	7,40	8,03	5,51	14,62	11,00	8,77	8,13
NO.	19600	15374	2828	1967	16632	12847	18348	13062



Coalplex . . . feeding profits soon

gest project yet tackled alone

The remaining capex will be applied to the establishment of new plants to produce agricultural and mining chemicals and ion exchange resins

Just as Sentrachem earlier anticipated a shortage of oil-based feedstocks and linked up with AECI to form Coalplex, the group's crystal ball now indicates that something more has to be done to move away from oil as a source of chemical feedstocks

Chairman Hendrik Smit has also indicated that further projects which would entail a R100m investment and include detergent alkylate and ethanol plants, would be considered in the short term

On a 10-year view, the group's tentative plans appear to be even bolder It could be prepared, for example, to invest R150m in a R600m ethanol group and it is sure partners could be found But fuel ethanol production is still in an embryonic stage and government has yet to give an assurance that ethanol will form part of the fuel pool

Coalplex continued to retard earnings Just how much the complex cost Sentrachem this year is made clear in the annual report Smit says "were it not for Coalplex, group pre-tax profit would have increased by some 48%," implying that Sentrachem's share of Coalplex's loss was in the region of R18m However, he adds that it achieved a "cash break-even, ignoring finance charges"

But Coalplex's 1980 prospects look promising, with the plant now running at full design capacity following last year's commissioning of the second carbide furnace The AECI subsidiary should have little difficulty in disposing of the increased volumes at higher prices due to the more buoyant export market The directors point out Coalplex's prices have become more competitive on foreign markets with the higher oil prices impacting on overseas PVC prices Also local sales are expected to rise together with those of other plastics

The plastics division showed the lowest growth due to Coalplex's loss, while near-term cost pressure on the profit margins of subsidiaries Safripol and Impala Plastics could continue to depress profitability And, this year, sharp rises in monomer prices could slow growth temporarily in certain areas.

Nevertheless, sales should be helped by increased local demand with new housing starts forecast to increase and consumer spending being stimulated To meet the higher demand, Safripol has increased its high-density polyethylene plant to an annual 60 000 t with further expansion plans in the pipeline capable of boosting production to 100 000 t

DIVISIONAL CONTRIBUTIONS

	Gross profit 1977	1978	1979
		Rm	
Industrial chemicals	8,8	7,7	10,2
Rubber	5,8	6,4	9,8
Plastics	6,2	7,0	7,1
Agricultural chemicals	4,4	6,1	6,4
Foodstuffs	4,8	4,9	5,6
Mining chemicals	1,4	1,9	3,1
Animal feeds	(0,9)	0,6	2,8
	29,5	33,6	45,0

The strong 32,5% growth (12,5% decline) in the industrial chemicals division was largely due to increased sales as a result of generally improved trade conditions, rising exports and new applications Innovations in the use of metal hydrides for fuel storage and the manufacture of sorbitol, a starting point for fine chemicals, could produce new growth areas.

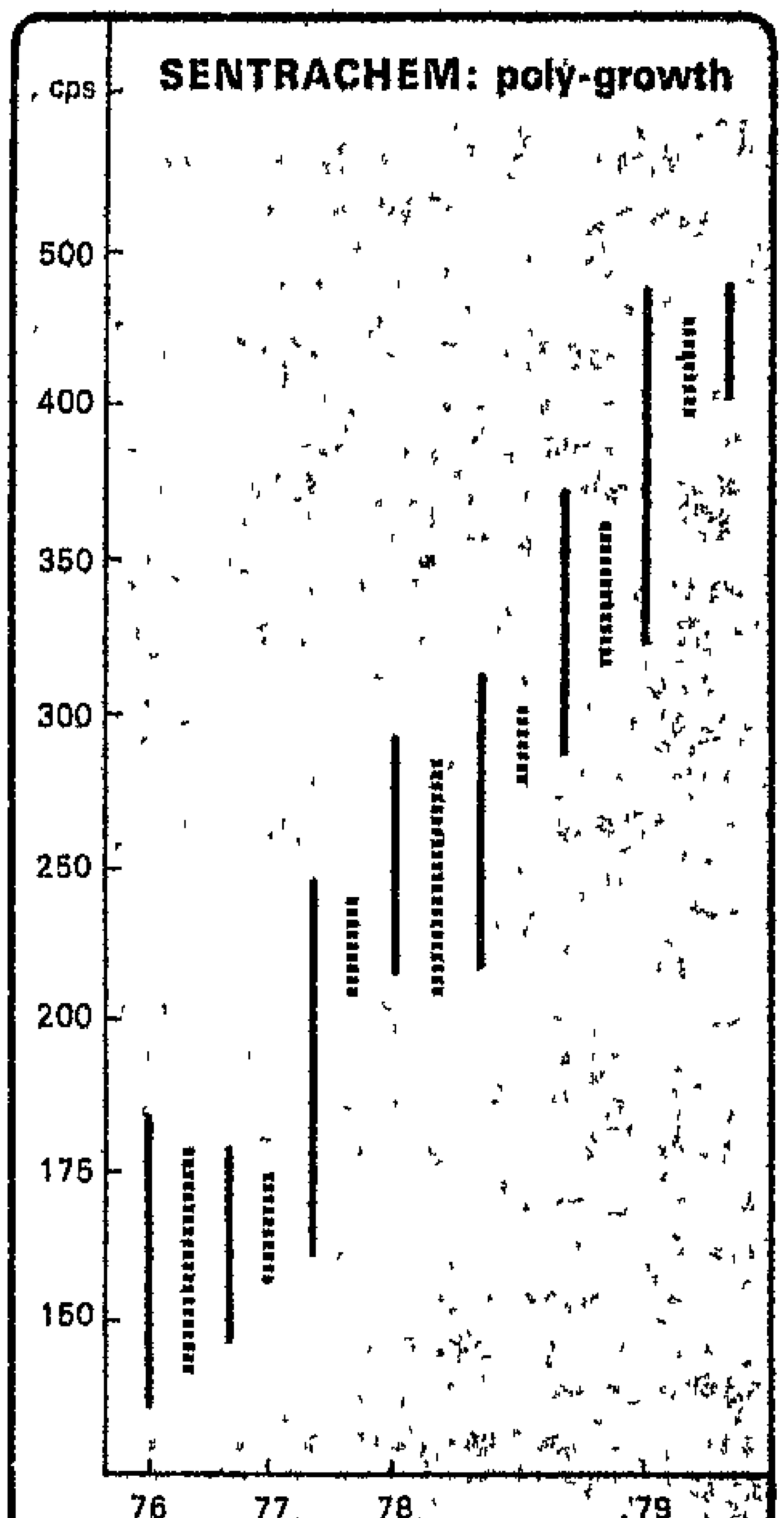
The rubber division is not expected to have a significant effect on this year's earnings growth due to fuel restrictions. But the new synthetic rubber plant should double the group's local market share. The rubber division sees the opportunity of substituting imported rubber on a large scale In fact it believes it can almost make SA independent of imports, currently running at some 60%.

The agricultural chemical division's pesticide section experienced a disappointing year, with pressure on margins following drought conditions However, greater market penetration by Agricura partly as a result of SAR's weed control contract which Sentrachem won last year, higher exports by KOP and increased atrasine sales enabled the division to increase gross profit by 26,6% (14,1%)

Nothing seems to be standing in the way of strong growth in this division's operations It cites three major contributing factors

- Agriculture is not only a source of food, but could become an important energy and raw material supplier
- Agricultural chemicals should find an increasing market in the black homelands in view of the political priority being given the development of these areas.
- Rising fuel prices should alter cultivation and weed control techniques, and result in more general agricultural use of chemicals, particularly herbicides.

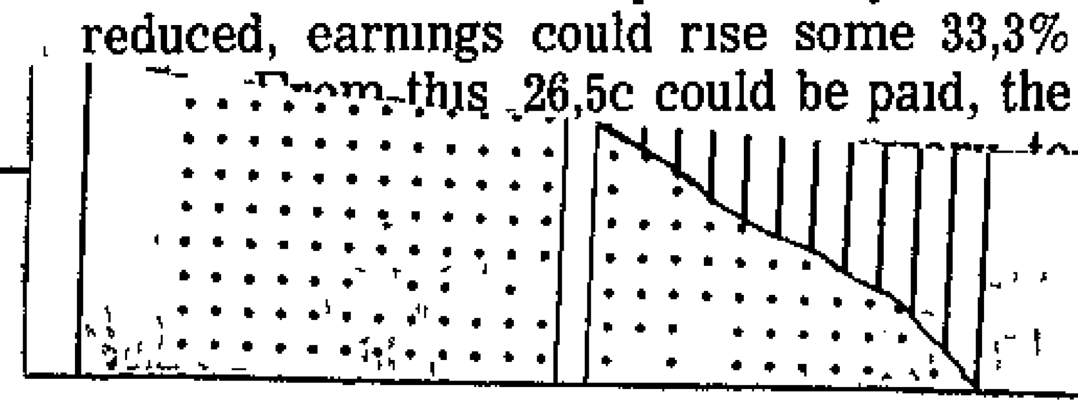
With all the mooted projects being considered for the Eighties, the group expects to keep the debt equity ratio within its limit of 100%, except in 1983, when additional funding of the rubber plant kicks in. This is not a problem as long as cash flow



continues to increase strongly. Last year, group cash flow rose 19,8% to R43,1m (R34,5m)

With all divisions expected to do well and losses from Coalplex likely to be reduced, earnings could rise some 33,3% ... From this 26,5c could be paid, the

324 100% 89 27.5% 11 3.4% 59 18.2% 212 11.0% 56 2.9% Female



Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

Bottling beer unbottles profits.

'CONSOLIDATED GLASS (232)

Competitive edge

Activities: *Manufactures glass containers and tableware, plastic containers and closures, and processes industrial silica sands Owned 55% by Anglo Transvaal Industries*

Chairman. *C S Menell, managing director J C Robbertze*

Capital structure: *6,2m ordinaries of 50c Market capitalisation R39,3m*

Financial: *Year to June 30 1979 Borrowings long-term, R50 000 Net cash· R7,4m Debt equity ratio 5,6% Current ratio 1,9 Net cash flow R9,5m Capital commitments R3,2m*

Share market: *Price 650c (1978-79 high, 665c, low, 290c, trading volume last quarter, 26 000 shares) Yields 20,8% on earnings, 6,2% on dividend Cover 3,4 PE ratio 4,8*

"Increased consumer spending, successful new product introductions and further market penetration in some key areas," coupled with "a more favourable sales mix," allowed Consol to record a 16% improved turnover to R82,4m (R70,8m), according to chairman Clive Menell Operating profit advanced 38,9% to R12,0m (R8,6m) on the back of an improved operating margin of 14,5% (12,2%) resulting from effective cost control and major productivity gains

The group, which is the major force in the local glass packing industry, benefited all round from improved trading conditions and, with lower capex, managed to improve liquidity through the virtual elimination of long-term borrowings Lower interest charges and increased dividend income from subsidiaries helped hike pretax profits 50,7% to R12,8m (R8,5m) Taxed profit was 61% up to R8,6m (R5,3m) thanks partly to a 4% lower tax rate of 33%

	'76	'77	'78	'79
Return on cap %	21 2	22 3	24 5	31 9
Turnover (Rm)	75 4	70 9	70 8	82 4
Pre-tax profit (Rm)	5 9	6 6	8 5	12 8
Gross margin %	10 1	11 3	13 0	16 1
Earnings (c)	60 5	67 4	85 0	134 9
Dividends (c)	22	24	27	40
Net asset value (c)	297	371	396	494

Although competition from plastics and metal containers has been intense over the past few years, new product innovation has allowed the group to reduce factory idle time, especially at the glass production facility Small dumpy bottle sales have improved considerably over the period, mainly as a result of the cost competitiveness over cans of a 24-unit case, which allows a 60c-70c margin at retail prices The introduction of the twist crown, which has been successfully marketed by SAB since the beginning of this year, has added impetus to dumpy bottle sales, according to MD Jan Robbertze

Sales to the soft drink industry improved, with the introduction of a 500 ml returnable bottle Soft drink sales were generally more buoyant over the period, and overall "demand for mineral water bottles was firm" The development of 1,5 l and 2 l wine jugs continued strongly, and the brunt of the impact of a used bottle buy-back system introduced by the wine and spirit industry in 1978 was readily absorbed last year

Further innovations this year could well improve market penetration The introduction of a super dumpy, with 500 ml capacity, is aimed to compete with the 450 ml beer can, and, because of the cost benefits of glass, gives the consumer 50 ml more beer for roughly the same price as a "Long Tom" Although the super dumpy gives Consol an entry into this larger container market, it is only 20%-25% by volume of the smaller can and dumpy sales

The plastics division showed the benefits of major investments last year and, with upgraded plant and services, was able to improve operating efficiencies considerably Although no breakdown of the contributions to group profit by division is given, this division came out of the red last year to post profits of "an acceptable level"

Overall, each division declared improved performance figures, with sales of glass tableware and industrial silica sands comfortably ahead The improved impetus of the second half last year has run over into the first few months of this year, and reports are that profits for the current year are expected to exceed those of last year

A 50c dividend is likely this year, putting the share on a prospective 7,7% yield, which seems attractive for long-term investors

Jonathan Bader

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232 FM 5/10/79

SAFMARINE

Debt repayment drag

Activities: *Shipping company with interests in air freight, marine insurance, and clearing and forwarding Controlled through the IDC by Dromedaris Holdings British & Commonwealth holds a 36% interest*
Chairman: *J J Kitshoff, managing director M de W Marsh*
Capital structure: *34,3m ordinaries of 50c Market capitalisation R87,5m*
Financial: *Year to June 30 1979 Borrowings long- and medium-term, R419,9m Net cash R28,3m Debt equity ratio 427,4% Current ratio 1,0 Net cash flow R41,8m Capital commitments R1,6m*
Share market: *Price 255c (1978-79 high, 255c, low, 150c, trading volume last quarter, 311 000 shares) Yields 18,7% on earnings, 6,7% on dividend Cover 2,8 PE ratio 5,3*

	'76	'77	'78	'79
Return on cap %	19 6	19 0	10 0	9 3
Turnover (Rm)	190 1	191 1	219 2	313 1
Pre-tax profit (Rm)	32 5	33 8	23 7	19 0
Gross margin %	19 0	19 5	15 2	17 0
Earnings (c)	57 8	78 3	47 4	47 7
Dividends (c)	22	22	17	17
Net asset value (c)	162	201	219	286

A strong improvement in Safmarine's operating profit appears to be on the cards But shareholders will not necessarily feel the benefits in the near-term as the group will now accelerate loan repayments

However, now that the R400m expenditure on container ships has been completed, the question is whether Safmarine can make them pay well enough to enable the loan repayment schedule to be met It should, as the container ships now comprises 63% of the group's total R637,4m fleet investment, and the five container vessels have a combined capacity equivalent to that of some 36 conventional vessels

Commissioning of the last two container vessels, *SA Cedarberg* and *SA Waterberg*, pushed long-term debt up R137,4m to R419,9m and the interest bill R16,2m to R34,1m MD Marmion Marsh tells the *FM* that this is not alarming for a shipping company as the average ship is financed as to 80% from external credit, which makes for a 400% debt equity ratio

Since this is so, the 427% (375%) debt equity ratio, is not fearsome Taking into account the group's R50,3m (R48,6m) deferred tax position, gearing, as measured by the debt equity ratio is a less daunting 283%

Safmarine is allowed to offset 40% of new investment against group profit in the first year and 10% annually thereafter By the time the tax offset is depleted, the group will probably embark on its next capex programme

While cash flow rose to R41,8m (R24,1m) last year, next year's cash flow will have to be around R74,5m just to cover loan repayments To achieve this it is essential that the European cellular operation becomes profitable

The directors point out that with all systems ashore and at sea in operation, the profit level, while not satisfactory, is sufficient at least to cover a portion of the interest payments They are, however, encouraged by the growing popularity of the service, though they point out that competition is fierce, particularly as foreign excess capacity is being "dumped" on SA Not only is this harmful to the country's merchant marine, which has no protection through tariff barriers, but to SA s economy as well All they can really do is appeal to local importers and exporters to "ship Safmarine"

Meantime, capacity has been reduced through the chartering out of two container ships by others This, say the directors, should bring the cellular and ro-ro vessels' capacity in line with cargo expectations Although competition is still fierce, the fleet could have the edge due to the size of its ships, which means greater energy efficiency

Indicating that the capex programme has come to an end for the time being, capital commitments have declined to R1,6m (R156,1m) So now the borrowings should decline rapidly, impacting on earnings in the medium term

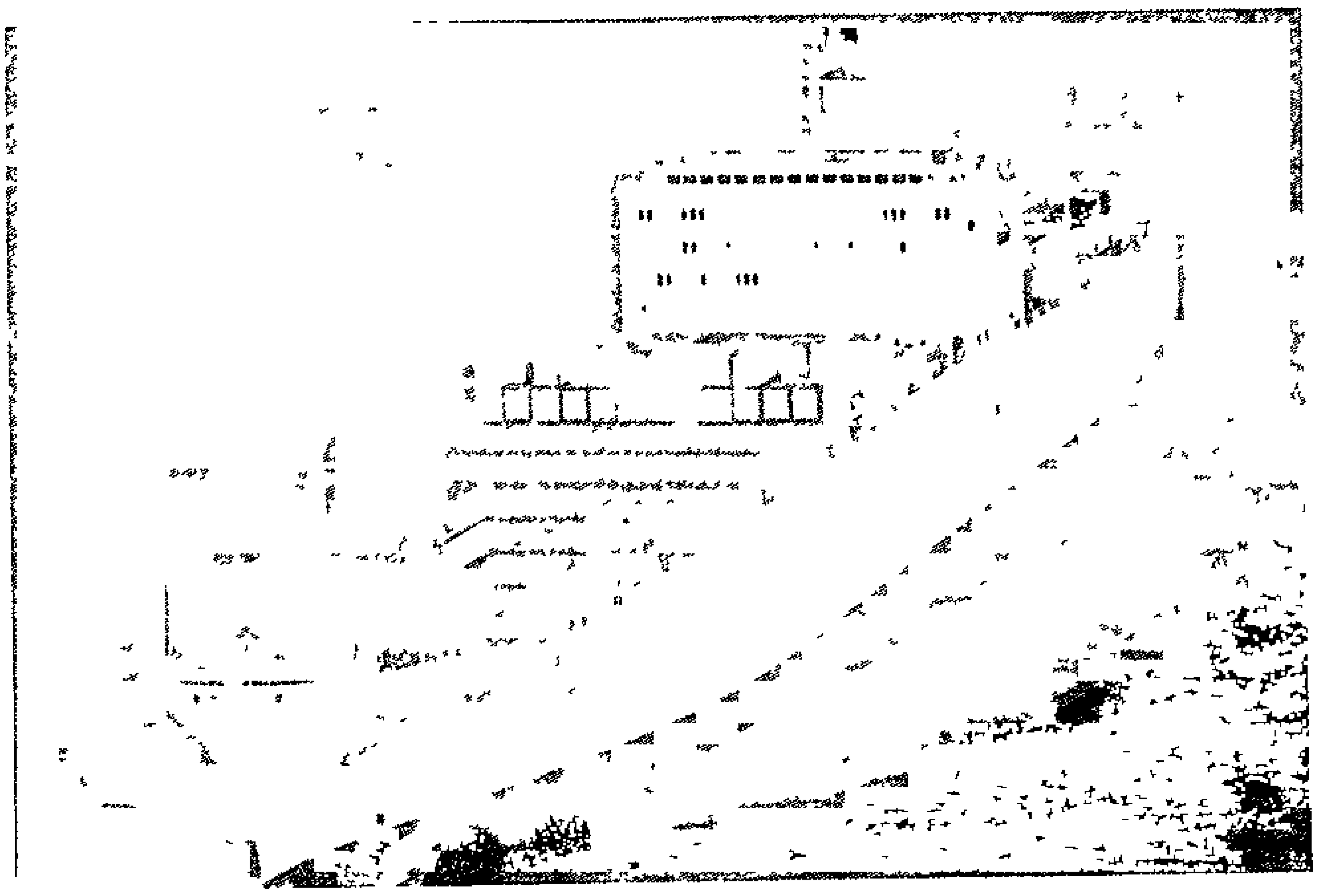
The decision to sell the two 218 000 t oil tankers, *Kulu* and *Gondwana*, was taken when it appeared that their future employment looked dicey In any event, long-term charter arrangements were due to terminate at the end of this year *SA Tugelaland*, a small 13 500 t general cargo vessel, was also sold

Shipping operations contributed R44,5m (R28,3m) to profit before taxation and interest Ancillary interests, including air transport, accounted for R3,2m

The reefer operation could improve substantially on last year's performance through investments in international consortia, which should enlarge the market However, links with local producers of perishables should continue to grow

The bulk operation improved its profitability as a result of the upward trend in this market In fact, Safmarine's own bulk carriers could not cope with the amount of new business available Consequently six to eight bulk carriers were chartered last year *Sishen* and *Vanguard*, the two iron-ore carriers, were fully utilised between Saldanha Bay and Japan The six smaller bulk carriers were also worked at full capacity

The directors point out that they are satisfied with last year's profit improvement, particularly in view of the pressures of the fuel crisis, low international freight tariffs and falling imports They are not prepared to forecast this year's results due to uncertainties, but expect the company to continue performing well

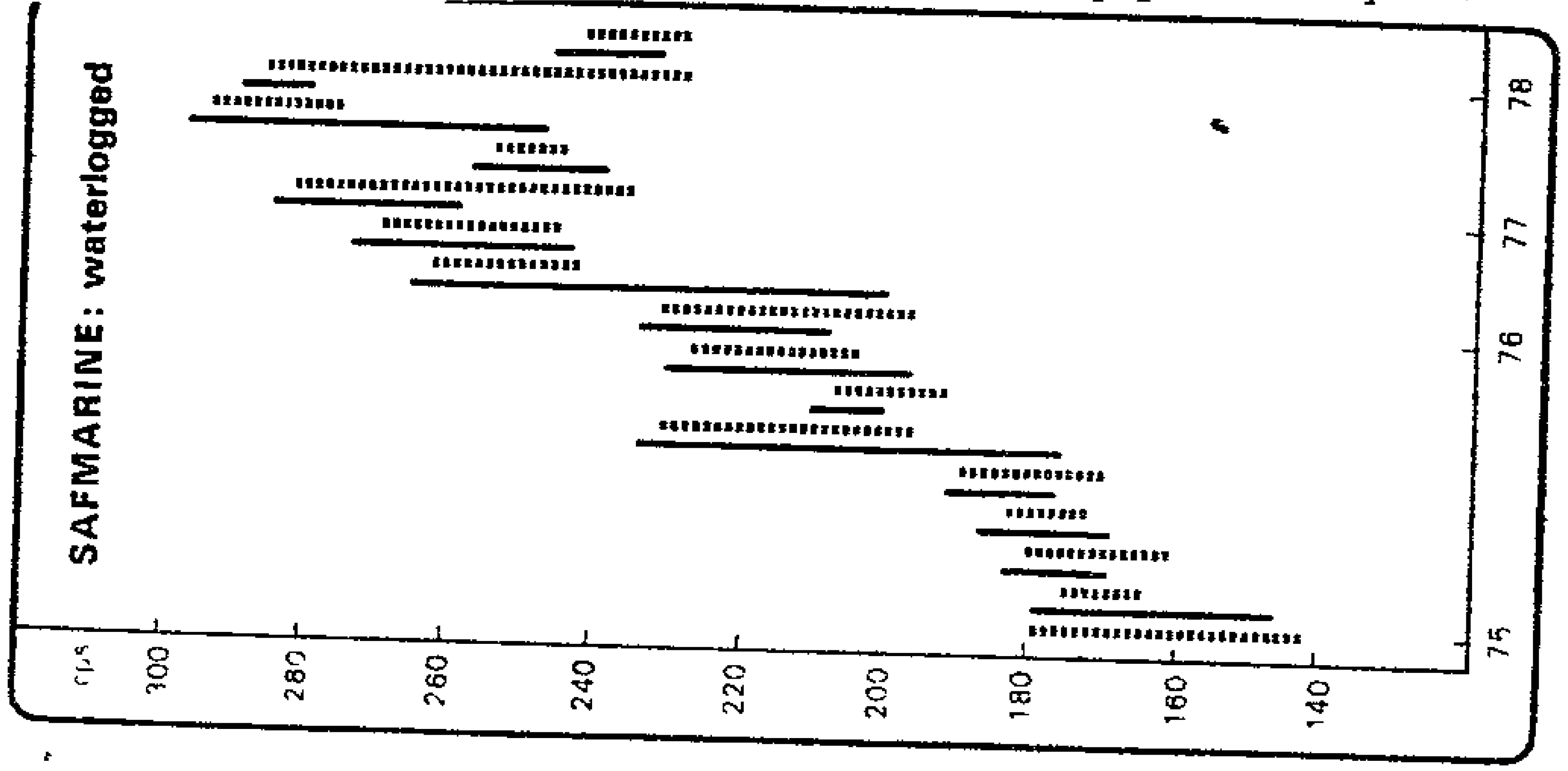


Containerisation . . . paying for its keep?

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of the migratory labour situation.

The standardised mortality rate provides a single figure for the mortality experience of a population which can only be fully expressed in terms of a series of age specific death rates. The SMR is calculated by multiplying all the age specific mortality rates in the observed population by the



their urban areas.

A mean figure and the range are given in Fig. 2. These de facto figures should be interpreted with caution as sick infants are often brought to the cities from rural areas. An indication of the situation in the rural areas is given by a sample survey carried out in Cape Town and Transkei among Xhosa-speaking Africans.[12] An increase in infant mortality was observed with decreasing urbanisation, the figure for the completely rural areas being of the same magnitude as those parts of the world devoid of medical services. Fig. 4 summarises the age specific mortality rates of

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed population and Mexico 1960 for a developing one.
3. Cause Specific Death Rates. Calculated mainly in five year age divisions of the eighth revision of the ICD).

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of the base population age f this are available for 'coloureds, the 1970 population cific survival rates from and deaths in the 0-4 age

For Africans, a different ... d as a population figure for only part of the country was required. The 1970 age distribution[10] by magisterial district was used, the numbers being adjusted by the 1974 gross population estimates by economic region.[11]

commitments · R326 000
Share market: *Price 170c (1978-79 high, 195c, low, 75c, trading volume last quarter, 15 000 shares) Yields 23,9% on earnings, 9,4% on dividend Cover 2,5 PE ratio 4,3*

	'76	'77	'78	'79
Return on cap %	25 4	10 9	12 1	13 6
Turnover (Rm)	37 5	31 4	30 7	39 4
Pre-tax profit (Rm)	3 3	1 1	1 5	2 2
Gross margin %	10,1	5 2	6 5	7 1
Earnings (c)	50 0	24 8	31 9	40 6
Dividends (c)	15	10	14	16
Net asset value (c)	210	225	245	269

National Bolt confirmed its recovery with a 27,3% earnings improvement last year, and chairman Basil Hersov is optimistic the current year will produce higher turnover and profit

Last year, demand for standard fasteners was firm and the return of public sector buying in the second half boosted non-standard unit sales The result was that turnover for the year climbed 28,4% to R39,4m (R30,7m) Gross margins were better, but Hersov says this was because of efficiency improvements Sales margins remained under pressure because competition did not allow recovery of higher costs However, capex and previous assessed losses meant the tax charge remained low at 8,6% (4,3%)

The company still has surplus manufacturing capacity Hersov says the company is now returning to a level of profitability "commensurate with its investment " But there is still some way to go before the return on capital employed reaches a satisfactory level

The share, at 170c, is 13% off this year's 195c high where it yields an historic 9,4% The outlook is not exciting but, with little capex on the cards in view of overcapacity, a higher dividend appears certain this year, making the share attractive to investors with medium-term objectives

Des Kilalea

NATIONAL BOLTS

232 9/10/79

Screwing out growth

Activities: *Manufacturer of fasteners and allied products Anglo-Transvaal Industries (ATI) holds 64% of the ordinary shares*
Chairman: *B E Hersov, managing director · C E S Place*
Capital structure: *4,8m ordinaries of 50c; 50 000 6% cum prefs of R2 Market capitalisation R8,2m*
Financial: *Year to June 30 1979 Borrowings long and medium term, R941 000, net short-term, R5,5m Debt equity ratio 48,9% Current ratio. 1,8 Net cash flow R2m Capital*

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

SOURCES OF DATA

Information about the number of deaths occurring cause, age and sex is published annually by the These reports appear after a delay of several ye was the latest available at the commencement of two series,[2] one for whites, Asians and 'coloureds' country, and one for Africans for selected mag comprise the main urban areas.[3]

In 1974, there were 34 974 white, 4 795 Asian and 24 479 'coloured' deaths in a population of 4 155 000 whites, 709 000 Asians and 2 368 000 'coloureds',[4] death registration is virtually complete. The estimated total African population for the whole country for 1974 was 17 772 000.[4] On the basis of a crude death rate in 1970 of 10,3 per thousand for Africans for the country as a whole,[5] one would expect 183 000 deaths. Since the Births, Marriages and Deaths Registration Amendment Act of 1970,[6] the registration of African deaths is done by the Department of Bantu Administration and Development or its successors. In 1974, the Bantu Reference Bureau registered about 130 000 deaths.[7] The published report for the selected urban areas accounts for 31 410 deaths. Thus, about 100 000 residual deaths 'are not categorically divided in urban or

(58) *(232) FM 12/10/79

BANKORP

No-growth areas

Activities: *Holding company for Trust Bank, Santambank and Senbank Has an indirect 63,6% interest in Mercabank Sanlam holds 51,1% of the equity*

Chairman. *Dr A D Wassenaar, managing director W S Pretorius*

Capital structure *30 7m ordinaries of R1, 25m 11,5% cum convertible prefs of R1 Equity market capitalisation R70 6m*

Financial *Year to June 30 1979 Capital commitments R1,2m*

Share market: *Price 230c (1978-79 high, 230c, low 144c, trading volume last quarter, 222 000 shares) Yields 16 0% on earnings, 7,0% on dividend Cover 2 3 PE ratio 6,3*

	'76	'77	'78	'79
Deposits (Rm)	538	513	2 009	2 245
Advances and other accounts	401	383	1 387	1 605
Total assets (Rm)	727	764	2 422	2 871
Taxed profit	6 5	7 1	9 5	11 4
Earnings (c)	31 6	34 7	*35 1	36 8
Dividends (c)	12 5	14	15	16
Net asset value (c)	276	295	*369	349

*3 5m shares issued for Santambank exluded

Determining just how well Bankorp is coping with its problem investments and developing its other activities is, as usual, difficult because of the incomplete disclosure of profits and reserves So any recommendations to shareholders have to be hedged with qualifications

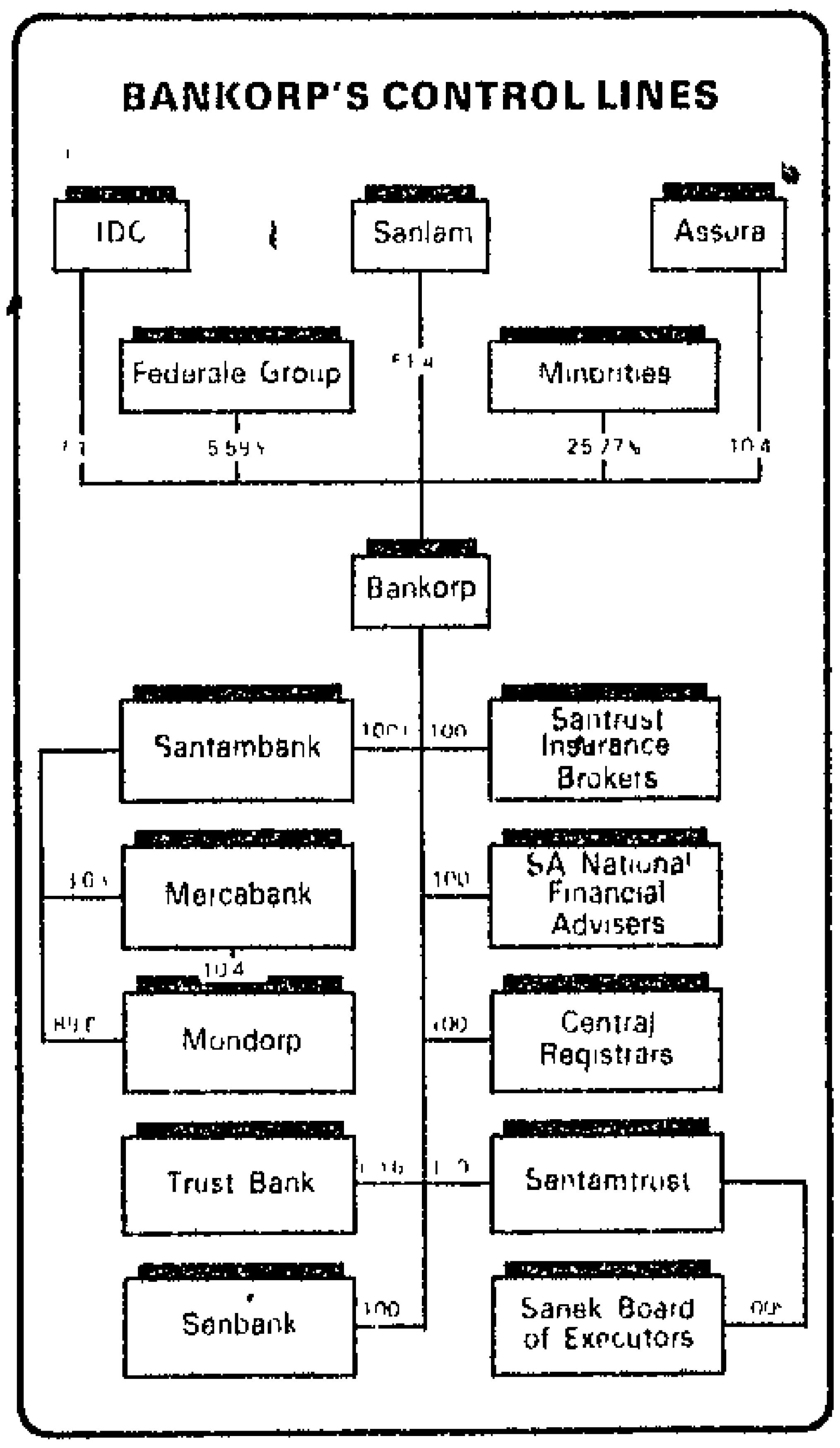
No matter which way one looks at it, real growth in attributable disclosed earnings is still some years away In the meantime, the group and its subsidiaries may again have to turn to shareholders for additional funds

Perhaps what matters most to minority shareholders is Bankorp's dividend potential As things stand, this is not particularly entrancing Major investment Trust Bank is unlikely to pay an ordinary dividend which would be distributable in Bankorp's hands, for at least three years And, though Bankorp is following Trust's ordinary and pref rights issues, it is having to fund this investment by a R15,6m 9 6% cum convertible pref issue of its own That means income from the new holding in Trust prefs is already earmarked with no immediate benefit to ordinary shareholders

Revamped Santambank has disclosed a 43 5% increase in consolidated net income to R6 5m (R4 5m) But its growth will be restrained by further necessary reorganisation of direct subsidiaries Mondorp and Mercabank

As with Trust Bank, Mercabank is apparently not generating sufficient funds internally for its own development Net profits are being transferred fully to contingency reserves and will continue to be so for the foreseeable future Even so, Mercabank has since the year-end found it necessary to raise an additional R3,5m through an 8% cum convertible pref issue

Santambank's other major subsidiary, Mondorp, still has to feel any benefit from an improving property market, and there is no certainty when it will make a significant contribution



What it means is that shareholders will depend on disclosed earnings by Santambank's banking operations and those of Senbank for the bulk of distributable earnings At least near-term, Senbank's advance may be retarded by skilled staff shortages following the departure of several key executives to greener pastures If that is the case, the current year could see a lesser increase in disclosed taxed profit than last year's 34,4% advance to R4,57m (R3,4m)

Chairman Dr Andreas Wassenaar's cautious 1978 forecast of maintained earnings and an unchanged dividend policy was, in retrospect, not unduly conservative In his latest report, apart from saying that a firm foundation has been laid for the group's banking and other financial services, Wassenaar is non-committal on near-term prospects

Advances have been made, but further rationalisation and strengthening is needed And that will inevitably impact on ordinary distributions At 230c Bankorp yields 7% compared with 5 4% for Barclays, 5,2% for Nedbank 5,6% for Standard and Volkskas And over the past year, the yield differential between Bankorp and the Big Four has widened, reflecting the market's caution on the restraining influence of a still high property exposure

Once property investments do recover strongly, there will be benefits accruing to Bankorp But, until then, disclosed returns on the overall disclosed asset base will probably remain less attractive than for other major banks This year, the banking sector should again report solid earnings advances but, except for investors prepared to wait three years for an attributable earnings recovery, Bankorp is probably the least attractive of the major shares in the sector

Jim Jones

'coloureds',[4] death registration is virtually complete. The estimated total African population for the whole country for 1974 was 17 772 000.[4] On the basis of a crude death rate in 1970 of 10,3 per thousand for Africans for the country as a whole,[5] one would expect 183 000 deaths. Since the Births, Marriages and Deaths Registration Amendment Act of 1970,[6] the registration of African deaths is done by the Department of Bantu Administration and Development or its successors. In 1974, the Bantu Reference Bureau registered about 130 000 deaths.[7] The published report for the selected urban areas accounts for 31 410 deaths. Thus, about 100 000 residual deaths 'are not categorically divided in urban or

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JAMES BROWN & HAMER

Profits waterlogged

Activities: *Operates in marine and industrial engineering fields Holding company (73,4%) is Globe Engineering which, in turn, is a subsidiary of Anglo Transvaal Industries*
Chairman: *R J Hamilton*
Capital structure: *4m ordinaries of 50c, 1,5m 5,75% red cum prefs of R1 Market capitalisation R1,7m*
Financial: *Year to June 30 1979 Borrowings long- and medium-term, R818 000, net short-term, R295 000 Debt equity ratio 20,8% Current ratio 1,6 Net cash flow R508 000 Capital commitments R90 000*
Share market: *Price 43c (1978-79 high, 60c, low, 22c, trading volume last quarter, 55 400 shares)*

Considering the company would make more for its shareholders were it to liquidate and invest its funds at building society rates, the annual report makes tearful reading And chairman Bob Hamilton offers little hope to minority shareholders (mostly pension funds), who have had no dividends since 1974 (8c) and no growth in the value of their investment

Lower orders, under-utilised plant and margins reduced by price competition all helped to reduce gross profit to R304 000 (R886 000) for a meagre 1,3% return on capital — a negative return if inflation is taken into account And inflation eroded the turnover increase which, at 6%, merely accounted for price hikes

	'76	77	'78	'79
Return on cap %	7 0	8 7	6 6	1 3
Turnover (Rm)	19 5	30 1	12 7	13 5
Gro profit (Rm)	1 2	1 0	0 9	0 3
Gross margin %	6 1	3 4	7 0	2 3
Earnings (c)	-	6 5	4 8	—
Dividends (c)	-	—	—	—
Net asset value (c)	n/a	79	100	98

The suffering ship repair division has been hard hit by the Iranian upheaval which "resulted in the termination of a long-standing and profitable business relationship" and containerisation, which has reduced the number of ships calling at Durban

SA's politics continue to hamper the company — "some extremely attractive and substantial orders were lost to foreign yards for other than commercial reasons" — but an active market development programme has been initiated

No breakdown of divisional contributions is given, so minority shareholders have no way of accurately pointing a finger at those areas which should perhaps be excised from the group According to Hamilton the fabrication and mechanical divisions, catering for the power-generating petro-chemical and sugar industries, worked on low margins The foundry, serving the automotive castings market, lost business due to reduced domestic and export demand, while excess foundry capacity is now a countrywide phenomenon

Hamer is in danger of becoming strapped for cash and it is for this reason that disinvestment from fringe investments such as properties and minority stakes has been on the go for some years In the year under review a surplus of R593 000 was made on the sale of investments Although borrowings are low at a 20 8% debt equity ratio, interest and leasing charges are covered only 0 7 times by adjusted gross profit

With a R13 5m turnover, cash flow was a relatively low R508 000 and this, insufficient as it must be, is going to be even more strained when the company starts repaying, this year, the R1,5m prefs in five equal annual instalments At the same time, the company has allowed debtors to rise to R4 4m — 32,6% of turnover

Hamilton sees the need to create alternative energy sources as offering potential for the company because of its existing market penetration But why the ship repair division is not closed down or merged with competitors is a question minorities could ask management Until a clearly-defined long-term plan is outlined by the company the share should be left alone even at its current 43c

Ian Muil

DATES TO REMEMBER

Last day to register for dividends·
Friday October 19 Barlow Rand pref ords 18c, Bitcon 55c, Blajohn 7,5c Broadacres 5c, Burlington Ind 2,5c, Gresham 15c, Lydenburg Plat 11c, Rustenburg Plat 15c, SA Reserve 10c, Sentrachem 16c, Wankie 6c ZR WF Johnstone 33c, Wilbarz 5c
Meetings
Monday October 15: Claude Neon IL Back (S) (Cape Prov), Theron (Cape Town), TW Beckett
Tuesday October 16 New Wits, Rand Leases, Satmar, Selected Mining
Wednesday October 17: Buffalo Timber (East London), Doornfontein; ET Cons, Kloof, Libanon, Sentrachem, Ventersport, West Drie
Thursday October 18 Hebotex (Natal)· Hesperus, Tavistock
Friday October 19 AT Colls, Blyvoor, Chemical Holds (O&S) (Sandton), Goodhope (Pietermaritzburg), Gresham (Sandton), Hamers (Durban), Harmony

S - Special meeting
O&S - Ordinary and special meeting
All meetings are in Johannesburg unless otherwise stated

	M	F	M	F	M	F	M	F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

XVI SYMPTOMS AND ILL-DEFINED CONDITIONS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	[illegible]	[illegible]	[illegible]	[illegible]

F.M. 19/10/79 (58) (210) (232)

ANGLO AMERICAN GROUP

Re-structuring the centre

That the Anglo/De Beers group is in the throes of rationalisation has been common cause for more months than one cares to remember But, though group consolidation and restructuring plans announced this week are comprehensive, few analysts doubt that further developments are planned — and perhaps soon The guts of the latest deal are that

- Minorco becomes the group's vehicle for developments in the Americas and, to a lesser extent, Australia,
- Charter takes on a more clearly defined roled as the UK and European arm,
- Potentially debilitating future commitments for Selebi-Pikwe have been removed from Minorco and relocated in De Beers where they can be far more easily funded,
- Charter's funding commitment for Cleveland Potash has been taken over by Anglo and Charter gets a much-needed cash transfusion from De Beers and Anglo,
- Minorco is to receive a 10% stake in Anamint from Charter,
- Control of Anglo itself is tied up more firmly, and perhaps most importantly, the ground appears to have been laid for further tightening of control of non-managed interests and as a base for acquisitions

But first things first

With the transfer of its 5,9% stake in Anglo to De Beers, its 4,2% interest in Rustenburg to Anglo, and the 10% Anamint holding to Minorco, Charter has effectively completed its SA asset disposal programme Free of the "taint" of SA-sourced earnings, Charter is now a more acceptable political animal for developments in its allotted geographical areas At the same time, its indirect Australian and Brazilian interests have been turned over to De Beers and 18,7% of the 24,8% interest in Anglo Canada passed to Minorco

In exchange, Charter is let off the hook for any further commitment to the troubled Cleveland Potash mine in Yorkshire Previous Cleveland co-owner ICI has been bought out for a nominal sum by Charter and Anglo, with ownership of Cleveland now equally split between the two But Anglo will pay all of Cleveland's costs until it is either closed or turned to profitability, for which it will get its pound of flesh in the shape of 25% interest on its advance and repayment of the loan before Charter qualifies for a 50% profit share

In return for the shares transferred, Charter receives 28% of Johnson Matthey (previously held as to 22,7% by JCI and 5,3% by Anglo) and £46,6m (R83,6m) cash from Anglo and De Beers, though £5,9m of that is immediately payable to Minorco

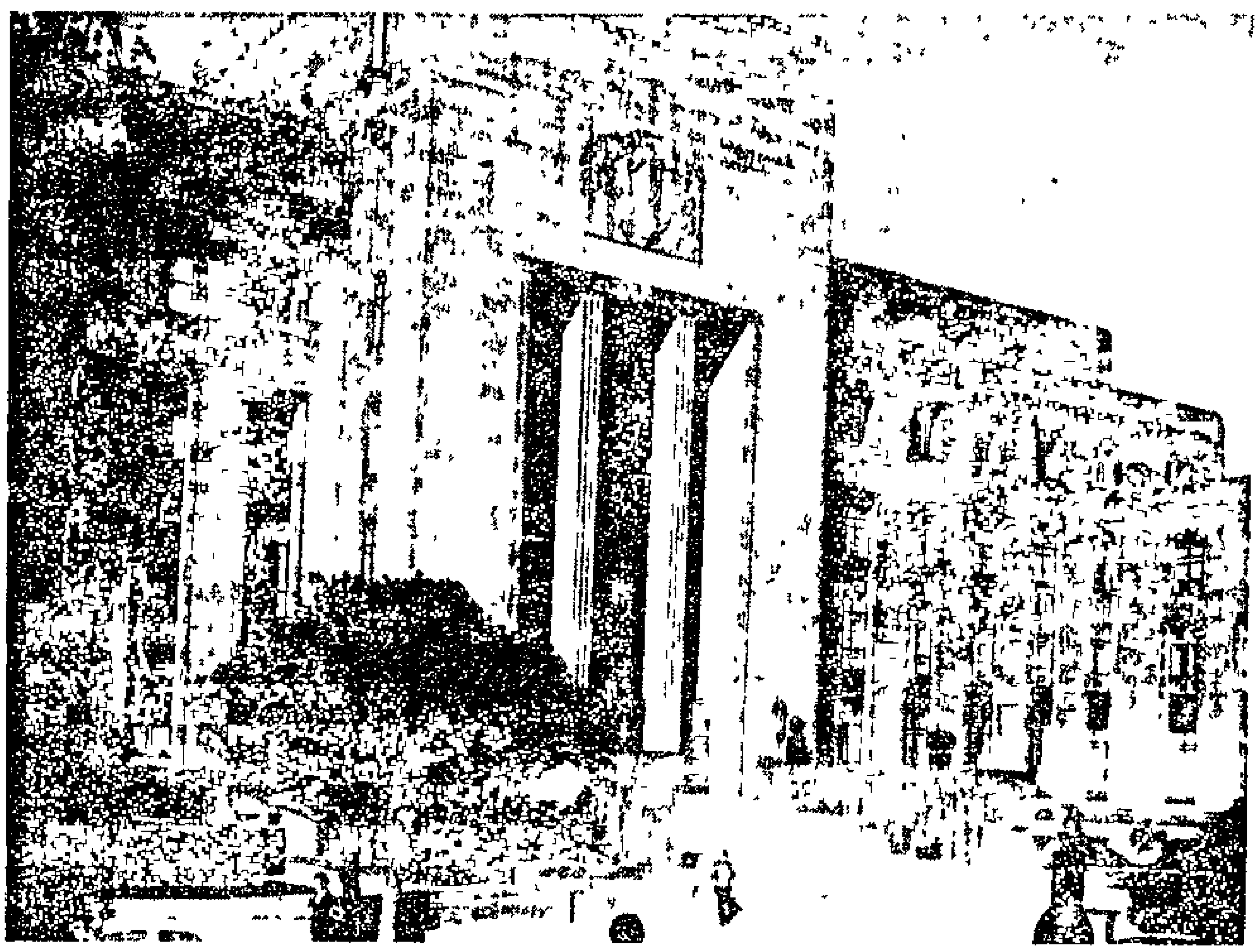
With the transfer of the stake in Johnson Matthey — the marketing agent for Rustenburg's platinum — the group s control over platinum marketing has been tightened up and, possibly, the stage set for a greater management say by Anglo in platinum

It is hard to see any other reason for this The sale of JCI's strategic stake in Johnson Matthey for R44,3m for transmission to Charter can hardly have been at JCI's request At the time of its R40m pref issue in August, JCI said that the company had no immediate capex plans and that the R40m pref issue was only then being made to take advantage of attractive interest rates So why, shareholders might well ask, does JCI need R44m additional funds now to the extent that it has to sell a long-standing strategic holding?

To my mind, the move indicates just how much independence JCI s management has when Big Daddy decides that sacrifices have to be made for the good of the Anglo cause And the move could be a straw in the wind as to where management of Rustenburg and JCI itself will eventually be located

But that is a digression at this stage

Getting back to the Anglo group itself, Minorco's shareholders will no doubt be relieved that De Beers has freed their company of its Botrest (Selebi-Pikwe) funding commitment albatross The move makes sense as the Botswana government has been worried by the loss-making mine for many years The country has heavy loan repayment commitments to international agencies connected with necessary infrastructure for the mine And, in a squeeze, there would have been little that De Beers (which now relies on Botswana for approaching 50% of its diamonds) could have done if the Botswana government had demanded a larger diamond rake-off to help meet its own commitments



The hub of Anglo . and now the spokes have been strengthened

Minorco gets its loan to ZCI repaid with interest And, though Anglo executive director Gordon Waddell tells me there are no such plans at present it is feasible that Botrest's copper nickel matte could be refined at the new facility currently being established in SA by Rustenburg and Johnson Matthey That would make financial and technical sense especially as Amax's Louisiana refinery (which currently treats Botrest's matte) is apparently inefficient when it comes to recovering precious metals from refinery sludge But, again, that is a digression

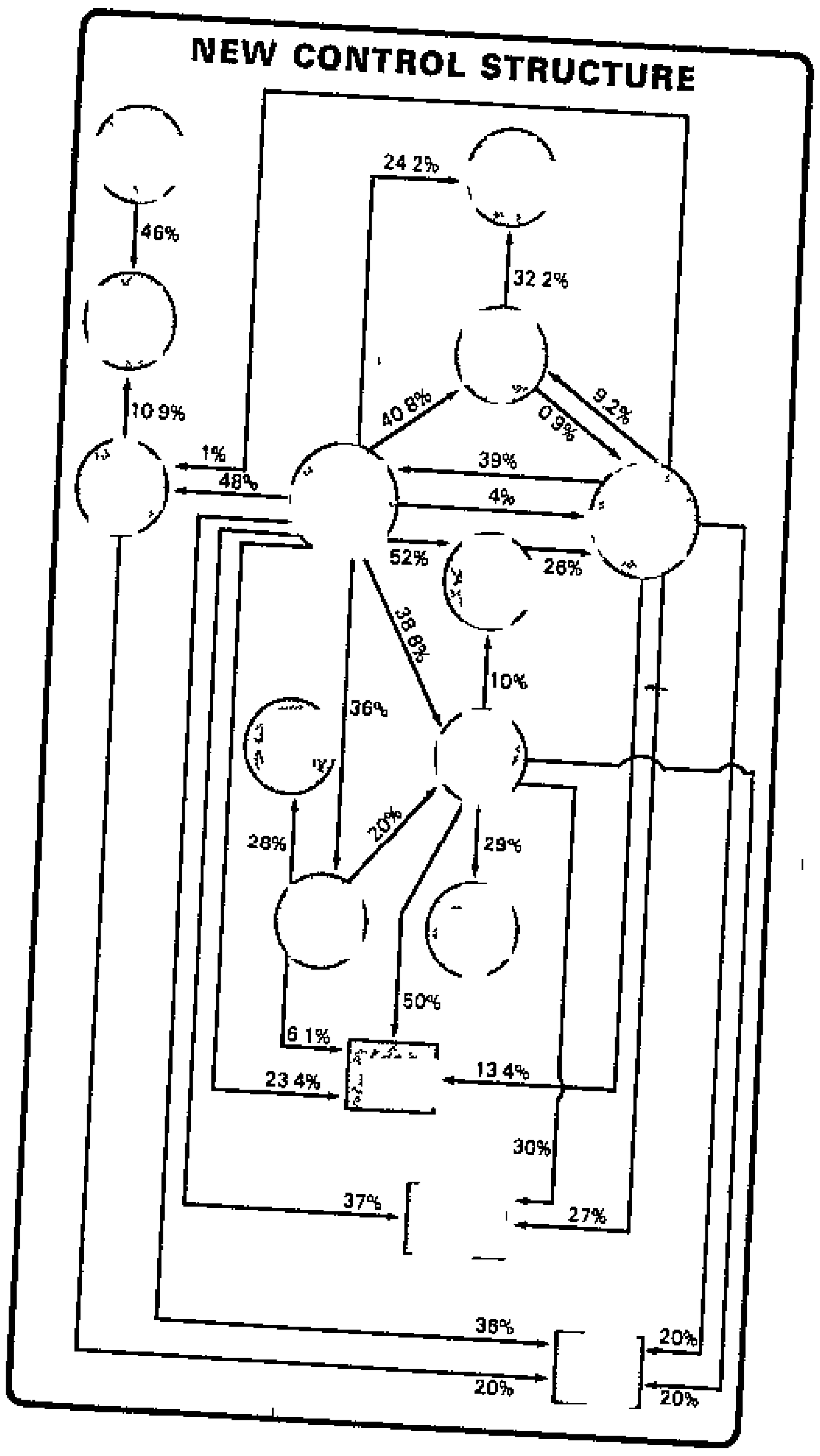
Apart from its newly-acquired 10% stake in Anamint, Minorco will now have

P.T.O

no SA interests The reorganisation plan also gives Minorco £5,9m cash and 18,7% of Anglo Canada from Charter, in exchange for the issue of 26,2m new shares in itself to Charter It will also acquire a further 31,3% of Anglo Canada from De Beers and Anglo for US$32,3m cash Effectively that leaves Minorco with 50% of Amcan, but it is having to raise a US$50m multi-currency loan to cover the payment to Anglo and De Beers and provide funds for future developments And the new Minorco shares are being passed directly to Charter's shareholders on the basis of one Minorco for four Charter

As for Anglo and De Beers, they have shouldered all the problems and tightened control over the empire But what comes next?

In SA, there remain the "loose ends" of Rustenburg and JCI Had Anglo passed on Charter's 4,2% Rustenburg stake (valued at £9,6m) to JCI in part payment for that company's Johnson Matthey holding, one might have been prepared to believe the mandarins of Main Street had no further designs on JCI and its managed platinum interests. But that is not the case Anglo's stake in Rustenburg is now 24,2% com-



pared with JCI's 32,2%, and Anglo does not receive any of the lucrative management fees charged to Rustenburg by JCI Nor is Anglo yet in direct control of a major part of world platinum production and distribution

Taking Rustenburg out of JCI, no matter what the reasons given, would raise tremendous opposition from the JCI minority shareholders But it is a possibility and could be coupled with predatory moves by Minorco on US platinum distributor Engelhard

And there is the unfinished business of Cons Gold and GFSA (*Fox* May 4) Cons Gold's new top management has been busy this year canvassing potential London-based institutional shareholders in a move aimed at eliminating that group's open control situation But there is still no reason why either Minorco or Charter (which would not be subject to any veto by the SA authorities) could not put together a bid package for Cons Gold And winning that provides the key to GFSA and its SA mines

Anglo has consolidated its centre — next will come extension of the empire and consolidation of the remaining outposts

Jim Jones

STEELMETALS

Tax constraints

232

FM 12/10/79

Activities: *Markets and services machine-tools, material handling equipment, welding equipment and construction machinery Also undertakes contracting activities in the fields of reticulation, chemical plants and mechanical equipment for dams Anglo-Transvaal Industries holds 71% of the equity*

Chairman: *G W King; managing director M.C Gandy*

Capital structure: *2,1m ordinaries of 50c Market capitalisation. R5,3m.*

Financial: *Year to June 30 1979 Borrowings long- and medium-term, R678 000, net short-term, R5,1m Debt equity ratio 70,5% Current ratio 1,5 Net cash flow R1,1m*

Share market: *Price 250c (1978-79 high, 250c, low, 110c, trading volume last quarter, 15 000 shares) Yields 27,5% on earnings, 11,0% on dividend Cover 2,5 PE ratio 9 1*

Improved demand for capital and non-capital goods boosted Steelmetal's earnings for the year to end-June, and chairman Graham King expects a further profit advance this year After increasing the dividend 10c to 27,5c last year for a lower 2,5 (2,8) times cover, a more modest advance is likely this year

Profits declined steadily from 1976, but recovery is now underway Earnings, at 68,7c are still below 1976 s 90,2c high, but gross margins have recovered to 1977 levels and enhanced profitability is in prospect this year

The upturn began towards end-June 1978, and accelerated sharply in the second half of last year This allowed better margins, and profits in the group's marketing division increased "substantially," says King Delays in the scheduled closures of certain contract phases meant the tube division could only break even The hydraulics contracting operation turned in a small profit

	'76	'77	'78	'79
Return on cap %	35 2	22 8	17 2	22 0
Turnover (Rm)	33 9	32 2	26 7	33 6
Pre-tax profit (Rm)	3 5	2 5	1 4	2 5
Gross margin %	11 4	9 3	7 7	9,3
Earnings (c)	92 1	70 4	48 2	68 7
Dividends (c)	27 5	27 5	17 5	27 5
Net asset value (c)	274	318	349	391

At end-June, the order book was R23m and, though this is an advance on the previous year end's R17m, some of the recovery s steam could be running out Even so, marketing profits should advance this year The two contracting divisions have been merged promising a lower cost structure And, with the planned completion and bringing to account of deferred contract phases, and other scheduled closures, the enlarged division should return to a "reasonable ' level of profit

Improved trading conditions led to further short-term borrowings with the debt: equity ratio rising to 70,5% (61 6%) at end-June Annual interest/leasing payments are covered 5 5 times by gross profit At end-June the debtors book was 74,6% higher at R11,2m (R6,7m), apparently because of high sales in June

Dividends could be restrained by an increased tax charge as previous assessed losses are now exhausted Last year, the tax charge rose to 42,4% (27,8%) and, with no capex planned this year, attributable profits will be subject to a similarly high average tax rate

The share, at 250c, is at a two-year high But, on an 11% historic yield, it remains relatively underpriced De Kiloles

232

MASSEY-FERGUSON/FVB

Deal at last?

F.M. 19/10/79

Once again, Massey-Ferguson Canada and FVB are negotiating the future of Massey-Ferguson's local interest. This time something firm might materialise because it is probably not full control which is being sought. FVB, which already holds 30,7% of Massferg, must be taking a long-term view of the fortunes of the tractor industry, where there is talk of rationalisation. What will probably materialise, if FVB has its way, is that the Canadians will sell off a portion of their local 51,3% stake in order to be left with marginally less than 25%. The obvious reason is that Massferg could then be reclassified as a local operation, thereby relaxing restraints on borrowings.

Such a move would make sense, especially for FVB. At the moment, borrowing restraints are being loosely applied because of the ready availability of funds in SA. But in the long-term, these regulations might well be more rigidly enforced, thus inhibiting further expansion, especially if the foreign parent refuses to pump more funds into the local subsidiary. And this could well be the case since the Canadian parent has had a checkered performance record over the past few years (*Fox* March 30).

At present, local content for tractors is extremely low relative to the motor industry, and it is not inconceivable that increased stipulations in this regard will be made. Massferg should ensure that it is well placed to take on the challenge when it materialises, especially since the Perkins engine, which powers its products, will be manufactured at SA's new diesel plant at Atlantis.

FVB is aware of the potential for rationalisation in the industry, and this makes Massferg an attractive proposition. With the Canadians retaining a share in the company, FVB would still have access to expertise, which is an advantage which should not be discounted.

Massferg has a healthy share of the local market, estimated to have been 23% in September, behind Ford, which had about 25%. It has lost market dominance in recent years as the result of supply problems caused by strikes at its British factories, but this problem has been overcome, and puts the company back into a favourable position to capitalise on local engine production.

Massey-Ferguson ... will the Canadians become trekkers?

As yet, nothing has been divulged as to the method of the takeover or the price range, although talk during the March negotiations put this between 400c and 500c. Pre-suspension price was 260c, up from about 220c, presumably after rumours about negotiations leaked.

Considering the recently announced poor first-half figures and the passing of the interim dividend (last year a 25c total was paid), around 350c would appear a fair price. Assuming the Canadians hold on to 24%, this would mean an additional R2,5m-odd for the parent. But to make the bid attractive to minorities, and depending on how FVB sees the future of the tractor industry, this offer could well be topped.

The minorities, mainly institutions, presently hold 18,7%. They might not be keen to offload unless the price is attractive. Much depends on whether FVB wants to retain the *status quo* with respect to minorities, or whether it is ultimately looking for a delisting. *Jonathan Fraser*

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AMREL

Sitting comfortably

The "exceptionally pleasing" increase in sales in the quarter to September 30 for all of Amrel's divisions is likely to accelerate the group's new store programme and generate the need for funds within the next few months A rights issue is likely to be first choice

The furniture and shoe retailer, 61%-owned by SA Breweries, increased earnings 88% to 39c for the six months ended September 30 Turnover was up R19,6m to R55,7m but margins were maintained and market share expanded Although the tax rate was marginally higher, attributable income more than doubled to R2,6m

The issue of 1,1m shares to SAB for the absorption of Shoe Corporation increased Amrel's issued shares to 6,6m and earnings growth therefore appears diluted Company policy of paying out 33% of earnings has been maintained and a 13c (7c) interim has been declared

Results were above expectations, say the directors, due to higher profits from all Amrel furniture divisions "together with a very satisfactory improvement in earnings from the newly-acquired retail shoe stores" The Early Bird TV service division is a small but increasingly profitable operation, the directors say

The group's improved turnover is even more impressive, the directors point out, as it is compared with last year's first half which included the pre-gst "extraordinary sales spree in June" The recent increase in sales is interpreted as being a signal of improving consumer confidence and further improvements are expected after the November loan levy repayments

MD Ronnie Cohen tells me that, although the forecast is conservative — merely that sales and earnings will be up — the current tone of business is such that the group is confident of maintained consumer spending and cash will now be channelled into stocks and new stores The R1m capex still to be spent — R2,7m was earmarked for capex at end March — will be applied to refurbishings in the January-February period

Although retentions are substantial, Amrel traditionally gears itself up to the hilt and the 105% debt equity ratio at year's end has now been reduced by the share issue and probably some debt repayments So there is some flexibility for the finance which will be needed to maintain the momentum in the sales drive — "we are gaining market share like hell," Cohen says — and to finance such programmes as the one-a-month opening of downmarket Select-A-Shoe stores

Strategy at the top end of the market could also demand funds as the group considers establishing more free-standing Barnes outlets after the success of the first Johannesburg experiment Barnes stores have traditionally been linked with Garlicks and John Orr's

Although more business means a higher debtors book — nearly 75% of new business is being done on hp and Amrel does not sell its book — there is little chance of deviation from current dividend policy Cash flow is kept healthy by cash outlets such as in Shoe Corporation and high stock turnaround elsewhere

A 10% increase on last year's second half would give total earnings of almost 95c with a dividend of 33c likely This puts the share on a prospective 8,8% The market has not yet translated the improved consumer confidence into Amrel's price and there could be some sharp gains as investors recognise that what was unexpected six months ago — booming consumer sales — looks likely to happen over the next six months

Ian Muir

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of life at birth, and (2) e_{45} - the expectation of life at 45 years of age. Characteristically women have a better expectation of life than men, and Fig. 6 indicates that this is so for both whites and 'coloureds'. In fact, so marked is this difference that at e_{45} 'coloured' females have a better expectation of life than white males. What is perhaps of some concern is that the gap between the expectation of life for males and females is widening. This trend is apparent in both the whites and the 'coloured' communities, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

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Huge battle for control of gold giant

232

Star

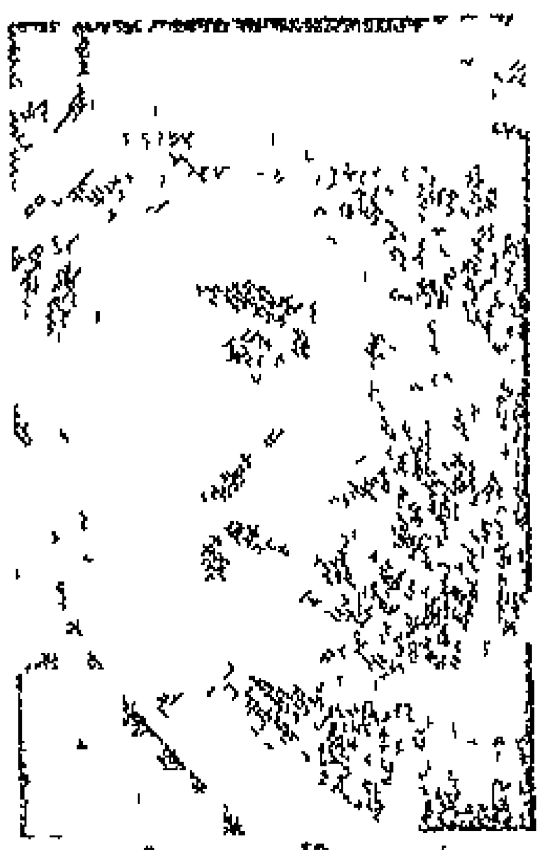
3/11/80

By Colin Campbell, Deputy Financial Editor

A R1 000-m takeover battle for one of the world's largest international gold groups is being fought out on the London and Johannesburg stock exchanges.

The target of the battle is Consolidated Gold Fields, which owns 46 percent of the South African Gold Fields group

In the past three days almost R166-million had been added to the market worth of Cons Gold on the London stock exchange as the rumours of a massive bid have mounted



Anton Rupert of Rembrandt

Fred du Plessis of Sanlam

According to London sources South African interests have picked up nearly four million shares in Cons Gold in an attempt to wrest control of Gold Fields of South Africa from foreign to local hands

The consortium, according to The Star's London financial correspondent, include Dr Anton Rupert's Rembrandt, and Sanlam, headed by Dr Fred du Plessis, and General Mining However none of the companies was available this morning for a definitive comment

The Anglo American Corporation is also reported to be in the fight to prevent [illegible] control of the Cons Gold GFSA axis falling into the hands of a single dominant group

London sources suggest the international oil giant Shell is also building up an interest

A spokesman for Consolidated Gold Fields said in Johannesburg this morning "We have no knowledge of the rumours concerning share purchases

As you will appreciate, share deals have to go through transfer offices, and it is days before it is known who the purchasers are"

Any further comment would have to come from London, the spokesman added The London office told The Star's London bureau: "We have heard these rumours before. All we can say is that we have had no approach from anyone."

'Good fun'

Gold Fields of South Africa controls some of the country's most important gold mines, including West Driefontein and East Driefontein. In addition, GFSA has important stakes in tin mining in South Africa and in coal.

Gold Fields' parent, Cons Gold, has mining interests in Australia, Canada and the United States.

Stock exchange rumours that Cons Gold is up for a bid caused share price flurries in late 1978, and again in February this year. But in recent weeks stock market interest has again flared up which has excited both London and Johannesburg investors.

Mining specialist James Capel said this morning: "At the moment, it's all good fun — but whether it comes to anything is another matter. If you believe there is substance in the rumours you hold on. If you don't then you sell."

On the JSE this morning Cons Gold put on another 3c to 8[illegible]0c a share. Yesterday it posted a [illegible]c gain and over the last week has risen from 7[illegible]c, suggesting that the market at least believes something is on the go.

MINORCO

Earnings uptrend

Activities: *Bermuda-based company which holds the main Anglo American stake in ZCI Has investments in Zimbabwe Rhodesia, Brazil, Australia and the US Owns 29% of Engelhard Minerals and 43,2% of oil producer Trend International After reorganisation Minorco will become Anglo's main overseas mining arm.*
President: *W D Wilson, vice president Sir James Pearman*
Capital structure: *73,6m ordinaries of BD$1,40 Market capitalisation R405m*
Financial: *Year to June 30 1979 Net cash US$10m Current ratio 1,4 Net cash flow US$6,2m*
Share market: *Price 550c (1978-79 high, 560c, low, 220c, trading volume last quarter, 42 000 shares*) Yields 3,1% on earnings, 1,8% on dividend Cover 1,7. PE ratio 31,8.*
** JSE only*

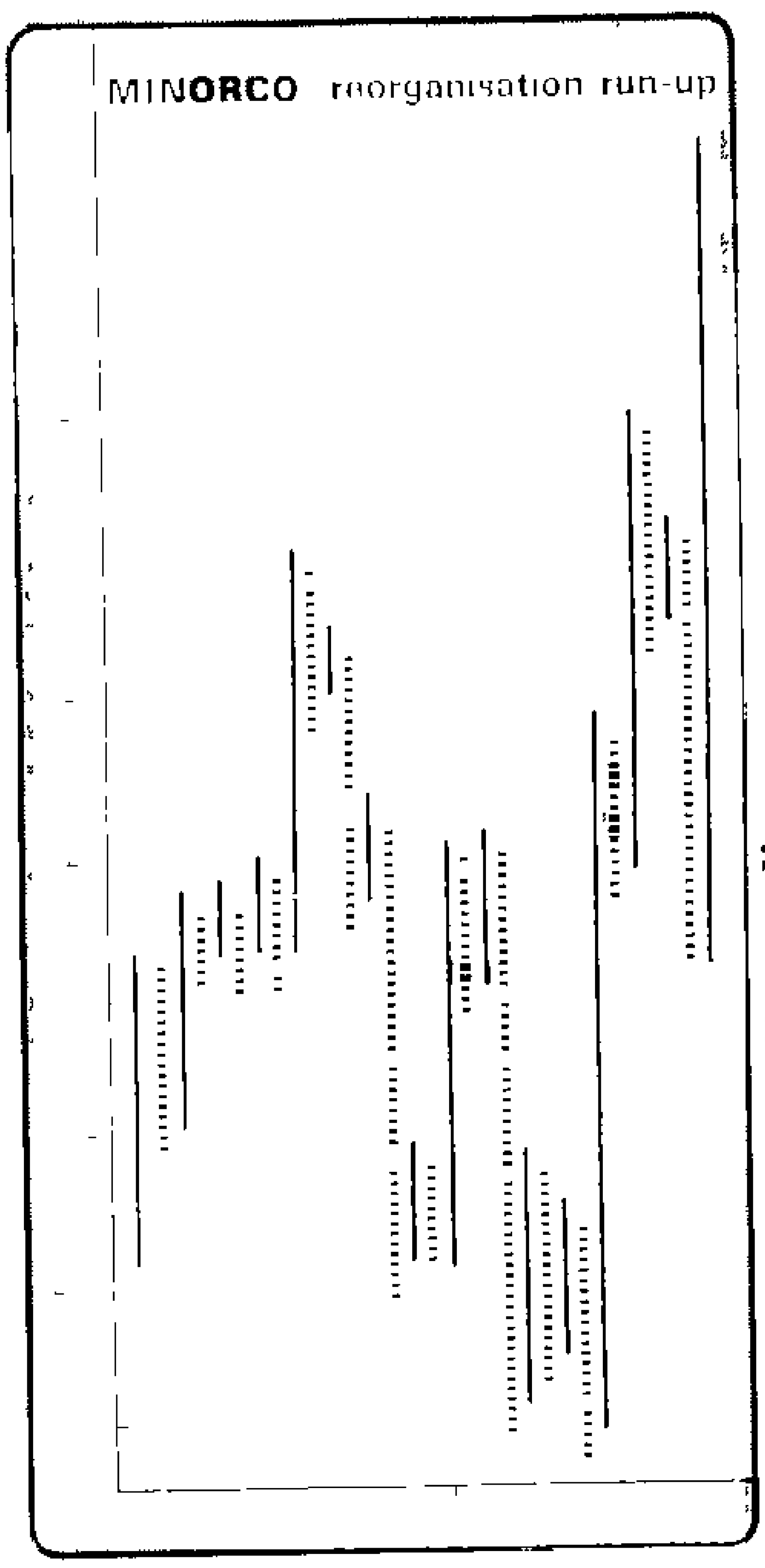
	'76	'77	'78	'79
Investment income (US$m)	11 1	13 9	15,1	18,4
Taxed profit (US$m)	6 9	12,7	15 1	15,1
Earnings (USc)	21,9	17,5	18 6	20 4
Dividends (USc)	2	12	12	12
Net asset value (USc)	705	555	452	656

Minorco's role, with shareholder ratification a foregone conclusion, has been defined and the corporation placed in a cash flush position to pursue its activities In addition, with the exception of the ZCI interest, most of the group's investments should provide a solid medium-term dividend flow

On the less-than-positive side there is no change as far as the 49,98% interest in ZCI is concerned ZCI is unlikely to resume dividend payments for several years no matter what happens to copper The assets of its underlying copper investments have deteriorated and considerable capex is needed to bring them up to scratch The exodus of skilled expatriates from Zambia meanwhile shows no signs of abating. But, at least, Minorco is now off the hook as far as funding ZCI's commitments to Botrest are concerned and will soon be repaid earlier advances to ZCI

Elsewhere, the three main pre-reconstruction earnings contributors are all improving During the first seven months of this year 29%-owned Engelhard earned more than its $142,2m total for 1978 Copper producer Inspiration, in which a 50% direct interest is held and a further 11,2% indirect interest will accrue via Amcan and Hudson Bay, is again profitable and reports a $4,7m net income for the first half After an earnings downturn in 1978, oil producer Trend recorded improved net earnings of $6,3m ($5,2m) during the first half It is a safe bet that, barring a major US economic downturn, each of these interests will make a greater contribution to earnings and dividend income this year Once reorganisation plans are consummated there will be additional cash flow from the newly-acquired 10% stake in Anamint and the 50% stake in Amcan — whose main asset is a 44,9% holding in Hudson Bay Mining & Smelting

Minorco's next move remains to be seen However, none of its potential investments has such a dead-beat air as the



ZCI/Botrest funding exercise now to be shouldered by De Beers

Reorganisation entails payment of $32,3m cash to Anglo/De Beers for 31,3% of Amcan, the issue of 26,2m new shares to Charter, receipt of £5,9m ($12,7m) cash from Charter, and repayment by ZCI of $3,5m outstanding advances This, coupled with the recently arranged 10-year, $50m loan facility, means Minorco has net cash and loan facilities of about $37m

It is unlikely that any large part of this is now earmarked for following any developments by 30%-owned Australian Anglo American That company's Namosi copper prospect in Fiji is unlikely to be developed for several years However, if evaluation of the Jacobina gold prospect in Brazil is positive, Minorco will need to fund its 20% participation

Minorco, as Anglo group's major overseas arm, will, one can assume, steadily increase its spending on new ventures in the medium term But that will not necessarily mean a serious constraint on dividends This year it is proposed to distribute dividends of US19c per share (a 4c interim on the existing share capital and a 15c final on the capital increased by the 26,2m share issue to Charter)

For SA shareholders this means a prospective yield of 2,9%, which is hardly attractive After reorganisation, and based on market values at October 10 1979, net worth is only $6,76 (R5,60) On this basis advice to local shareholders is clear the shares are unattractive on asset and prospective yield considerations The shares advanced strongly over the past year largely in anticipation of reorganisation plans Now that they and their effects are known, there are better investments closer to home and it is time to switch

Jim Jones

T A HOLDINGS (232)

SA link-up

One of Zimbabwe-Rhodesia's leading conglomerates T A Holdings, has announced plans to merge two of its trading operations with major SA groups In a statement this week TA said it will amalgamate its printing and packaging interests in the form of its wholly-owned subsidiary, Repcor, with Premier Milling's ZR interests in the Wightman & Co group Wightman is currently a wholly-owned subsidiary of Premier Milling A new holding company is to be set up in which TA will hold 51% of the equity

Premier chairman Tony Bloom says the

agreement will have no immediate effect on Premier's earnings although there should be longer-term benefits arising out of the synergy possibilities between the two companies For example certain companies within the group will be able to use associates products as raw materials In the deal Premier also receives R750 000 prefs

In a second merger, TA says it will amalgamate its clearing and forwarding operations with Anglovaal in a new Zimbabwe-Rhodesia company to be called Combine Cargo And in SA TA's Glens Forwarding will be amalgamated with Combine Cargo SA TA will hold 51% of the equity in the ZR operation and 49% of the equity in SA.

Anglovaal says the agreement was based on purely economic considerations The merged operation offers scope for rationalisation and improved turnover This year Combine Cargo SA reported a taxed profit of R116 000 after a loss of R59 000 the previous year

Both mergers require exchange control permission from both Salisbury and Pretoria

There is speculation in Salisbury that such mergers could be the first signs of efforts by SA groups to reorganise their ownership and control patterns prior to the expected lifting of economic sanctions and the emergence of a internationally recognised majority rule administration The argument is that many SA groups might feel politically happier to have more than 50% of the equity in their ZR subsidiaries held by a "domestic" organisation rather than be accused of "foreign domination" of the ZR economy

It is known that even normally very conservative Salisbury government treasury officals view the fact that, with upwards of 65% of ZR's capital stock owned by foreigners, this is an unduly high ratio of foreign control It is also true that such mergers do offer the opportunity for SA — or other foreign shareholders — to reduce their investment stake in ZR It seems likely that a combination of such considerations — as well as straightforward identity of interests between the groups concerned — explains this type of merger If this is in fact so, then a great increase in this type of link-up can be expected

Tony Hawkins

(25)

FM 21/11/80

AFCOL

Re-rating justified

While the directors of Afcol show no reserve in showing their disappointment over the lower than anticipated rate of growth in the economy during the six months to September 30, investors took a more bullish view Since end-June Afcol has moved up from 150c to 265c on a

turnover of [illegible] 000 shares

Investor confidence has now been fully justified On an earnings growth of 57%, the interim has been increased by the same amount to 11c, just 3c short of the total paid out in the full year to March 31

Afcol s booster came, however, not from its furniture manufacturing divisions but from subsidiaries and investments — in furniture retailer Amrel, Barlows and Romatex. Attributable taxed net income from subsidiaries rose 286,4% to R1 3m, while dividend income from investments rose 38,8% to R580 000. The improvement in the associated companies stems largely from the realisation of the Spankor merger benefits (the merger of Afcol and Bruply's particle board operations) and say the directors, the results are compared with the previous year when establishment costs were brought to account.

The directors say that the 25% increase in operating income, to R5,6m, was due to higher sales and better capacity utilisation. Sales were up 13% to R67,3m. Together with the improved capacity utilisation, it is likely that opportunity has been taken of the demand upswing to bump margins back towards the mid-1970s levels, when the group was grossing over 12% and the furniture division was earning slightly more than this average

Although first half sales growth was not up to expectations, the rate is now increasing and the company expects that, if furniture and building trade activity improves, profits in the current half will match those of the first half The Spankor-type rationalisation has given the group some flexibility in capacity and cleared the decks for pin-point accuracy in future capex programmes. This has started to some extent and capex at end-September

totalled over R1m (R811 000) Cash flow at end-March was strong at R5,2m and is likely to be well up this year So the twice-covered dividend policy should not be disturbed by the expansion of trading and marginally higher demand for capital funds

Current economic projections suggest the directors' forecast of 45c earnings for the year may be a minimum expectation Chairman Dick Goss s enthusiasm in the 1979 report — "Afcol could be set for a very good financial year" — has renewed vigour and investors currently getting a projected 8,3% yield could be in for some nice capital gains once figures on December/January consumer spending become available Although SA Breweries has a 56% stake, the size of the issued equity, 23,1m ords, ensures fluid marketability

[illegible]

CONS GOLD

(232)

Takeover talk

pw 21/11/79

Activities: *UK-based mining finance group with major interests in US, Canada, the UK and SA — the latter largely through GFSA. Has growing industrial involvement apart from traditional mining interests.*
Chairman: *Lord Erroll of Hale.*
Capital structure: *147,8m ordinaries of 25p. Market capitalisation, R1 212m.*
Financial: *Year to June 30 1979. Borrowings long- and medium-term, £102,9m. Net cash, £1,1m. Current ratio 1,6. Capital commitments £18,9m.*
Share market: *Price 820c (1978-79 high, 820c, low, 403c, trading volume last quarter, 11 000 shares*). Yields 8,3% on earnings, 3,0% on dividend. Cover 2,7. PE ratio 12,1.*
*JSE deals only

"So far as the directors are aware, no shareholder, corporate or individual, has an interest amounting to 5% or more of the equity capital of the company." Thus the directors in their report dated October 30. But it is a statement that may not be repeated next year if, as almost everyone suspects, the long-awaited struggle for control of Cons Gold is under way.

Various aspects of a possible takeover are discussed elsewhere (see For). But what will a new controlling shareholder get? And what aims does present management have if it is left to its own devices?

	76	77	'78	'79
Pre-tax profit (£m)	43,3	35,6	69,8	96,4
Attributable profit (£m)	17,6	25,0	34,5	56,2
Earnings (p)	14,7	20,8	18,7	37,0
Dividends (p)	7,4	8,2	9,2	13,5
Net asset value (p)	332	288	306	375

In the year to end-June, SA investments (in the form of GFSA and various direct gold holdings) consolidated their position as the group's cash generator. Some 50% of attributable profit was generated in this country and providing gold does not collapse that percentage is set for a substantial increase this year.

Next in line is wholly-owned Amey Roadstone. In the UK, it is the construction materials industry leader and last year increased profits in a stagnant market. In the US, Amey's profits were highly satisfactory though it seems that heavy investment will continue in that country for the next few years.

The same is generally true of the US mining equipment and steel operations held through wholly-owned Azcon. In Australia however all is not well. The Renison tin mine reported an 85% pre-tax profit advance to £21,6m but the Bellambi coal mine slipped to a pre-tax loss of £1,2m (£1,3m profit). Associated Minerals beach sands operations reduced their loss to £315 000 (£3,0m) while CGF Iron made a pre-tax profit of £1,9m compared with a £4,4m loss in the previous year.

So where do things go from here? If a takeover battle develops with bidders aiming to break up the group, it will be the credence given to management's targets which could determine whether or not present shareholders stay aboard. And it is especially important as, despite some hefty footwork around London this year, top management has apparently failed to interest any large and friendly institutions in taking up significant blocks of shares.

The main growth target area remains the US but performance of existing operations there could be hit if recession develops during the next 12 months. But that should not be too great a constraint on new acquisition. Gold sourced revenue will almost certainly increase. And, though the promise of higher dividends could be a top card in persuading present shareholders to stay aboard over the next few years, deployment of receipts from SA could reinforce the group's industrial asset base.

Perhaps more immediately there is a need to turn all the Australian activities into profit generators. It is all very well Renison increasing its contribution but losses elsewhere impact adversely on earnings performance. However, world recession could make heavy going of an Australian recovery.

Another drawback is advancing US and UK interest rates. At end-June the group had North American borrowings of £71m. They are currently charged interest based on prime rates now higher than 15%, and possibly set to rise. On this basis, management is hardly likely to resort to substantial borrowings to fund North American acquisitions or developments. And that means internally generated funds (from gold particularly) could increasingly be allocated away from distributions.

At this stage of the game and until potential control bids crystalise, investment in the shares carries a more than proportional element of speculative risk. On fundamentals, an SA investor is probably better off with a less diluted gold stake through, say, GFSA or directly through gold producers. But that is not a signal to sell Cons Gold. The opportunity to buy control of a major mining group does not arise often and whoever wants control will presumably pay what is needed.

Jim Jones

Mark glo grotes nie oor Cons Gold

Rapport 4/11/79

232

Deur GERT MARAIS

SANLAM, General Mining, Rembrandt en Anglo American se ontkennings dat een van hulle besig is om Consolidated Gold Fields oor te neem, word eenvoudig nie deur die mark geglo nie.

Die algemene gevoel is dat Sanlam wel besig is met 'n oornamepoging, wat meer as R1 200 miljoen kan kos as hy van plan is om van Cons Gold 'n volfiliaal te maak.

Dit is egter onwaarskynlik. Dit sal seker nader aan die kol wees om te sê dat die groep wat agter Cons Gold lê eerder sal probeer om eers net beheer te verkry. Hiervoor sal 'n aandeelhouding van 30 persent genoeg wees. Die mikpunt daarna behoort 'n belang van minstens 51 persent te wees.

'n Aanvanklike 30 persent behoort nie meer as R300 miljoen tot R400 miljoen te kos nie, terwyl 51 persent meer as R600 miljoen kan verg.

Strategie

Die mark se mening is dat Sanlam met Rembrandt se hulp met dieselfde strategie besig is as wat destyds met die oorname van Union Corporation gevolg is. Dit beteken dat geen formele aanbod gemaak word voordat 'n groot genoeg belang deur die mark gekoop is wat die sukses van die aanbod sal verseker nie.

Indien hierdie strategie slaag, kan dit Sanlam se mynboubelange aansienlik vergroot, want Cons Gold beskik nou oor bates van R480 miljoen. Indien Cons Gold by Sanlam se General Mining en Union Corporation gevoeg word, sal die vergrote groep nie baie kleiner as Anglo American wees nie.

Gerugte

Sanlam het die afgelope jaar, maar veral die laaste ses maande, aansienlike hoeveelhede nywerheidsaandele op die Johannesburgse Effektebeurs verkoop Volgens sommige ramings kan dit so hoog as R200 miljoen wees, maar die bedrag is waarskynlik kleiner.

Dit het in 'n tyd gebeur waarin die mark aansienlik gestyg het en ander instellings soos Ou Mutual steeds aandele gekoop het. Iets moet met hierdie geld gedoen word Die logiese markspekulasie is dat dit gebruik word om aandele in Cons Gold te koop.

Rembrandt, wat volgens die gerugte Sanlam se vennoot is, het meer as R120 miljoen se kontant — die meeste hiervan in die buiteland

Verder is die oorsese skuld wat General Mining aangegaan het om vir Union Corporation te kan betaal nou byna afgelos.

Die oorsese beheermaatskappy van Shell word ook as 'n koper genoem Shell hoef nie noodwendig 'n teenstander te wees nie, want in Suid-Afrika is daar samewerking tussen die groepe. Shell het 'n belang van 17,5 persent in Trek.

Saamgewerk

Al hierdie feite saam versterk natuurlik die vermoede dat Sanlam en sy vriende die kopers is

Anglo American, wat sê dat hy geen kommentaar op markgerugte lewer nie, kan self nie buite rekening gelaat word nie. Anglo het byna R550 miljoen se kontant, terwyl De Beers meer as R1 000 miljoen in die bank het.

'n Oorname deur stilweg aandele op die mark te koop, is egter nie iets wat Anglo dikwels doen nie, maar dit wil nie sê dat hy dit glad nie sal doen nie

Hoewel Anglo moontlik nie van vreugde sal oorloop as Sanlam beheer oor Cons Gold kry nie, is dit nie noodwendig dat die groepe teenoor mekaar staan nie Hulle het in die verlede al saamgewerk en kan dit weer doen.

Net sowat 1 miljoen van Cons Gold se 148 miljoen uitgereikte aandele is in Suid-Afrika Die maatskappy moet dus oorsee oorgeneem word. Volgens markgerugte kon soveel as 7 miljoen aandele die laaste ruk in Suid-Afrikaanse hande beland het, maar dit is minder as 5 persent van die totaal Verder is opsies op aansienlike hoeveelhede verkry.

Die aansienlike oorsese handel wat skielik in die aandele ontstaan het, het die finansiele rand vir die eerste keer sedert Mei tot so laag as 81 Amerikaanse sent per rand afgedruk

Cons Gold se belangrikste bate is ongetwyfeld die belang van 46 persent wat hy in Goudvelde van Suid-Afrika het Dit was die afgelope boekjaar vir sowat die helfte van sy wêreldwye toeskryfbare inkomste van £56,2 miljoen verantwoordelik.

Die res van sy belange is in Europa, Brittanje, Kanada en Australië versprei

(232)

SENTRACHEM/FEDMIS

Progress catalyst

FM 9/11/79

The proposed Sentrachem/Fedmis merger could lead to Fedmis disappearing from the JSE lists Certainly it will if Sentrachem can implement its plans to acquire Fedmis' entire share capital And the merger would result in a R450m turnover group capitalised at around R400m

Chairman of both companies, Hennie Smit, tells the *FM* that two merchant banks, Senbank for Sentrachem and UAL for Fedmis, are working out a takeover formula, based on market value, earnings projections and possibly net worth, to value the shares He indicates Fedmis shareholders will probably be offered a cash and shares package

Normally, minority interests are offered a premium in the the pre-suspension share price But, due to possibly speculative price advances before both shares were suspended on Friday last week, the formula may not offer such a premium, he says

While Smit does not believe news of the proposed transaction leaked, Sentrachem rose 30c to 570c and Fedmis put on 60c to 335c in the week prior to suspension. This, he feels, confirms his speculation theory

However, with bankers advising, it is hardly likely that Sentrachem will offer Fedmis shareholders no incentive to relinquish their shares Advantages of the marger are being kept under wraps However, it is clear that both companies have expansion plans which happen to dovetail There are also various other areas of mutual advantage.

Although, Sentrachem has no direct holding in Fedmis and *vice versa*, they are related through their parents Sentrachem is held as to some 41% by Central Chemical Investments, in which FVB owns a minority 10,7m shares stake FVB also has a 69% stake in Federale Chemiese Beleggings which owns 53% of Fedmis

Earnings projections indicate that Fedmis could pay 21c this year for a 6,5% prospective yield while on latest indications all Sentrachem shareholders can expect is 4,6% prospective yield Now the question Fedmis shareholders are asking is will the enlarged group offer them same growth potential as the smaller Fedmis?

Certainly, Fedmis has had the trump card of its phosphoric acid plant, which is now benefiting from the increased world phosacid price On the other hand, Sentrachem is likely to gain in the medium term from Coalplex's advancing profitability Nevertheless, it would be surprising if the formula were not weighted in Fedmis' favour on these grounds alone

Ahead of offer details some analysts estimate that shareholders could expect over 70 Sentrachem shares for every 100 Fedmis they hold

Peter Pittendrigh

health assistant who supervises ... work and ensure that clinics use approved treatment regimes, immunisation schedules, A health assistant works under them at the clinic level.

The medical assistants (nurse aides) 'have long been the backbor medical service in Rhodesia'. Sapire (*61) praises their role family planning close to the community. They are equivalent tc nurses operating in South Africa; the extensive training of med assistants to run clinics is described later (see Section 4). for reliance on these assistants stems from the fact that the dc population ratio in rural areas can be 1:100 000.

3.7 AVAILABILITY OF RURAL HEALTH SERVICES

Studies in both USA and Africa have shown that the ease of services strongly influences their utilisation.11 Access expressed in terms of the cost of visiting a facility, in money and convenience of travel, as well as ability to gai arrival.

Westcott (*55) reports on studies of the comparative acces health services in rural and urban areas. The cheapest f. patients, i.e. where patients had the shortest and cheapest

ATI/SOUTH ATLANTIC

232

Rich harvest

FM 9/11/79

Activities: *Holding company for Anglovaal's industrial interests Subsidiaries include Cons Glass (56%), Claude Neon (51%), Nat Bolt (64%), Steel Metals (71%) and South Atlantic (75%) The last-named holds 51% of T W Beckett, 62% of Globe Engineering and 43% of I&J ATI is 61%-owned by Anglo Transvaal Consolidated*

Capital structure. *13,9m ordinaries of 50c 1m 5,5% cum prefs of R2, 1,4m 8% "A" red cum prefs of R1 and 35 000 8% "B" red convertible cum prefs of R1 Market capitalisation R62,6m*

Financial: *Year to June 30 1979 Borrowings Long-and medium-term, R12,2m, net short-term, R1,8m Debt equity ratio 27,1% Current ratio 1,9 Net cash flow R28,5m Capital commitments R10,9m*

Share market: *Price 450c (1978-79 high, 450c, low, 158c, trading volume last quarter, 120 000 shares) Yields 26,7% on earnings, 5,3% on dividend Cover 5,0 PE ratio 3,7*

	'76	'77	'78	'79
Return on cap %	17,8	16 6	18,6	22 3
Turnover (Rm)	394,4	441 6	431 7	494 7
Gross profit (Rm)	33 2	34 7	39 1	51,2
Gross margin %	8 4	7 9	9 1	10,4
Earnings (c)	69 0	68,0	85 5	120,2
Dividends (c)	18	19	20	24
Net asset value (c)	460	513	576	697

ATI's dividend performance over the past six years has been reasonably good, and while the SA economy appears to have only gradually swung from stagnation towards growth in the year to end-June, the impact on ATI's stable of industrial companies has been marked Group pre-tax profit for the year surged 41% to R47,3m (R33,6m) and at the end of the day, adjusted earnings grew by 40,6% to 120,2c per share

Dividends, however, were less exciting, growing by 20% to 24c While the dividend is covered five times by consolidated earnings, it is covered only 1,3 times by the holding company's earnings This is because all subsidiaries now only declare dividends once their results have been audited So, the dividend declared by ATI itself is based on dividend receipts declared out of profits earned by subsidiaries during the 1978 financial year

Although turnover was only 14,6% higher at R494,7m, gross profit rose by 31% to R51,2m as a result of better operating efficiencies which saw the average gross margin rise from 9,1% to 10,4% The return on capital employed improved from 18,6% to 22,3%, which is respectable indeed considering the group's widely diversified interests

At the same time, considerable changes are reflected in the balance sheet, the most noteworthy of which is a sharp decline in borrowings and an improvement in overall liquidity

Despite having to fund higher sales, long-term debt has been pared from R19,7m to R12,2m and net short-term borrowings have been whittled down from R11,9m to only R1,8m Consequently, the group is now considerably under-geared with a debt equity ratio of 27,1% (34,5%)

ATI also took the opportunity to add to its holdings in some subsidiaries during the year The major changes were a rise from 51% to 73% in the stake in steel merchant, Tristel Holdings, and the acquisition by South Atlantic of a further 10% in T W Beckett Since the year-end, a 70% interest has been acquired in Universal Knitters & Weavers, while Cons Glass has expanded its plastic operations through the acquisition of 100% of South African Blown Containers, which caters for the cosmetic and toiletries industry

By and large, there was little change last year in the sectoral contributions to group taxed profit Engineering chipped in 34% (34%), food 27% (27%), containers 27% (25%) and other industrial interests accounted for 12% (14%) In essence, the increase in group profit was thus due to a general improvement in all areas other than heavy engineering With the exception of Globe Engineering's subsidiary, Shipwrights & Engineers, all subsidiaries reported higher dividends and earnings, some at record levels

As for South Atlantic, the food companies all earned higher profits largely as a result of cost containment and deeper penetration of their markets The engineering companies were again affected by a shortage of work, particularly in Durban port, and profits were virtually unchanged Overall, however, chairman Basil Hersov expects a further advance in South Atlantic's profit in the current year

Specifically, I & J managed to keep to a minimum the adverse impact of fuel prices which escalated three times during the year To some degree this was accomplished by higher catches of white fish as a result of the formation of a 320km "exclusive economic zone in SA waters " Overall, I&J increased earnings from 15c to 20c and the dividend from 7c to a 2,2-times covered 9c

T W Beckett's earnings rose from 37c a share to 49c and the dividend was hiked from 15c to 23c as stability returned to international commodity markets of the principal raw materials used in the beverage industry Elsewhere, the investment in unlisted Food Corporation really paid off Benefits flowing from better efficiencies, lower transport costs and regular stock availability enabled the company to gain market share and boost pre-tax profit from R138 000 to R903 000

The pick of ATI's directly-held subsidiaries is undoubtedly Cons Glass Lower borrowings and the timely upgrading and automation of plant allowed Consol to capitalise fully on strong sales of wine, beer and cold drink bottles As a result, earnings grew by 61% to 138c (86c) and the dividend was hiked by 48% to 40c (27c)

In his overview of group prospects, Hersov states that inventories throughout the country have been allowed to run down during the past two years and must now rapidly be approaching the state when replenishment can no longer be delayed This, he feels, should provide industry with the stimulus required to place

4.1 DOCTORS

The 'Inverse Care Law' - health services are least available where they are most needed - is certainly true of the distribution of doctors. Beaton and Bourne (*54) show that 5½% of doctors practise in rural areas and villages where over 50% of the population in South Africa live. 55,5% practise in cities and metropolitan areas where under 30% of the population live. The ratio of GP's to specialists is extremely low in cities (2:1 is not uncommon) but far higher in small towns and rural areas. T. Wilson (Vol.2) notes that the population:doctor ratios in South Africa vary from 600:1 in Durban (190:1 for Durban Whites) to 40 000:1 in some rural areas. He and Kirsch both emphasise the world-wide phenomenon whereby increasing the number of doctors trained is not likely to fulfil needs in the rural areas when the distribution is so uneven; an overwhelming number of doctors prefer to live close to urban amenities, wealthier patients, society, schools and in touch with professional developments; and international migration extends this process to a world level. Wilson points out that in the 6 years from 1970 to 1975, 'it is estimated that 14% of all medical graduates, and 50% of those from the University of the Witwatersrand and University of Cape Town left the country permanently'. 'We are training doctors for America', he said.

Part of the reason for this undoubtedly lies in the manner of selection and training of doctors. A survey by staff and student members of UCT medical school showed that the ... t

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growth on a more certain basis as well as absorb excessive productive capacity. And given what he perceives as an apparent awareness by government of industrial problems and a readiness to assist, Hersov is confident that economic conditions will continue to improve, leading to higher group profit.

On an historical basis, South Atlantic's 7 [illegible] yield appears much more attractive than ATI's 5.3. While dividend declarations from South Atlantic's subsidiaries Globe, T W Beckett and I&J will also be deferred in future years until August, when audited results are available, the resulting reduction in income to South Atlantic last year was compensated for by a substantially increased dividend from Bergplen which benefited from a surplus of R2 [illegible]m arising from the sale of its stake in Rainbow Chickens.

ATI on the other hand will only feel the impact of last year's dividend declaration in the current year. So its yield is [illegible] understated in comparison to South Atlantic's and ATI has a few more diversifications to call on for higher dividend contributions should any smoothing effect become necessary in the future.

Beaton (*32) also emphasises more relevant training and stresses the formulation of appropriate goals. This process is now under way at Wits medical school, following the issuing of a 'Charter of Aims' by medical students (see Vol.2). The Charter lays emphasis on the relevance of medical education to the needs of all South Africans, the practice of medicine where these needs are to be found, and the value of a fuller understanding of the social and economic circumstances underlying health needs. Within Wits medical school, the further definition of the goals has been applied to each department and discussions on these goals and on appropriate methods of achieving them are taking place with the participation of student representatives.

Beaton also mentions a number of goals for medical education: doctors should be problem-solvers, self-directed learners, able to manage and work with a team of health workers and with the manipulative skills (where appropriate) to manage the physical, behavioural, social, economic, political and economic determinants of health-relevant problems. He argues that ensuring a team approach to health problems would entail training doctors and nurses together.

Watts (* 8) recommends better preparation for dealing with popular health related beliefs and use of indigenous healing. Jaffe (*47), taking a rather different approach, criticises the current style of medical education on the basis of the poor doctor/patient relationships it produces. He claims that it teaches a mechanical style of problem-solving. He feels that whereas a full personal appreciation of a patient's problems, involving holistic and continuing care, is the first requirement for primary care, too many doctors become specialists and too few are in general practice; he sees an over-utilisation of costly specialist care by the public and that this could be improved by operating a stricter system of referral; that a GP can deal with 90% of health problems presented and that this is a cost-effective method of health care - more so than that provided by hospital outpatient departments.

Jaffe criticises state medicine on the grounds that divided responsibility for the patient is detrimental, and that primary health care is too sophisticated to be entrusted to nurses and medical auxiliaries who tend to treat symptoms and not people. However, if the building of health centre-type facilities is to continue, he recommends the construction of smaller and more intimate units.

He feels that proper training for general practice should involve a two- or three-year period of extra training as with other specialities and with general practice overseas.

Sanlam dalk in drankstryd

Rapport 11/11/79

232

Deur GERT MARAIS

DIE kanse lyk goed dat Sanlam, of 'n maatskappy wat deur hom beheer word, 'n aansienlike belang in die nuwe kleinhandelsverspreiding van drank gaan hê, wat weens die samesprekinge tussen Rembrandt en Suid-Afrikaanse Brouerye gaan ontstaan.

Volgens markbronne kan die beeindiging van die bierstryd nie net daartoe lei dat SAB die monopolie in bier en Rembrandt een in wyn sal hê nie, maar dat die twee groepe se onderskeie kleinhandelsdrankbelange in 'n nuwe maatskappy saamgevoeg word waarin Sanlam die grootste sê sal hê.

Of dit só sal gebeur, sal Dinsdagmiddag om 5-uur deur Senbank bekend gemaak word.

Markgerugte is meer dikwels verkeerd as reg en dit kan in hierdie geval ook gebeur Dit is egter bekend dat Sanlam se besturende direkteur, dr. Fred du Plessis, 'n groot rol in die huidige samesprekinge tussen die twee groot drankgroepe en die KWV gespeel het Hy word in sommige kringe as die argitek van die nuwe drankbedeling bestempel.

Dit kan in hierdie stadium waarskynlik as 'n uitgemaakte saak aanvaar word dat die bieroorlog tot die verlede behoort Dit kan waarskynlik ook aanvaar word dat die Regering reeds voor die twee drankgroepe se aandele die afgelope week opgeskort is, van die onderhandelinge geweet het en die besluite in beginsel goedgekeur het

Dinsdag se kabinetsvergadering oor die saak behoort nie meer as 'n rubberstempel van die voorgestelde ooreenkoms te wees nie Markbronne wil dit hê dat die twee groepe en die Minister van Justisie, mnr Alwyn Schlebusch, die saak reeds voor die opskortings deeglik bespreek het

Gerugte dat Rembrandt sy Interkontinentale Brouerye regstreeks vir SAB se Stellenbosch-Boerewynmakerye gaan verruil is hoogs onwaarskynlik Rembrandt se bierbelange is nie veel meer as R20 miljoen werd nie, terwyl SAB se wynbelange se waarde na aan R120 miljoen lê Daar kan dus geen sprake van 'n een-vir-een-ruil wees nie.

Die waarskynlikste is dat Rembrandt bloot 'n beherende belang in Stellenbosch-Boerewynmakerye sal kry, wat 51 persent kan wees. Hiervoor sal hy meer as net sy bierbelange moet gee en 'n aansienlike bedrag kontant of aandele kan betrokke wees.

Aan die verspreidingskant word Sanlam as 'n onafhanklike party gesien wat kan toesien dat nie een van die twee drankgroepe sy eie drankprodukte ten koste van die ander bevorder nie. Dit sal dus 'n stryd tussen bier en wyn wees en nie een tussen bier en bier en wyn teen wyn nie.

Oor die KWV se rol bestaan onsekerheid Hy kan bloot as 'n onafhanklike derde party by die samesprekinge betrek word, of die bestaande Wetgewing kan dalk verander word om hom toe te laat om sy eie produkte vryelik op die plaaslike mark te verkoop. Dit kan hom selfs 'n regstreekse belang in die voorgestelde nuwe kleinhandelsverspreidinggroep gee.

Indien 'n nuwe kleinhandelsmaatskappy aan die verspreidingskant gestig word en Sanlam dit beheer, beteken dit nie dat hierdie beheer vir goed so moet bly nie Dit kan 'n tussentydse stadium wees totdat geskikte alternatiewe aandeelhouers gevind is Dit is ook moontlik dat hierdie enkele maatskappy later in kleiner onafhanklike groepe onderverdeel word wat heeltemal los van die groot drankprodusente sal staan.

Nie almal in die drankbedryf is ewe ingenome met die afgelope week se verwikkelinge nie.

Só is die twee grootste drankprodusente buiten SAB en Rembrandt glad nie by die samesprekinge betrek nie Beide Unie Wyn en Douglas Green is glad nie oor die verwikkelinge geraadpleeg nie

Indien daar 'n algehele herskikking van die kleinhandelsverspreiding van drank kom, kan hulle albei wesenlik geraak word Tot dusver is aan hulle gesê dat na hul belange gekyk sal word, maar hulle het geen idee waaroor dit gaan nie Dit lyk byna na 'n geval van „jy moet my vertrou, maar ek vertrou jou nie"

Volgens gerugte is Fedhasa ook nie baie ingenome daarmee dat hy nie geraadpleeg is nie Die vereniging wou glo protes aanteken, maar is deur die voorsitter van die Drankraad versoek om dit nie te doen nie

Die gewone man is seker ook nie te ingenome met die tot nou toe onbekende planne nie, want dit lyk asof hy oor die langer termyn meer vir sy drank sal moet betaal as die bieroorlog verdwyn. Wat goed is vir SAB en Rembrandt is nie noodwendig goed vir die man wat hul produkte koop nie

SA BREWERIES (232) FM 16/11/79

Entrenched growth base

SA Breweries' absorption of Rembrandt's Intercontinental Breweries is not going to have any material impact on SAB's earnings for the year to March 31 1980 But acquisition of the fiercest competitor SAB has yet encountered will have significant long-term benefits in terms of rationalisation and pricing policies Under the pressures of the beer war, however, SAB continued to perform remarkably well and results for the six months to end-September point to a group improvement in net margins

Turnover rose 16,7% to R868m but attributable profit was 27,6% up at R21,5m The consolidation of the accounts hides the contribution to profits of the beer division Although sharply higher profits have been reported in the past month from the SAB stable (OK Bazaars, Afcol, Amrel and Southern Sun) the profitability of the beer division, which still contributes the bulk of profits, improved

The market was confused by the announcement of the industry's rationalisation plans at the same time as the publication of SAB's interim results, which will see shareholders getting a 4c (3c) interim on the 9,7c (7,6c) earnings On the lifting of the week-old suspension, the shares opened at 260c compared with the pre-suspension 225c Active trading pushed the share up to a day's high of 272c But the volatility of the trading in the shares brought uncertain profit-takers in and the share touched a day's low of 250c This uncertainty was well-founded

The deal has such ramifications, and leaves so many controversial areas obscure through lack of detail, that rational analysis of short- and long-term impact on SAB, Rembrandt and industry satellites such as Rennies' liquor division, Picbel, and Premier, is not immediately possible And on Wednesday this week, board and management meetings of Picbel, Rennies and Premier were being held to establish strategy in the re-drawn parameters of the country's liquor industry

That SA Breweries is due for a fundamental change in stock market rating — the pre-suspension PE rating was 8 — is widely accepted But what figures should be used remains the $64 000 question SAB officially states that the effect of the development on nav and earnings, for the current year "is not expected to be material" but "rationalisation benefits should enhance earnings in the ensuing year" In addition, MD Dick Goss has publicly committed the group to holding down beer prices till 1981 So improved profitability has to stem from lower unit costs and higher volumes though there will be a gain from discontinuation of discount prices

ICB will not increase SAB's capacity by any more than it would have been increased in a six to 12 month period in the group's normal expansion plans And Goss stresses that a R20m brewery is still to go up in BophuthaTswana over the next year Capex currently committed by the group is R109m, and a fair proportion of this will be going into increasing brewing and depot capacity SAB group general manager Ken Williams tells me that although ICB has a history of losses, the rationalisation will ensure that ICB assets return profits for SAB

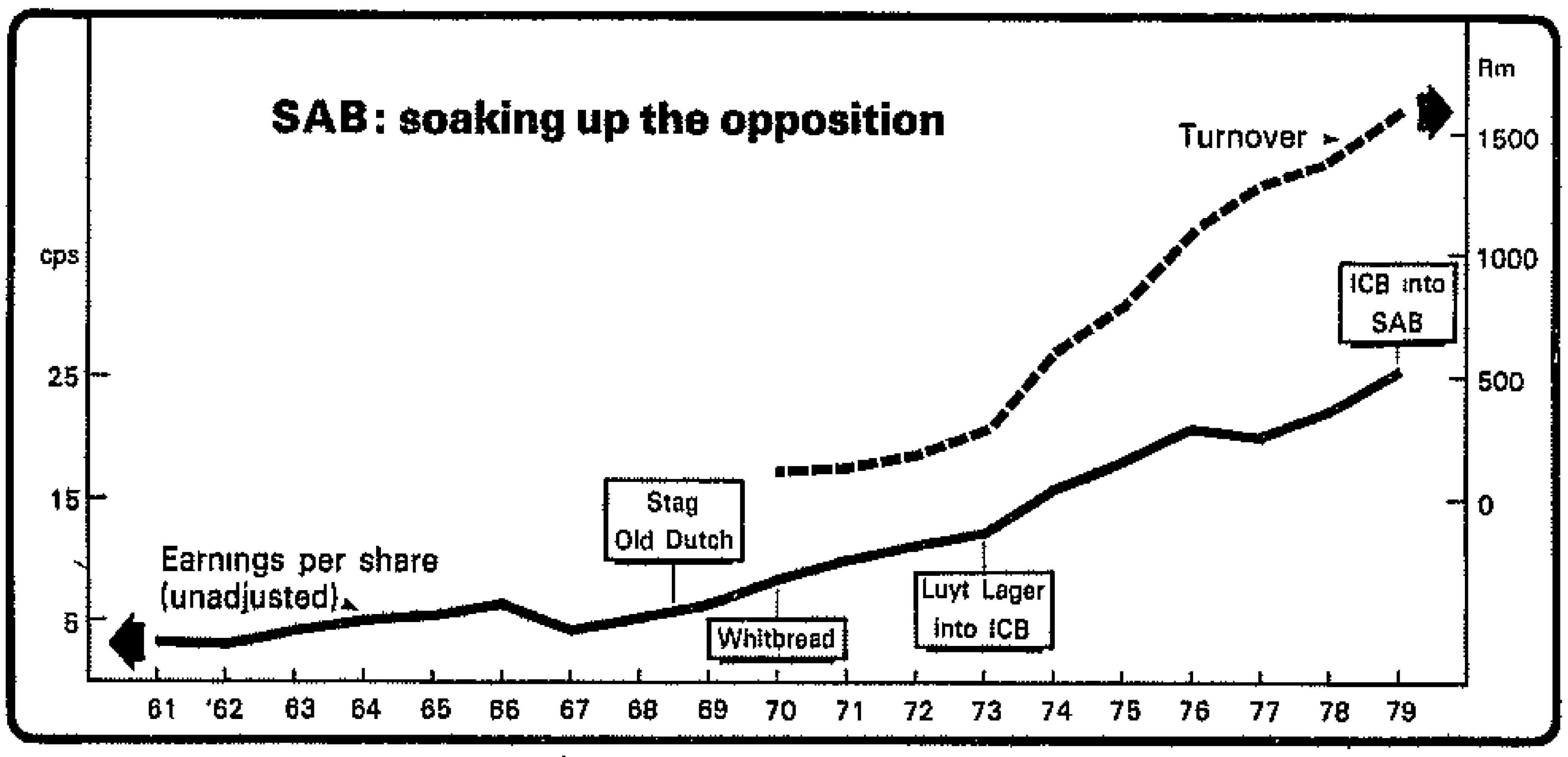
But further confusing analysts is the long-term effect of SAB's swapping of its SFW subsidiary for a 30% stake in the to-be-formed Cape Wine & Distillers holding company Whereas SAB previously held a company returning R15m a year after tax, it now has a minority stake in a company without a track record but, being made up of Oude Meester and SFW, with promising growth potential However, SAB is now to change its accounting policy to equity account an associated company in which between 20% and 50% is held The company's criterion that it has the "power to exercise significant influence over the financial and operating policies" of the associate company will not preclude equity accounting although CWD will be managed by Rembrandt

SAB's Dick Goss . . now the king of the castle

The eventual sale of Solly Kramer's will not have any material effect on earnings nor on volumes as SAB has consistently said a small proportion of its total sales goes through its own outlets But the selling of these outlets will result in a realignment of liquor retailing and that could influence the effectiveness and profitability of retailing

This week no-one in the industry appeared to know what government intends with its limitation of five licences per person or group It is not clear whether this will prevent SAB from selling Solly Kramer's lock, stock and barrel SAB is not concerned over the possibility that it may have to sell Solly Kramer's outlets in parcels of five, although a package sale to an interested group such as Premier Milling or Rennies would be neater and more profitable

This lack of clarification has, in fact, angered and worried the non-tied retailers Picbel chairman Jan Pickard says he



or any person having an ...
requiring him within two weeks after the date of the notice—

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is annoyed he was not told in advance of the pending deal. "We are now discussing our strategy and looking at the pros and cons of selling out to SAB or Rembrandt in terms of the cabinet decision " Picardi Beleggings owns 59% of Union Wine which in turn owns 80% of Picardi Hotels.

Similarly, Tony Bush, of Rennies' liquor division, and Peter Wrighton, of Premier Milling (which owns Magnum and Benny Goldberg), say there are too many grey areas to be able to comment But neither seems happy with being presented with a package deal from which their interests appear to have been excluded

From the investor's point of view, SAB is the major beneficiary Rembrandt will benefit to the extent of ridding itself of a loss-making brewery, with no chance of profitability on its own, but gaining a share of the well-run and profitable SFW But the total contribution of Rembrandt's stake in CWD is not likely to be much more than R15m to R20m a year, equity accounted Rembrandt's attributable income in the year to March 31 1979 was R93,5m

As far as SA is concerned, of course, the major beneficiary is KWV and thus the 6 000 or so wine farmers But Diagonal Street will stick to its last and the oft-suggested SAB re-rating is now likely to get under way as the group builds on what are now far firmer foundations

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and the Master may, i… …graphs (a) and (b) of the said subsection have t… …n of time as he may in the circumstances thin…

(3) Any liqui… …he ought to receive an extension of time for t… …ce to the Master and to the person referred to… …order granting such an extension of time withi…

405. Failure of li… …s.—(1) If any liquidator fails to lodge an accou… …y or under this Chapter or to lodge any vouche… …any other duty imposed upon him by this Cha… …mand of the Master for information or proof r… …uidation of the company, the Master or any pers… …after giving the liquidator not less than two week… …irecting the liquidator to lodge such account or… …such duty or to comply with such demand

(2) The costs ad… …all, unless ordered otherwise by the Court, be…

406. Places for … …Every liquidator's account shall lie open for inspection for such period, not being less then fourteen days, as the Master may determine—

(a) at the office of the Master, and

(b) if the office of the Master and the registered office of the company are not situated in the same district—

(i) at the office of the magistrate of the district in which such registered office is situated, or

(ii) if such registered office is situated in a portion of such district in respect of which an additional or assistant magistrate permanently performs the functions of the magistrate of the district at a place other than the seat of magistracy of that district, at the office of such additional or assistant magistrate, and

(c) if the company also carried on business at any other place, then also at the office of the magistrate (including any additional or assistant magistrate) of the district or the portion thereof in which any such other place is situate, as may be determined by the liquidator with the approval of the Master

(2) The liquidator shall lodge a copy of the account with every magistrate, additional magistrate or assistant magistrate in whose offices the account is to lie open for inspection

(3) The liquidator shall give due notice in the *Gazette* of the places at which any such account will lie open for inspection and shall in that notice state the period during which the account will lie open for inspection and shall transmit by post or deliver a similar notice to every creditor who has proved a claim against the company

(4) The magistrate shall cause to be affixed in some public place in or about his office a list of all such accounts as have been lodged in his office, showing the respective periods during which they will lie open for inspection, and shall upon the expiry of any such period endorse on the account in question his certificate that the account has lain open at his office for inspection in terms of this section and transmit the account to the Master.

407. Objections to account.—(1) Any person having an interest in the company being wound up may, at any time before the confirmation of an account, lodge with the Master an objection to such account stating the reasons for the objection

WISPECO 232 Rm 16/11/79

Slow recovery

Activities: *Holding company with subsidiaries making steel windows, pressed-metal products, chains, reinforcing steel, wire and aluminium products Holds 76% of Hart, which makes plastic and aluminium holloware and other products Metkor holds 51% of Wispeco's equity*
Chairman: *P K Hoogendyk, deputy chairman Professor P W Hoek, managing director C E Bryan*
Capital structure: *15,2m ordinaries of 50c, 75 000 class A 7,5% cum prefs of R2 and 250 000 class B 6% cum prefs of R2 Market capitalisation R9,4m*
Financial: *Year to June 30 1979 Borrowings long- and medium-term, R9,9m, net short-term, R9,6m Debt equity ratio 78,8% Current ratio 1,6 Group cash flow R838 000 Capital commitments R188 000*
Share market *Price 62c (1978-79 high 62c low, 18c, trading volume last quarter, 1,3m shares)*

	'76	77	'78	'79
Return on cap %	8 1	6 5	3 3	5 0
Turnover (Rm)	38 5	39 6	37 9	50 0
Gross profit (Rm)	3 1	2 7	1 4	2 1
Gross margin %	8 7	6 7	4 1	4 7
Earnings (c)	4 1	0 5		
Dividends ( )	3	1		
Net asset value (c)	154	150	147	140

Wispeco's steady downtrend appears to have been halted But a return to the dividend lists this year is doubtful, despite prospects for 76% owned subsidiary Hart In any event, proposals to take out minorities are now being considered

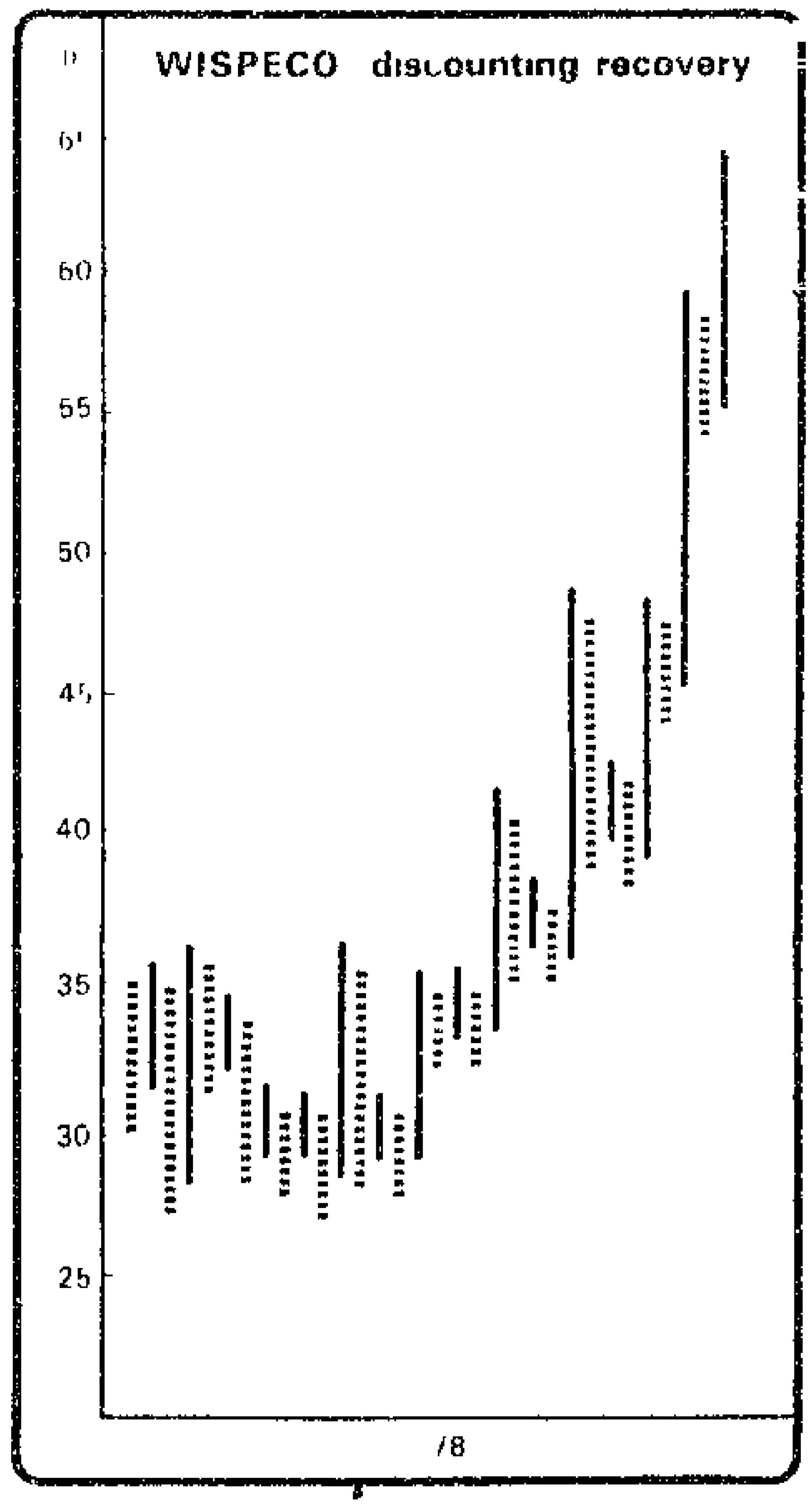
Last year Wispeco reversed 1978's pre-tax loss of R554 000 into a R13 000 profit largely because Hart earned R1,3m (R465 000) before tax However a taxed loss of R540 000 (R710 000 loss) — equivalent to a 3,6c (4,9c) deficit per share — was reported

EARNINGS CONTRIBUTIONS

	1978	1979
	R 000	
Aluminium, plastic consumer products	291	996
Aluminium components (transport)	(111)	(111)
Hand tools etc	79	(13)
Building products	(1 041)	(1 157)
Total loss	(782)	(285)

Hart's profit trebled last year, with earnings of 13c (4,2c), leading to a taxed contribution to Wispeco of about R745 000, equivalent to 4,9c (1,6c) a share The dividend portion was equivalent to 1,9c per Wispeco share This year Hart expects a further, but modest, profit increase arising from better market conditions, product development and intensified activity in the packaging sector

Other subsidiaries and associates were generally improved Chairman Paul Hoogendyk says changes at the Wispeco building products division over the past few years have resulted in the standardisation



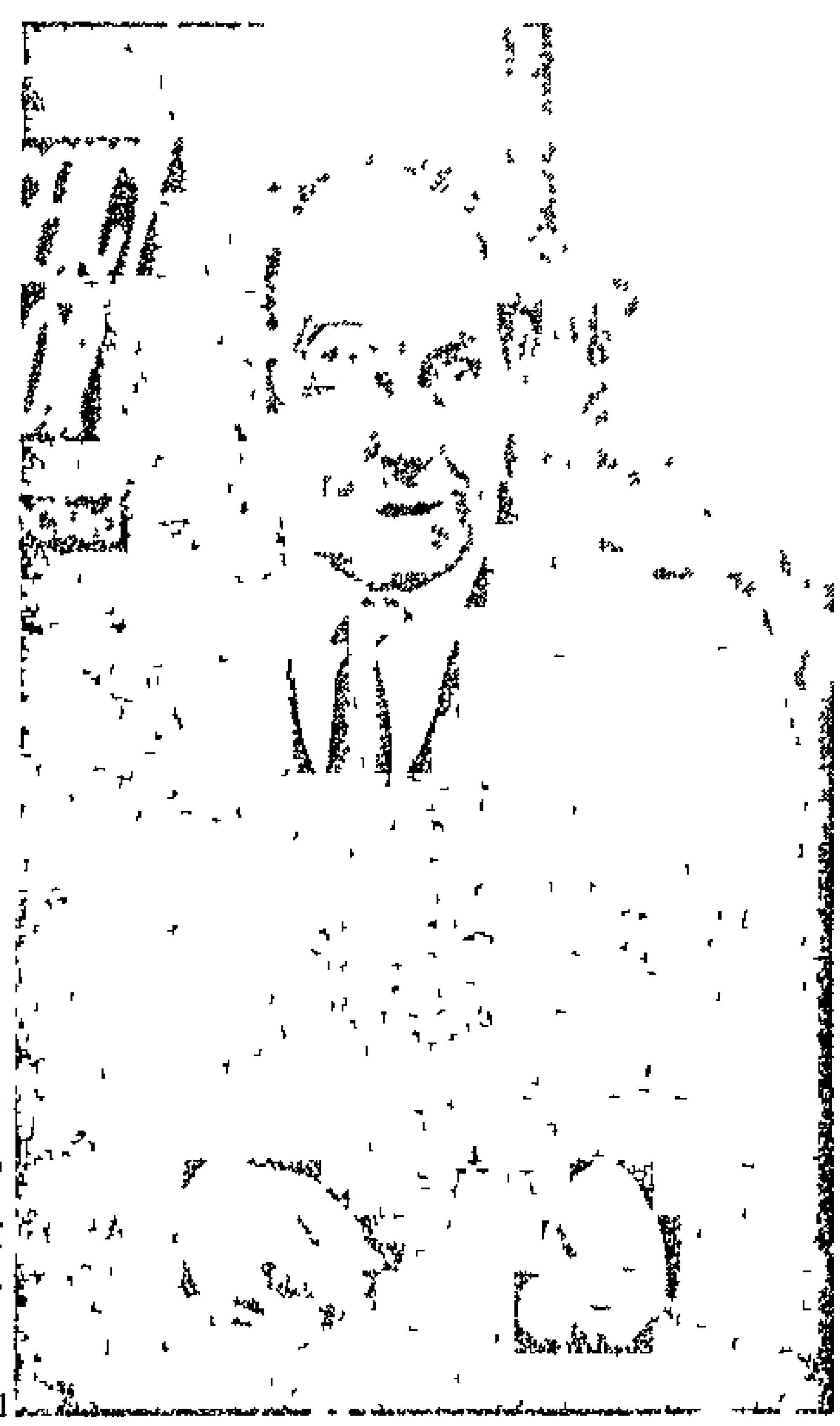
and upgrading of products Major manufacturing operations have been consolidated at Alrode The company is now well able to meet demand for mass housing and related schemes, and a modest trading profit has been reported in recent months

Anso Anodising & Aluminium and RW Tools expect further improvements this year Wispecoware, which made a marginal profit in the year to end-June should increase market share and earnings this year, says Hoogendyk

Last year Wispeco changed the method of valuing stocks in certain subsidiaries, which reduced group taxed losses by R23 000 (R8 000) The change means more overhead costs are now included in stock values which is reflected in year end stock balances of R18 2m (R13m) This book keeping change boosted retained income by R520 000 There was also a change in the equity accounting method used for associate companies but the [illegible] not reflected [illegible] attributable loss after pref dividend

Dividends have not been paid for two years Hoogendyk expects profits to be earned this year and since the first quarter produced after tax earnings But, expected turnover growth will require additional internally provided working capital This does not bode well for dividends in 1979/80 But forgoing distribution to ordinary shareholders would be more prudent than gearing up further as the gross cover on annual interest-leasing payments was a slim 1 0 times last year

In the past 12 months the share has nearly doubled to 62c (33c) Though a further advance is possible better prospects have probably been discounted But that could be academic if the minorities are taken out



Paul Hoogendyk minorities may not benefit from recovery

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COPI (232) FM 16/4/79

Not without risk

Activities: *Canadian-based international packaging group with interests in the UK, West Indies and Kenya 57% controlled by the Kalmanson interests*

President: *A Kalmanson, vice-president J M Kalmanson*

Capital structure: *9,4m ordinaries of no par value Market capitalisation R23,5m*

Financial: *Year to June 30 1979 Net cash C$28,6m Debt equity ratio 4,8% Current ratio 3,8 Net cash flow C$2,2m*

Share market: *Price 250c (1978-79 high, 309c, low, 192c, trading volume last quarter, 149 000 shares) Yields 23,1% on earnings, 4,5% on dividend Cover 5,2 PE ratio 4,3 Yields, PE ratio and cover converted at C$1,43 = R1*

	'76	'77	'78	'79
Return on cap %	18,0	17 8	20,2	13 6
Turnover (C$m)	40 4	40,9	50,3	56,5
Pre-tax profit (C$m)	8 2	10,3	14,3	10,5
Earnings (c)*	117	138	142	82 5
Dividends (c)*	25	†30	‡24	§16
Net asset value (c)*	708	878	883	769

*** Canadian cents † On 6m shares ‡ On 9,4m shares § On 14,1m shares**

To a large degree, Copi's past profitability has stemmed from its penchant to package in areas where others fear to tread However, last year group ventures in Iran, the West Indies and East Africa were all beset with problems, many of which appear to be serious and long-term in nature

For, while sales rose by 12,2% to C$56,5m, operating profit dropped by 18,8% to C$12,7m (C$15,7m) — largely as a result of the non-payment of a C$1,9m dividend (C$2,4m) owed by the group's Iranian associate, Iran Carton

At the pre-tax level, profit was 27% lower at C$10,5m (C$14,3m), the fall accounted for by a C$830 000 (1978 nil) contribution to something called the "No 4 Pension Plan" Consequently, the return on capital employed was, at 13,6%, the lowest for at least six years In fact,

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(c) the number of shares of the offeree company held, directly or indirectly, by each of the directors and the intention of each of the directors in relation to the take-over offer and his own shareholding;

(d) whether any of the directors of the offeree company is a director or shareholder of, or has any other interest in, the offeror or any company controlled by the offeror or by the controlling company of the offeror and if so, full disclosure of such interest; and

(e) particulars of any interest of any director of the offeree company in the take-over scheme concerned and any payment, benefit or advantage or pro- ... benefit or advantage from whatever source in connection ... ed to in section 227 (3)

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profitability has with the exception of 1978 been steadily slipping. In 1974 for example, the return was a healthy 37%.

At the attributable level earnings per share were 1[illegible] lower at C$2.5c after allowing for the 1-for-4 stock dividend which was paid on January 12 this year. Further down the line cash flow and tax [illegible] with the decision to write [illegible] this being the group's [illegible] [illegible] there was a [illegible] quo for [illegible] pension contribution is two senior officers [illegible] Kalmanson [illegible] C$480 [illegible] and there [illegible] gain on exchange rates is provided for by Kalmanson [illegible] anticipated a further fall in the Canadian dollar against a basket of alternative currencies.

Copi's financial health nevertheless remains [illegible]. At the [illegible] were a negligible 18% of equity there was C$23.6m in net cash and [illegible] invested in [illegible] securities [illegible] the [illegible] Copi's immediate earnings capacity appears to have been blunted.

Last year Copi again paid a stock dividend this time capitalising C$5.6m from undistributed profits on a 1-for-4 basis. And since the year-end another 1-for-2 stock dividend has been paid bringing the issued capital up to 14.1m shares. It is on this capital that a C1[illegible] dividend is to be paid effectively an unchanged dividend rate despite the various manufacturing setbacks.

With regard to specific operations Kalmanson says that economic and other difficulties in Jamaica persisted leading to poor trading conditions and a reduced profit from Jamaica Packaging. In Trinidad the previous year's strike dragged on for another five months and Caribbean Packaging ran at a small loss.

On the positive side despite a disruptive road transport strike midway through the year in the UK Encase reported record turnover and profit.

Elsewhere East African Packaging Industries experienced a difficult year as a result of lower economic activity and increasing competition. Evidently excess capacity in the corrugated container field and the lack of export markets in Iran, Uganda, Zambia and Zaire are causes of concern.

Overall Kalmanson views prospects for the current year with some apprehension. He is fearful of what a worldwide recession would do to the group's profits. And with the Iranian venture now probably lost forever and with a rather risky spread of investments other than in the UK the share continues to look overvalued. This despite a dividend cover of 5.2 times and C$29.6m of net cash which is equivalent to 112c (SA) per share after the latest stock issue.

Interestingly Copi now falls under the umbrella of the new Canada Business Corporation Act. Amongst some minor changes this now entitles the company to repurchase its own shares. Also should the company make any fundamental changes to its articles or modus operandi shareholders have the right to dissent and to require the company to purchase their shares. [illegible]

		Pre tax profits Rm 1978	1979	Percentage change	Earned cents per share 1978	Earned 1979	Paid 1978	Paid 1979
[illegible]	I	0.2	0.3	+22				
[illegible]	I	1.6	[illegible]			7	1	
[illegible] Medical	D	–		+5	40	43	17.5	21.5
Anglo [illegible]	I	5.8	5.[illegible]	–				
Barclays	◆	60.2	73.1	+21	218	217	55	55
[illegible] Bank	P	214.0	31[illegible]	+47	69	90		
[illegible]	D				88	119	30	38
[illegible]	D							
[illegible]	I	0.6	0.7	+5	7	8		
[illegible]	I	0.9	1.1	+23	11	16	–	2.5
[illegible]	D							
[illegible] and Mining	D							
[illegible]	D	0.0	0.4	+26	17	13.5	24	22
[illegible]	D						–	–
[illegible]	I	2.8	3.6	30	24	29	7	9
[illegible]CS	I	6.3	7.7	+22	1	14	3.5	4
[illegible]	I	1.0	-0.7	–				
[illegible]	I	0.3	1.[illegible]		1		3.5	–
[illegible]	D				–		–	
[illegible]	I	3.0	[illegible]	23	16	19		–
[illegible]trust	I	0.4	[illegible]	+40	14	28	–	
[illegible]	D	0.5	0.7	+44	4	6	1	2
[illegible]	D					–	–	
[illegible] Tan	D							
[illegible] Sur	I	2.3	1.6	+96	4	6	2.5	4
[illegible]	–	3.0	[illegible]		7	18	–	4
[illegible]	D						–	–

[illegible] P Preliminary I Final ★ Interim ◆ Second interim due to year end change D Dividend ‡ Annual

Sector	Dividend Amount cents	Register by	Payable about
Industrial Hold			–
Engineering	+12.50	30.11.79	3.1.80
Pharmaceutical	+7.50	30.11.79	28.12.79
Printing	★50.00	30.11.79	14.12.79
Banks		–	–
Industrial Hold	+26.00	23.11.79	18.1.80
Store	+12.00	21.12.79	18.1.80
Furniture	+20.00	23.11.79	3.12.79
Industrial Hold	★1.50	23.11.79	14.12.79
Investment Trust		–	
Sugar	★10.00	8.12.79	18.1.80
Diamonds	+1.00	23.11.79	14.12.79
Motors		–	–
Building	★0.25	16.11.79	14.12.79
Engineering	★9.00	[illegible].12.79	11.1.80
Food	★1.00	23.11.79	14.12.79
Clothing			
Stores	Passed	–	–
Food	‡11.00	16.11.79	30.11.79
Industrial Hold		–	–
Industrial Hold		–	–
Property	+2.00	23.11.79	18.12.79
Clothing	‡10.00	16.11.79	30.11.79
Clothing	‡35.00	23.11.79	21.12.79
Beverages	★4.00	23.11.79	14.12.79
Building	★4.00	4.1.80	1.2.80
Stores	‡140.00	7.12.79	31.12.79

COMPANY AND TERMS	Last day to register	NIL PAID LETTERS Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	FULLY PAID LETTERS OF ALLOTMENT Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	PRICES OF LETTERS Take up price	Price Nov 5 cents	Price No 12
[illegible]	19.10.79	2.10.79	26.10.79	14.11.79	15.11.79	16.11.79									
[illegible]	19.10.79	1.2.79	6.10.79	14.11.79	15.11.79	16.11.79					15.11.79	1.12.79	30	170	13[illegible]
[illegible] 50	1.79	[illegible]	9.11.79	28.11.79	29.11.79	30.11.79					15.11.79	7.1.79	10c	20	15
[illegible]	1.79	[illegible]	30.11.79	16.1.80	1.1.80	18.1.80					29.11.79	14.12.79	50c	1	1
[illegible]	2.11.79										17.1.80	1.2.80			

Preliminary announcement

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Gilbeys, Uniewyn verkoop nie

RAPPORT 18/11/79

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Deur GERT MARAIS

IN teenstelling met die indruk wat die afgelope week gewek is ~~nadat~~ die drankooreenkoms tussen Rembrandt en Suid-Afrikaanse Brouerye aangekondig is, sal Gilbeys en Uniewyn nie hulle drankwinkels hoef te verkoop nie.

Dit sal beteken dat Gilbeys, waarin Rembrandt 'n belang van 49 persent het, die grootste kleinhandelverspreider van drank in die land gaan word. Uniewyn sal die tweede grootste verspreider wees.

Volgens die ooreenkoms wat Rembrandt en SAB vandeesweek bekend gemaak het, sal hulle gedurende die eerste vyf jaar van die skema van 7,5 persent van hulle dranklisensies per jaar moet verkoop. Daarna word die persentasie tot 10 persent per jaar opgeskuif — totdat al hul lisensies verkoop is.

Die verwarring oor ander drankprodusente wat dranklisensies besit, het ontstaan omdat daar in die verklaring wat die Regering oor die saak uitgereik het, gesê is „die reg van enige beheerinstansie of persoon om kleinhandeldranklisensies (uitgesluit hotels en restaurante) te bekom, word voortaan tot hoogstens vyf beperk".

Weens hierdie woordkeuse is algemeen aanvaar dat alle groepe daardeur geraak sal word en daarom gedwing sal word om hul drankwinkels tot slegs vyf te verminder.

Hierdie indruk is nie net in die pers gewek nie, maar die drankgroepe het onder dieselfde wanindruk verkeer. Die besturende direkteur van SAB, mnr Dick Goss, asook woordvoerders van Rembrandt en Gilbeys het gesê hulle is onder die indruk dat nie net Rembrandt en SAB geraak word nie.

Die voorsitter van die Drankraad, mnr. F. J. le Roux, het dit egter duidelik aan Sake-Rapport gestel dat net Rembrandt en SAB hulle dranklisensies sal moet verminder. Geen ander groep word betrek nie.

Niemand wat nie nou lisensies het nie, of minder as vyf het, sal egter in die toekoms toegelaat word om meer as vyf te bekom nie.

Hy sê dit is nie die Regering se oogmerk om aan mense wat niks, of baie min, met die bierstryd tussen Rembrandt en SAB te doen gehad het, voor te skryf nie.

Hierdie standpunt sal Uniewyn en Gilbeys baie goed pas, maar dit is te betwyfel of SAB baie in sy skik daarmee gaan wees. Dit sal immers beteken dat Rembrandt, hoewel nie die beheer nie, steeds 'n baie belangrike invloed op die grootste kleinhandelverspreiders van drank sal kan uitoefen.

Rembrandt het sedert hy die belang van 49 persent in Gilbeys verkry het, volgehou dat hy die maatskappy nie beheer nie, maar dat dit bloot 'n belegging is. SAB het nie heeltemal met hierdie siening saamgestem nie.

Dit is moeilik om te glo dat SAB, wat steeds onder die indruk verkeer dat Gilbeys se drankwinkels volgens die voorgestelde formule verminder sal moet word, sal aanvaar dat hy al sy eie drankwinkels moet verkoop, maar Rembrandt 'n belang van 49 persent in die grootste kleinhandelverspreider behou.

SAB beheer tans 153 afsetpunte. Hiervan is sowat 10 Southern Sun se eiendom en word nie deur die ooreenkoms geraak nie. Rembrandt beheer 323 as Gilbeys se 73 bygetel word. Uniewyn het 54, waarvan 24 buiteverkope van hotels is. Rennies het 17 buiteverkooppunte en Premier Milling 9 drankwinkels.

In die Regering se verklaring oor die ooreenkoms tussen die twee drankgroepe is aangedui dat dit die klein drankprodusente vry sal staan om hul belange aan die nuwe maatskappy, Cape Wine and Distillers, te verkoop wat weens die samevoeging van Rembrandt en SAB se Stellenbosch-Boerewynmakery en Oude Meester sal ontstaan.

Uniewyn se mnr. Jan Pickard het teenoor Sake-Rapport gesê hy wil onafhanklik bly en wil sy drankwinkels behou. Dit staan die nuwe maatskappy egter vry om 'n aanbod aan hom te maak.

Gilbeys se situasie is onduidelik. Indien hy onafhanklik bly en nie aan Cape Wine verkoop nie, sal hy sy drankwinkels kan behou. Indien hy egter deel van Cape Wine wil word, lyk dit asof hy ook sy dranklisensies sal moet verminder.

Rembrandt sal ongetwyfeld 'n rol in hierdie besluit speel.

... ecologically adapted to a forest environment, but has managed to inhabit a number of different environmental regions, including the savannah zone, by its "linear distribution along streams" (Nash, 1969:51). The morsitans group is primarily associated with the wooded grassland environment and tends thus to be more dry-ecology adapted.

According to Scott (1970:615) the riverine tsetse, G. palpalis and G. tachinoides, appear to be most commonly associated with human trypanosomiasis, being the vectors for Gambian Sleeping Sickness. Nash (1970:611), however, gives details of blood meals of these two species and the mammalian hosts which included

... and cattle)

suids	60% (all warthog)
primates	15% (man)
birds	3%
other	9% (porcupines, etc.)

Not all game species are used by tsetse for meals. Those which tend to be ignored are zebra, impala, wildebeest, waterbuck, others of low preference: baboons and other monkeys, kob, hartebeest, oribi, gazelles, steinbok, roan and carnivores (Ibid.96). Reedbuck, eland, sheep and goats are also of low preference, but will be used when choice is limited.

Moisture plays an important role in tsetse ecology. Rainfall must be

"Poems sincere to the point of pain" *Natal Witness*

"Peter Horn is as vigorous and versatile a poet as any in South Africa ... he not infrequently achieves poems of me= morable force or beauty" ...

"poems that redefine and deeply move" STEPHEN GRAY

"He can seize a detail and render it emblematic; wr... satire which bludgeons its subject in a satisfyingly thorough way". ROBERT GREIG, *To the Point*

"It is a beautiful and moving work which seems to hav... jumped Aragon's 'cage of words' and found the door of 'world of black and white'" MARGUERITE EDMONDS, *New Na...*

F M. 23/11/79 ~~230~~ 232 ~~169~~

LIQUOR RETAILING

Mud in your eye

There is no doubt that the creation of the new liquor monopolies will shake the retail trade to the core. Just how is still anyone's guess so are the likely effects on prices to the consumer.

Retail prices will attain "more realistic levels," (for which read "higher") says Frank Mudie chairman of SAB's Solly Kramer's chain.

"I doubt whether the consumer will have to pay more for his liquor," says Dave Magid MD of Rembrandt's Western Province Cellars "and this Christmas he will get even better prices than he did last year. We are gearing up for tremendous sales. We will see more independent operators in the retail trade, who have always been the first to initiate price wars."

But others feel that the new dispensation is a move to rid the KWV of its wine surplus while allowing SAB to maintain profit growth in a slightly reduced market without the expense of fighting any competition.

"It's a tremendous scheme for the KWV, Rembrandt and SA Breweries, but not for the retailers," says Natie Matisonn, chairman of the Transvaal Hotel Liquor and Catering Association. "There's talk of rationalisation and the jobs of thousands will be threatened."

"The chairman of Senbank said that this move would shift competition to the retail sector," he says. "We are going to have to cut each other's throats to survive. You can be sure that there will be fewer promotional discounts so the retailers will have to cut deeper into their margins.

"There is also the provision that the two producer groups divest themselves of their retail interests. Lots of bottle stores will be up for sale and the value of a liquor licence will be worth nothing."

Between them Rembrandt and SAB control 500 outlets under the Solly Kramer's, Western Province Cellars, Liquortown and Rebel banners, which at present account for about one third of the R1 billion a year retail liquor market. The plan requires that they get rid of these within the next 12 years at the rate of 7.5% a year for the first 5 years. This means that 37 bottle stores will come on the market within a year.

Mudie does not agree this will depress the value of a liquor licence. Says he: "The outlets involved cover the whole of the Republic and SWA including the rural areas. I can't see this having a significant effect on the price of a liquor licence as there are more than 6 000 in the country. I also believe that the higher retail prices will help make a bottle store a more attractive business proposition."

While accepting SAB's promise not to raise list prices until 1981, Mudie agrees that they may well reduce discounts. This will, in effect, raise average wholesale prices and give further steam to the consumer price as retailers "adjust margins to more realistic levels."

Another factor in the reshuffle of interests is the role of the retail chains in the total strategy of their controlling producer groups. Matisonn claims that their main function was not to make profits but to protect factory profits of their parent companies by boosting brand market shares.

Rethink

Mudie admits that, in the past, profit levels were not always "as rewarding as could be wished" and that there is now a major rethink on profit objectives. He also thinks that a widespread retail price war this Christmas like the one last year is unlikely.

Magid believes that the wholesale price of beer may even come down. "At present SAB pays monopoly taxes on profits from beer produced at their bigger breweries. As the government has now sanctioned their monopoly why should they penalise them for it?"

Another fear of retailers is that in future, no one group may own more than five bottle stores. This could reduce the retail trade to a disorganised rabble with none in it big enough to stand up to the two giant producer monopolies.

Says Ken Williams, executive director of SAB and head office group GM of the beer division: "We are in partnership with the retailers in getting the goods to the consumer. If the retailer is not doing well how can we survive? It is in our own interest that he thrives."

Magid gives a hint of possible developments when he says: "We foresee many of our present staff ending up with their own liquor licences."

One possibility might be a retail liquor franchise under his group's umbrella similar to the Spar chain of independent grocers. Magid won't be drawn but the advantages of such a group sharing a common name, common advertising, soft loans and group buying are obvious.

DICK GOSS of SA BREWERIES

F.M. 23/11/79

After the war

(232) ~~(182)~~

Last week, the giant SA Breweries group acquired the ailing but competitive Rembrandt subsidiary, Intercontinental Breweries (ICB), thus ending the fiercest liquor price war in SA business history For SAB managing director Dick Goss, the deal means a complete revision of corporate and marketing policy — and he has a few profitable, but nonetheless painful, headaches to cope with The *FM* this week met Goss face-to-face and received frank answers to some tough questions

FM: What timetable have you set for rationalising ICB within SAB, and what will the consequences of your actions be on product and employee?

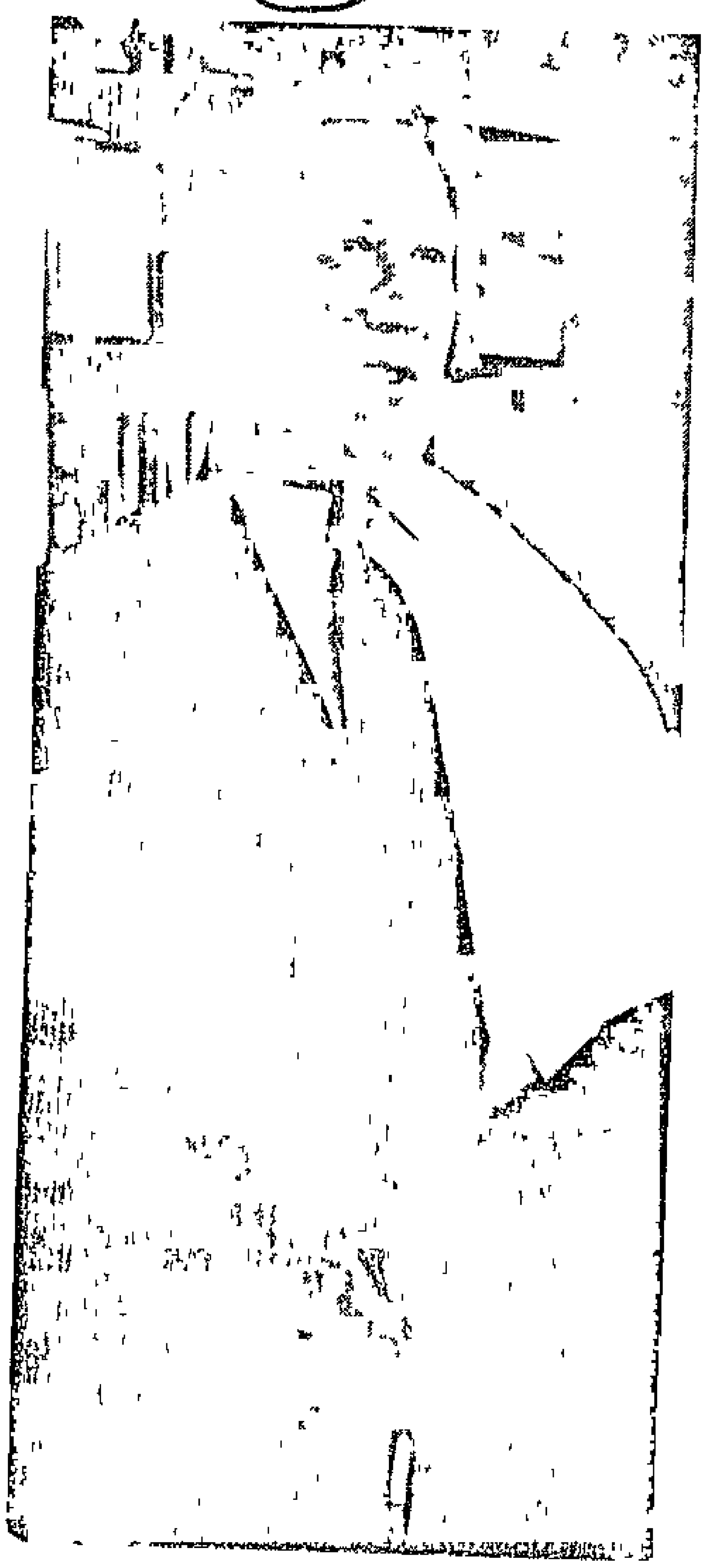
Goss Because it is now peak trading time, we won't be able to effect any real changes until the New Year Then, however, we will have to move very quickly to reduce costs so that we can hold prices of beer throughout 1980 As far as products are concerned, we will fix a percentage of the market as a yardstick Those products failing to reach the minimum percentage must be taken out At this stage I would say at least five products will be phased out Retention of such small selling lines means, inevitably, that we won't achieve our performance targets As far as staff is concerned, there will certainly be a number of retrenchments, but the areas will be decided as we rationalise

Has Dr Rupert agreed to take some of his key people back into the Rembrandt group?

Yes he has The aspect of Rupert's people will be dealt with in close co-operation with him There are a lot of people we simply won't be able to take over

There are fears in the various media that you will immediately cut back severely on promotional and advertising expenditure now that you have a monopoly in the beer market Are they well founded?

In the light of the new situation we will naturally review our total marketing situation in a holistic fashion Obviously we will continue to invest in public relations and advertising, but equally obviously there will be substantial cuts If you take the combined expenditure of ICB and SAB, it's clear this can't go on



SAB's Goss . relaxing, now the battle is won

What will the reduction in overall advertising expenditure be?

Who knows? We ve still to decide It may be as much as 50% and it may not We haven't forgotten, however, that we are still competing for the consumers' liquor rand so we must obviously keep an adequate profile for beer

What does the ICB deal mean in terms of SAB earnings?

Our view is that we will see strong growth persisting throughout 1980 in beer sales We see the ability to make significant savings as a result of the rationalisation And the income benefits should translate to good growth in overall beer profits without the need for a price increase

What about the duplication of plant?

ICB has three very nice breweries and we're pleased about the facilities that will come our way They will, in fact, help us to defer expenditures that were on the drawing boards And ICB's new plant will certainly be useful to us as an addition to our capacity

What are the prospects of turning ICB's huge losses into profits?

As soon as it is rationalised in our beer operation, ICB will become profitable ICB will be run as a wholly-owned subsidiary of SAB, with SAB as the main trading company, and the vehicle for all group operations

Now that competition has been eliminated, would you disclose what share of the market is held by individual brands — something you've never been prepared to do?

Broadly speaking, the market breaks

P.T.O

the basis of "equity", rather than on strict judicial criteria (although many of the court's critics believe it should be restricted to judicial criteria)

It will also enable the court to subpoena witnesses in all cases, to hear evidence under oath, and to proceed in contempt of court cases A set of rules for the court will be included in the new Bill Lawyers have argued that the court does not necessarily have these powers yet and the planned legislation appears to be a response to their comments

A recent article in the *Labour Law Bulletin* argued that this year's legislation gave the court "no express power of enforcement or execution " It also, argues the *Bulletin*, has no jurisdiction "to proceed summarily in cases of contempt of court" and its subpoena powers could only be invoked when the court is carrying out an investigation

The *Bulletin* ascribes most of these problems to the fact that the court is charged with pronouncing on disputes of "right" and on disputes of "interest " The former refers to disputes involving the interpretation of an existing law or agreement (the function of an ordinary court of law) The latter refers to disputes about what an agreement should contain — the stuff of Industrial Council negotiation, for example

The Wiehahn Commission recognised this distinction, says the *Bulletin* But the legislation does not, and the court has the power to pronounce on legal issues as well as the arbitration of disputes, as the old Industrial Tribunal (which the court partly replaces) did

Some critics of the legislation believe that the court should have no part in settling disputes of interests and should restrict itself to purely legal disputes The *Bulletin* argues that "if the court is to function as a court of law " it is essential to draw a distinction between the two functions "to establish the court in the same way as other courts of law and to grant it jurisdiction consistent with its purpose "

It believes that "many of the legal difficulties the court would experience" stem from this confusion of "arbitratory and adjudicatory functions " The new legislation will be aimed at removing these "legal difficulties " It remains to be seen whether it will draw the distinction for which the *Bulletin* argues

chasing power of the consumer's rand has plummeted by 65,1% from 1965 to 1979 On the international market, the rand has declined 62,4% (after eliminating the effect of changes in the exchange rate) During the period 1965 to 1979, earnings per worker increased on average by about 270%, whereas output increased by only 24%

Productivity shortcomings, adds Van der Merwe, are the major components which need immediate attention by all sectors of the economy "It is only through the correct training of personnel," he comments, "that we will be able to meet the challenge "

Registrar is vaca … rform his functions.

… of 1977]

(2) The p … ies under the repealed Act at the commencem … en appointed as the Registrar of Companies u …

(3) The R … nd entrust any of the duties assigned to him … vice.

8. Exempti … any officer or ot … whatever by the Registrar or this Act, shall s … aving duties to perform under liability for any … such officer or person to any or omission unle … consequence of any such act care or diligence. … as due to want of reasonable

(2) No ac … iquidator, judicial manager or provisional judi … pressed or certificate given or report or staten … ent certified by him in good faith in the ordin … s it is proved that such opinion was expressed o … r statement was made or such statement, accou … r negligently.

9. Inspecti … gistration Office; and by foreign governments and … … of subsection (4), any person may, on paymer … nal fee if any document is not uplifted personally at the Companies Registration Office)—

(*a*) inspect the documents kept under this Act by the Registrar in respect of any company; or

(*b*) obtain a certificate from the Registrar as to the contents or part of the contents of any document kept by him under this Act in respect of any company and which is open to inspection; or

(*c*) obtain a copy of or extract from any such document.

[Sub-s (1) amended by s 1 (*a*) of Act No 59 of 1978.]

(2) If the Registrar is satisfied—

(*a*) that an inspection, certificate, copy or extract is required on behalf of a foreign government accredited to the government of the Republic; and

(*b*) that no fees are payable in the foreign country concerned in respect of such inspection, certificate, copy or extract required on behalf of the government of the Republic,

no fee referred to in subsection (1) shall be payable.

(3) If the Registrar is satisfied that any inspection is required for purposes of research by or under the control of an institution for higher education, he may permit such inspection without payment of such fees.

Teljoy en Visionhire smelt dalk saam

Deur ALPHONS DU TOIT

-JID-AFRIKA se twee vernaamste TV-verhuringsmaatskappye, Teljoy en Visionhire, gaan moontlik saamsmelt Gesprekke in die verband is al 'n geruime tyd aan die gang

Mnr Theo Rutstein, besturende direkteur van Teljoy (verreweg die grootste van die twee maatskappye) sê: „'n Samesmelting sal logies en verstandig wees. Die klante van beide maatskappye kan net daarby baatvind Maar alvorens 'n samesmelting bewerkstellig kan word, is daar heelwat probleme en meningsgeskille wat opgelos sal moet word"

Teljoy beskik oor sowat 65 persent van die TV-verhuringsmark wat ongeveer R40 miljoen per jaar werd is. Visionhire se aandeel is ongeveer 20 persent en die oorblywende gedeelte van die mark word deur Telerama, Thorn en Rentacolour gedeel.

Visionhire het sy deel van die mark probeer uitbrei deur die verhuring (deur sy filiaal Videorent) van videobandkassetspelers en die gepaardgaande videobande. Hierdie deel van Visonhire se bedrywighede is suksesvol. Dit word toegeskryf aan die min belangstelling in die programme wat die SAUK-TV beeldsaai

Rapport 25/11/79

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...word being derived ...me indicates that ... noun (or pronoun), as is seen in the following sentences (we call this noun the antecedent, even though in Latin it does not always precede the relative pronoun).

60. In each of the sentences below, indicate the relative clause(s) by placing square brackets in front of the relative pronoun and at the end of the relative clause, and underline the word to which the relative pronoun refers, e.g. <u>naves longas</u> [quarum species erat barbaris inusitatior] paulum removeri iussit. (Caesar B.G. IV.25). Then translate the sentences into idiomatic English.

(a) Lutetia est oppidum Parisiorum quod positum est in insula fluminis Sequanae.

(Caesar B.G. VII.57)

(b) Passer mortuus est meae puellae,
passer, deliciae meae puellae,
quem plus illa oculis suis amabat.

(Catullus 3)

(c) Insula natura triquetra, cuius unum latus est contra Galliam.

(Caesar B.G. V.13)

(d) Poscit soleas, ascendit locum, ex quo maxime miraculum illud conspici poterat.

(Pliny Epp. VI.16.5).

(e) Nam meatus animae, qui illi propter amplitudinem corporis gravior et sonantior erat, ab iis, qui limini obversabantur, audiebatur.

(Pliny Epp. VI.16.13)

(f) Ibi est ex aere simulacrum ipsius Herculis, quo non facile dixerim quicquam me vidisse pulchrius.

(Cicero In Verrem IV.94)

(g) Diffugiunt servi, quorum magna pars comprehensa est, ceteri requiruntur.

(Pliny Epp. III.14)

(h) Nolo in ingentem me locum immittere et de usu servorum disputare, in quos superbissimi, crudelissimi, contumeliosissimi sumus.

(Seneca, Epp. 47)

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Hepworths allig nie beste

Deur BEN TEMKIN

DIE oorname deur mnr. Irwin Rudick en sy familie van die afdelingswinkel Hepworths, het die potensiaal van 'n oplewing in die klere-sektor na vore gebring — ondanks die feit dat Hepworths in die winkelsektor van die Johannesburgse Effektebeurse genoteer is.

Mnr. Rudick huldig duidelik die mening dat die huidige ekonomiese oplewing nog nie heeltemal die semi-duursame sektor van die ekonomie deurgesuur het nie. Hy hoef in werklikheid net 'n aantal van Hepworths se eiendomme te verkoop om sodoende die hoë hefboomfinansiering van die maatskappy te verminder. Hierna sal die groep 'n gesonde kontantvloei kan toon.

TEEN 200c TE HOOG?

Hierdie optimisme moet versigtig bejeën word omdat afskrywings in die waarde van die voorraad wesenlik hoog sal moet wees om dit op vandag se vlakke te bring.

In die ses maande tot die einde van Augustus vanjaar het die groep 'n verlies van R28 000 getoon. Dit vergelyk met 'n verlies van R331 000 in 1979 se boekjaar en 'n verlies van R501 000 in 1978.

Afsetpunte van die groep is reeds vanaf 85 tot 59 verminder in die afgelope twee jaar, en die nettobatewaarde van die aandeel staan op 458c.

Al maak mnr. Rudick die verwagte afskrywings, en al sien hy 'n positiewe kontantvloei teen die einde van Februarie 1980, is die aandele miskien te hoog op 200c gewaarder. Selfs op 200c is dit moontlik dat die aandeel twee jaar se groei verdiskonteer.

Die belegger wat in die semi-duursame sektor van die konomie wil belê, kan moontlik beter kopies op die beurs op die oomblik kry. Dubin, byvoorbeeld, se dividendopbrengs is 7,3 persent op sy prys van 96c wat nie sleg vergelyk met vasterente-draende beleggings nie.

Dubin besit SA Clothing en Man-about-Town. Die maatskappy het ook eiendombelange en 'n finansieringsarm. Dit het belange in drukwerk, radiovervaardiging en die verspreiding van kantoormeubels.

Hoewel die maatskappy se winsgrense in die vorige boekjaar 'n daling getoon het, toon hierdie grense nou 'n verbetering met die ekonomiese oplewing.

En die klere-afdeling behoort nou, ná 'n lang tyd, weer winsgewendheid te wees. Die groep het hoë hefboomfinansiering, maar die afbetalings hierop was nog nooit 'n probleem nie.

Delwa, wat damesklere, sportdrag, gebreide vroueklere en meisieskooldrag vervaardig, vertoon tans goed. In die jaar geëindig 30 April 1979 het die wins tot R344 000 vanaf die vorige jaar se R157 000 gestyg.

Die hoofprobleem was in 'n stadium die onvermoeë om bestellings na te kom, maar dit is blykbaar nou opgelos.

Delswa se wins as 'n persentasie van sy aandeelhouersfondse was 10,9 persent in 1979, wat laer was as die 26 persent wat dit in 1976 bereik het.

As hierdie persentasie tot 15 persent kan verbeter, het dit die geleentheid om voordeel te trek uit sy besondere lae hefboomfinansieringsverhouding van 23,4 persent.

Teen 'n prys van 265c bied die aandeel 'n opbrengs van 6,6 persent, maar die vooruitsigte van sy houermaatskappy se aandeel, Jade lyk egter baie gunstig.

Maar indien 'n belegger na 'n aandeel met herstelmoontlikhede soek, is Dugson die een. Die aandeel het wel bo 150c verhandel en dit beteken dat die Beurs miskien al lont geruik het. Die Isithebe-fabriek sal egter na verwagting in die huidige jaar tot die wins bydra en die probleme van rentebetalings behoort nou opgelos te wees.

Rex Trueform is op die oomblik egter waarskynlik die beste kopie in die sektor. Geen wonder nie dat dit slegs 5,7 persent teen 'n prys van 530c lewer. Produksie verloop teen volle kapasiteit en daar is gerugte dat die plaaslike vraag so groot is dat die maatskappy dit moeilik vind om sy uitvoerverpligtinge na te kom.

Die verhouding van skuld tot aandeelhouersfondse, wat aan die jaareinde op 43,6 persent gestaan het, kon verhoog word, en die rentelas het nog nooit spesiale druk op die maatskappy geplaas nie. In die laaste jaarverslag was die voorsitter, mnr. Stewart Schub, optimisties en het hy spesiale melding van produktiwiteit, mededingende pryse en gehalte gemaak.

Die wyse waarop hierdie maatskappy die resessie te bowe gekom het, kan 'n aanduiding wees dat dit op die randjie staan van groot winste in die nabye toekoms. Die aandele regverdig dus 'n kopie, ondanks die lae opbrengs

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,20	0,21	0,06	0,16	0,06	0,06
1-4	0,01	0,01	0,02	0,00	0,02	0,04	0,01	0,01
5-24	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01
25-44	0,01	0,01	0,01	0,02	0,00	0,01	0,01	0,01
45-64	0,02	0,02	0,03	0,03	0,06	0,04	0,01	0,03
65+	0,11	0,11	0,13	0,15	0,13	0,15	0,03	0,03
ALL	0,01	0,02	0,02	0,02	0,02	0,03	0,01	0,01
NO.	30	34	7	7	21	31	23	21

B	
M	F
0,13	0,10
0,02	0,04
0,11	0,13
0,73	0,78
4,61	5,01
13,55	14,21
1,14	1,20
2390	1921

79. Relative Clauses.

(a) What is the basic function of the word qui quae quod? ______________________

____

(b) In Latin it is called the pronomen ____________ (this word being derived from the verb refero referre rettuli relatum). This name indicates that the rel. pronoun refers to a noun (or pronoun), as is seen in the following sentences (we call this noun the antecedent, even though in Latin it does not always precede the relative pronoun).

80. In each of the sentences below, indicate the relative clause(s) by placing square brackets in front of the relative pronoun and at the end of the relative clause, and un[...] which the relative pronoun refers, e.g.

naves longas [

(Caesar B.G. I

(a) Lutetia

Sequanae

(b) Passer

passer,

quem p

(c) Insula

(d) Poscit

poter

(e) Nam m

sonan

(f) Ibi e

quic

(g) Diffugiunt servi, quorum magna p ur.

(h) Nolo in ingentem me locum immitt

quos superbissimi, crudelissimi,

Kappont 26/11/79

Boesmanland-groep kry visbelange

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DIE Boesmanlandse Minerale-Ontwikkelingsmaatskappy het onlangs beheer verkry oor Nasionale Visserye (Edms), voorheen 'n volfiliaal van Sanlam, Oranjerivier-Visserye en Sarusas-Ontwikkelingskorporasie (Edms), ook voorheen van die Sanlam-kraal.

Mnr. Henkie Schwartz, 38, assistent-hoofbestuurder van Federale Volksbeleggings in Johannesburg, is met ingang 1 Januarie 1980 as adjunk-besturende direkteur van Nasionale Visserye (Edms) in Kaapstad aangestel.

Dit beteken dat mnr Schwartz ná ses jaar weer terugkeer na die groep waaraan hy vir sowat sewe jaar tot 1973 verbonde was, voordat hy as groepsekretaris van Federale Volksbeleggings aangestel was.

Nasionale Visserye is nou die bestuursmaatskappy van die Boesmanland-Groep van maatskappye in Kaapstad. Dit bestuur ook onder andere die beherende maatskappy, Boesmanlandse Minerale-Ontwikkelingsmaatskappy, en Oranjerivier-Visserye en Sarusas-Ontwikkelingskorporasie (Edms)

Boesmanlandse Minerale besit die beherende belang in Nasionale Visserye. Die ander aandeelhouers is Lamberts Bay Holdings en John Ovenstone. Nasionale Visserye het op sy beurt 'n belang in Oranjerivier-Visserye, wat 'n kwota vir diepseevis het.

Die bogenoemde aandeelhouers in Nasionale Visserye het ook aandeelhoudings in Oranjerivier-Visserye. Oranjerivier beheer Sarusas-Ontwikkelingskorporasie (Edms).

Sarusas het prospekteer- en mynkonsessies aan die Kus van die Dood en ook 'n kwota vir diepseevis in Sudwes-Afrika.

Sarusas het 'n 43 persent-belang in Sarubar (Edms), wat weer 'n 37 persent-belang in United Fishing Enterprises (Edms) (voorheen Swaprom) het. Daarby het Sarusas 'n 11,6 persent-belang in South West Africa Fishing Industries (SWA Fish).

Boesmanlandse Minerale besit 50 persent van die aandele in beide Namakwaland-Busdiens (Edms) en Auret & Klass Beleggings (Edms) — 'n eiendomsontwikkelingsmaatskappy.

DIE BOESMANLANDGROEP

Boesmanland Mineraleontw
- Nasionale Visserye
- Oranjeriviervisserye
- Sarusas-Ontw
  - 43%-Sarubar
    - 36%
    - United Fishing
  - 11,6%-SWA Fish
- 50%-Namakwaland bus
- 50%-Auret & Klass

MNR. HENKIE SCHWARTZ

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No 289, 1979

COMMENCEMENT OF THE MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1979 (ACT 96 OF 1979)

In terms of section 22 of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979), I hereby declare that the said Act, shall come into operation on 1 January 1980

Given under my Hand and the Seal of the Republic of South Africa at Pretoria this Twenty-third day of November, One thousand Nine hundred and Seventy-nine.

M. VILJOEN, State President

By Order of the State President-in-Council

S W VAN DER MERWE

No 289, 1979

INWERKINGTREDING VAN DIE WET OP DIE HANDHAWING EN BEVORDERING VAN MEDEDINGING, 1979 (WET 96 VAN 1979)

Kragtens artikel 22 van die Wet op die Handhawing en Bevordering van Mededinging, 1979 (Wet 96 van 1979), verklaar ek hierby dat genoemde Wet op 1 Januarie 1980 in werking tree

Gegee onder my Hand en die Seel van die Republiek van Suid-Afrika te Pretoria, op hede die Drie-en-twintigste dag van November Eenduisend Negehonderd Nege-en-sewentig

M VILJOEN, Staatspresident

Op las van die Staatspresident-in-rade

S. W. VAN DER MERWE

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NOTICE 933 OF 1979

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

COMPETITION BOARD

It is hereby notified for general information that it has pleased the State President to appoint the following persons as members of the Competition Board in terms of section 3 (2) of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979)

Dr D J Mouton Chairman
Mr H Goldberg
Dr J de V Graaff
Mr A J Marais
Prof S J Naudé

KENNISGEWING 933 VAN 1979

DEPARTEMENT VAN HANDEL EN VERBRUIKERSAKE

RAAD OP MEDEDINGING

Hierby word vir algemene inligting bekendgemaak dat dit die Staatspresident behaag het om kragtens artikel 3 (2) van die Wet op die Handhawing en Bevordering van Mededinging, 1979 (Wet 96 van 1979), die volgende persone as lede van die Raad op Mededinging aan te stel

Dr D J Mouton Voorsitter
Mnr H Goldberg
Dr J de V Graaff
Mnr A J Marais
Prof S J Naudé

The Act also provides for the following *ex officio* members of the Board

The Chairman of the Board of Trade and Industries and

the Registrar of Financial Institutions

The aims and functions of the Board are fully set out in the Act

All enquiries and representations in connection with the activities of the Board should be addressed to

The Chairman, Competition Board, Private Bag X84 Pretoria, 0001

(30 November 1979)

Die Wet maak ook voorsiening vir die volgende lede wat ampshalwe op die Raad sitting sal he

Die Voorsitter van die Raad van Handel en Nywerheid en

die Registrateur van Finansiële Instellings

Die doelstellings en funksies van die Raad word volledig in die Wet uiteengesit

Alle navrae en vertoe in verband met die werksaamhede van die Raad kan gerig word aan

Die Voorsitter Raad op Mededinging, Privaatsak X84 Pretoria 0001

(30 November 1979)

Elsburg, West Areas hou aan styg

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RAPPORT 2/12/79

ONDANKS JCI se ontkennings dat geen samesprekinge tussen Elsburg, Western Areas en Randfontein gevoer word nie, het die mark dit eenvoudig nie geglo nie en die aandele het Vrydag verder gestyg

Gerugte het ontstaan dat Randfontein daarin belang stel om die aangrensende Western Areas oor te neem om sodoende genoeg uraan te verkry om sy verpligtinge na te kom

Elsburg word dan outomaties betrek, omdat hy byna die helfte van Western Areas se aandele hou

Western Areas het verlede week op 560c, Elsburg op 357c en Randfontein op 5 750c gesluit Donderdag se onderskeie sluitingspryse was 605c, 398c en 5 800c

Nadat JCI se ontkenning Vrydag gepubliseer is, het Western Areas tot 625c en Elsburg tot 405c gestyg Randfontein se sluitingsprys was onveranderd.

Volgens die gerugte sou JCI Randfontein se prys graag in die omgewing van 6 000c wou sien. Die aanbod sou dan een aandeel in Randfontein vir elke agt in Western Areas wees. Teen Vrydag se sluitingspryse sou Western Areas se aandeelhouers R58 vir elke R50 kry

Dit is miskien 'n kleiner premie as wat JCI dalk graag wou gehad het, word gesê. Dit kan skaars anders. Elsburg het die afgelope week immers met 13,5 en Western Areas met 11,6 persent gestyg

976).

suggests considerably greater rainfall prior to ...

beginning c.3500 B.P. The overall effect was progressive desiccation with rainfall only slightly higher than present being evident by c.2300 B.P. Similarly Lake Chad appears to have experienced a dry phase between 4000 and 3500 B.P.

Thus the indications are that after 4500 B.P. environmental conditions were difficult for pastoral herdsmen in the Southern Sahara with the increasing desiccation, and sites such as Adrar Bous were no longer inhabited. This coincides with the first appearance of occupation of the Sahelian sites in the Tilemsi Valley, suggesting that conditions there were conducive for pastoral exploitation. Rainfall probably decreased at this time making the environment unattractive to tsetse and the tsetse belt contracted southwards (figure 2).

The rainfall peak just after 3500 B.P. similarly coincides with the end of occupation of Karkarichinkat suggesting the possibility of a northward expansion of the tsetse belt once more rendering the Tilemsi Valley unacceptable for pastoral occupation.

By this time pastoral peoples had penetrated as far south as Central Ghana (Carter 1972) so were able to make use of upland, tsetse-free areas, such as the Jos Plateau, Fouta Djallon and the Atakora Range on a seasonal basis, such as that demonstrated by the Fulani in recent times (Stenning 1959).

CONCLUSION

With the onset of wetter conditions that permitted the expansion of the pastoral way of life in the Sahara before 6500 B.P. we can postulate a model of pastoral equilibrium in the Central and Southern Sahara for two millenia. We can therefore state that the stable pastoral existence would be closely tied to annual precipitation and evapotranspiration, and that the energy exchange between the pastoralist and his domestic animals would be related to the carrying capacity of the environment.

By 4500 B.P. the equilibrium of this model was becoming increasingly unstable. This would have meant shifts in the economic advantages of pastoralism as a result of changes in the energy exchange between man and animals, and increasing restriction in the resource budget available. Under such conditions there would be two economic alternatives: 1) to move away from pastoralism towards a greater reliance on hunting and gathering (assuming the environment was still capable of supporting wild herbivores, many of whom have quite different water requirements to cattle); 2) to migrate to where sufficient water and pasturage would be available. The decision to choose the latter alternative over the first would depend on there being available a region into which to migrate and how strong the social dependence was on the pastoral way of life.

That the latter choice was made underlines how important the pastoral

4 Aug 1981 (?)

Sentrachem bou dalk eie Sasol

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VANDEESWEEK se oorname van Fedmis deur Sentrachem en die belang van 10 persent wat General Mining in die vergrote maatskappy verkry het, word deur kenners bestempel as die voorloper van 'n tweede Sasol in die kleine. 'n Ander alternatief wat genoem word, is die grootskaalse vervaardiging van metanol.

Die vergrote Sentrachem sal hom toelê op die ontwikkeling van die groot steenkoolveld van General Mining in die Noord-Transvaal naby Nylstroom, wat as 'n unieke neerslag beskou kan word.

Inligting in verband met hierdie steenkoolveld sowel as sy potensiaal is volgens die gesteldheid van die steenkool geklassifiseer en die twee maatskappye sê in 'n verklaring dat dit nie in hul belang sal wees om hierdie inligting bekend te maak nie.

'n Rowwe aanduiding is egter vroeër vanjaar deur General Mining gegee waarvolgens die potensiële reserwes in vier hoofkategorië ingedeel kan word, naamlik 'n gebied wat vermengde kookssteenkool bevat, gebiede wat stoomsteenkool van gemiddelde gehalte bevat met aanduidinge van aansienlike uraankonsentrasies, beperkte gebiede waar steenkool swak ontwikkel is, maar waar uraanteenwoordig is, en 'n redelike groot gebied wat stoomsteenkool van 'n gemiddelde of lae gehalte bevat en waar uraan teenwoordigheid onbeduidend is.

Dit is veral die steenkool met 'n lae gehalte wat moontlik die grootste potensiaal inhou vir die vervaardiging van petrol.

Die uraanneeralae in hierdie steenkoolveld word deur sommige kenners bestempel as meer belangrik as dié wat in die Karoo voorkom. Hulle sê die ekonomiese sukses van die projek sal in 'n groot mate afhang van die metode om die uraan en die steenkool van mekaar te skei sodat nie een van die twee produkte in die proses onbruikbaar word nie.

'n Moontlike metode wat genoem word, is om die steenkool te verhit sonder dat dit brand en in die proses die uraan te onttrek. In die proses sal die steenkool wat agterbly vloeibaar gemaak word in teenstelling met die vergassingsproses wat op die oomblik deur Sasol gebruik word. Dit is veral hier waar Sentrachem met die ontsaglike chemiese kennis wat hy in Suid-Afrika opgebou het 'n baie belangrike rol sal speel.

General Mining sal waarskynlik vir die ontginning van die steenkool verantwoordelik wees en na verneem word, sal dit met 'n oop mynboumetode gedoen word. Verder sal hy waarskynlik ook verantwoordelik wees vir die afset van die uraan. Daar word ook verneem dat die uraanwaardes wat in die steenkool gevind word aansienlik hoër is as dié wat by 'n konvensionele myn voorkom.

Sentrachem maak geen melding van die vervaardiging van petrol nie, maar mense wat behoort te weet, sê dit is onwaarskynlik dat 'n projek van hierdie omvang aangepak sal word slegs vir die ontginning van ander chemiese produkte uit steenkool. Baie van hierdie chemiese produkte sal uit die aard van die saak geproduseer word wanneer Sasol II en Sasol III op dreef is.

Sentrachem noem drie hoofgebiede waar gesamentlike voordele verwag kan word.

Dit is op die gebied van vervaardiging en bemarking van chemiese produkte (kunsmis, plaagbestrydingsmiddels en dierevoer) vir die landbou; ontwikkeling in die skeikunde op die gebied van steenkool, fosfate en stikstof; die plaaslike produksie van kalium en die benefisieëring van natuurlike gas, indien dit ekonomies uitvoerbaar word om dit as grondstof in Suid-Afrika te ontgin.

Dat dit 'n enorme projek gaan wees, word ook weerspieël deur die feit dat Sentrachem sê dat die samesmelting dit makliker sal maak om toegang tot die plaaslike en internasionale kapitaalmarkte te verseker.

Dat Sentrachem 'n groot voorstander was vir die vervaardiging van brandstof uit organiese produkte soos mielies en suikerriet is geen geheim nie. As hy destyds die groenlig gekry het om met hierdie projek te voort te gaan, sou dit moontlik reeds in bedryf gewees het.

Dit bly egter 'n uitgemaakte saak dat die vervaardiging van metanol uit steenkool steeds 'n meer ekonomiese proposisie is en al sou die vergrote Sentrachem dan nie petrol uit die olie haal nie, is dit feitlik 'n uitgemaakte saak dat hy op groot skaal metanol sal produseer.

Die feit dat BP Suid-Afrika ook by die projek betrokke is, verhoog natuurlik die kanse dat vloeibare petrol of metanol vervaardig kan word, want hierdie maatskappy het reeds 'n landwye bemarkingsorganisasie vir petrolprodukte.

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That the latter choice was made underlines how important the pastoral

Monopoly blamed for many losing jobs

Argus 3/12/79

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Political Correspondent

HUNDREDS of people were to join the growing ranks of unemployed because a monopoly had been allowed in the brewing industry, Mr Rupert Lorimer MP said today.

Mr Lorimer was referring to reports that many employees of Intercontinental Breweries were to be retrenched following the recent creation of one big beer company.

'South Africans are already paying more for beer because South African Breweries have no competition.

'The Government has been negligent in allowing this monopoly to come into existence

'The new legislation to deal with monopolies has not been put into operation and a competition board has yet to be appointed, so we are in a legislative vacuum. By the time the board starts work the merger will have become entrenched and there will be no going back.

'You cannot unscramble an omelette There has been gross negligence on the part of the Government and the result is certainly against the public interest.

I believe we are entitled to know why the Government has departed from its stated policy on monopolies. We are entitled to know what persuaded it to allow this merger to go through,' Mr Lorimer said.

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CAXTON/ARGUS F.M 7/12/79

Suburban link?

Caxton's new controllers, Afmed's Terry Moolman and Noel Coburn, have wasted no time in making an impression — and in tightening their control on the group Both are part of a consortium that has purchased former chairman Felix Stark's 20% shareholding, and not only were the interim results considerably better for the period to end-August, but they appeared but one month later

Now, I understand that Caxton and Argus MD Hal Miller have agreed on terms for Argus to acquire a minority stake

Just why, neither party was prepared to say at the time of going to press What interests they have in common, however, tend to centre around suburban newspapers Caxton already produces more than a dozen bi-monthly and weekly give-aways in the Johannesburg area Also with its new R400 000 press, there is capacity to spare.

To take up some of the slack — Caxton has the capability to handle 18 000 tabloids an hour — Stark started the process of converting bi-monthlies to weeklies, and sought additional launches further afield

For its part, Argus is believed to have been assessing the free distribution market for some time Already it has been experimenting with drop-ins, or shopping guides, in some local areas of *The Star* such as Randburg and Sandton Also, industry speculation has it that Argus is rather short of printing capacity and could usefully use Caxton's better distribution facilities

One thing seems sure The intensely competitive suburban give-away market is due for further rationalisation and, with Argus behind it, Caxton appears to be about to consolidate further its market leadership

John White

F.M. 7/12/79 ~~(189)~~ (232)

MINING EQUIPMENT

Triple concerto

Three powerful associates have now positioned themselves to stake out a dominating position in the SA mining equipment industry They are Boart International (in the Amic stable) and General Mining, already equal partners in Coalequip, and Klockner-Becorit, an important German engineering concern

TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

I INFECTIVE AND PARASITIC DISEASES

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	1,99	2,2	9,81	6,60	55,55	51,04	29,36	27,05
1-4	0,16	0,13	0,76	0,79	8,27	7,48	3,56	3,42
5-24	0,02	0,02	0,07	0,08	0,21	0,21	0,20	0,22
25-44	0,06	0,03	0,17	0,20	1,14	0,78	0,36	0,45
45-64	0,25	0,13	0,75	0,45	3,30	1,37	2,15	1,27
65+	1,04	0,72	1,61	1,98	5,48	2,78	5,45	2,93
ALL	0,19	0,15	0,56	0,45	3,33	2,69	1,66	1,61
NO.	399	315	198	159	3792	3146	3472	2593

II NEOPLASMS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1-4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
[illegible]	[illegible]	[illegible]	0,07	0,05	0,06	0,04	0,05	0,04

Star 10/12/79

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General Mining bids for complete Unicorp takeover

By Colin Campbell,
Deputy Financial Editor

A multimillion rand deal whereby General Mining plans to take over all of Union Corporation was announced in Johannesburg today

General Mining together with its subsidiaries already owns 50,9 percent of Union Corporation.

It said today that it is now negotiating to buy the outstanding 30,13-million shares it does not own. With Union Corporation quoted on the stock exchange at 1 295c a share, the deal could cost R390-million if done at market prices

The exchange quotations of Union Corporation, General Mining and its parent company Federale Mynbou were suspended in Johannesburg, London and all other exchanges in the world on which they are quoted today.

The marriage of General Mining and Union Corporation would create a very powerful mining house, and bring under one roof ownership of a number of gold mines.

The boards of the various companies said "no comment" to Press questions today, but I would guess that the rationale behind the planned merger is the need to face the 1980s. Both mining houses have, in their own right, extensive mining projects planned, which even in present-day terms will cost millions of rands As one operational unit General Mining-Union Corporation would be in a strong financial position.

● See Page 24.

	W		A		C		B	
1-4	0,03	0,01	0,00	0,05	1,27	1,00	[illegible]	[illegible]
5-24	0,01	0,01	0,01	0,01	0,01	0,01	0,02	0,02
25-44	0,02	0,02	0,08	0,08	0,08	0,05	0,06	0,07
45-64	0,09	0,12	0,39	0,88	0,28	0,42	0,24	0,61
65+	0,39	0,59	1,61	2,59	0,81	1,28	1,04	1,44
ALL	0,05	0,08	0,12	0,18	0,28	0,26	0,22	0,33
No.	114	173	43	63	316	307	455	530

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capital position.

Takeover of giant mine group likely

Angus 10/12/79

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Financial Staff

A FULL takeover of the R1 120-million Union Corporation mining and industrial group by General Mining and its holding company Federale Mynbou is on the cards.

General Mining holds 50,9 percent of the shares and the takeover could cost R390-million if done at current market prices at 1 295c a share.

Talks between the three companies could result in Union Corporation becoming a wholly-owned subsidiary, the companies announced today.

Dealings in the shares of the three companies have been halted.

BATTLE

General Mining and its holding company Federale Mynbou paid R71,7-million three years ago for 12,2-million Union shares to give it a 50,1 percent holding.

This was at the end of a multi-million rand takeover battle lasting 18 months and involving Barlows and Gold Fields.

The group owns nine gold mines, is opening two more and is considering plans for a 12th.

Example 6

LIFO is applied for the first time during the current year and the LIFO adjustment (being the difference between the FIFO valuation and LIFO valuation of end of year inventory) is R10. The tax rate is 40%. Assume a bank balance of R20 and that tax is paid therefrom.

Star 19/12/79

NESS

The Unicorp takeover bid by Gencor

Marriage of convenience ends an era

Stephen ... marriage of convenience will see the end of a chapter in the annals of ... mining history.

... days ... will be announced ... long-established ... Corporation group ... be swallowed up by ... mining.

The ... will mean ... after decades of ... listed on ... Stock Exchange, the ... Union Corp will be ... from the boards ... early next year ... the three or four ... it will take to ... the ceremony.

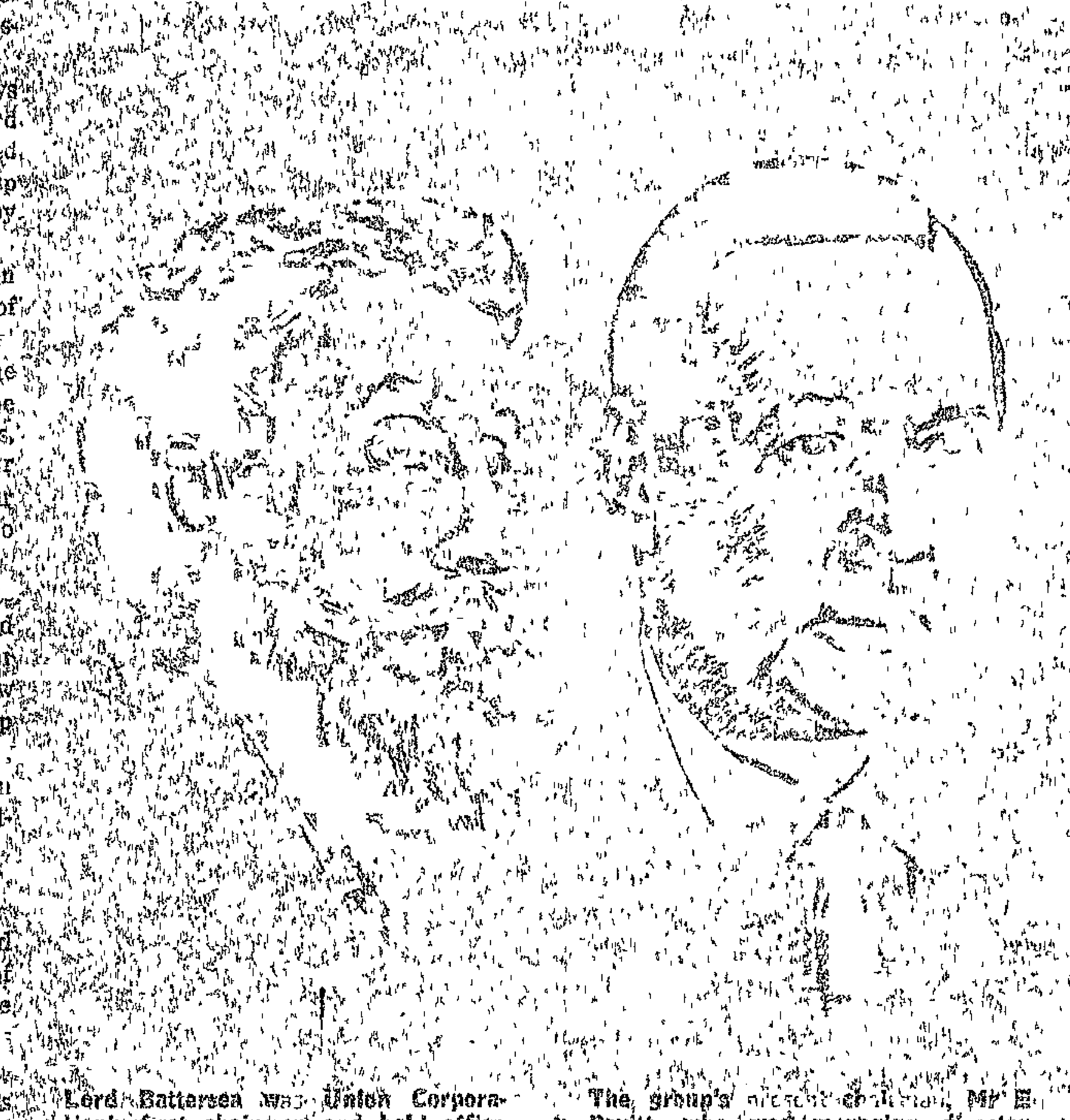
General Mining and ... have wooed ... Union Corp for ... time and a few ... ago managed to slip ... the engagement ... following ... talk in ... rather unwilling part...

... with the threshold ... after years of ... the marriage ... described ... convenience.

... on the cards as ... as 1973 that Union ... interested in ... internationalisation ... into negotiations with Barlow Rand ... fell through as ... later talks with Gold ...

... and after ... the relationship ... two groups got on ... well together ... groups have major ... plans for the ... and the ... to be that two can ... as cheaply as one.

... life ... prior to the turn of ... A. Goerz ... company and was ... the ... mining industry and ... Republic.



Lord Battersea was Union Corporation's first chairman and held office between 1897—1904.

The group's present chairman, Mr E. Pavitt, who was managing director from March 1972 and chairman from April 1974.

A. Goerz was the first Transvaal company to obtain an official listing on the London Stock Exchange way back in 1902.

But it wasn't until the 1914-18 war, when anti-German feelings were running high, that the company changed its name to Union Corporation — a name that remained ever since.

In the early days the company had under its belt shareholdings in eight ... and developing mines and in Rand Central Electric Works.

Established by the Deutsche Bank and Berliner Handelsgesellschaft, the company's mandate was to look for and develop the gold reefs discovered on the Witwatersrand.

But it wasn't until South Africa abandoned the gold standard in 1931 and the subsequent rise in the gold price that Van Dyk, Grootvlei and Marievale got underway.

Labour

Geduld was the first producer in the fold. It was followed by the profitable Modder Deep and East Geduld.

The company's first chairman was an Englishman, Lord Battersea, who held office between 1897 and 1904.

At this stage the founder, Adolph Goerz, was elected managing director and chief executive.

The new group was in for some difficult times. The major bugbear around the turn of the century was the scarcity of labour which eventually led to a depression and wide-spread unemployment among whites on the Witwatersrand complex.

Shareholders felt the pinch between 1904 and 1910 as no dividends were paid, but prosperity eventually came to the group and in 1914 10 percent was paid out.

Search

Modder Deep achieved remarkable records which earned it the name of the "jewel box of the Reef."

The 1930s saw a move in search of reef to the south of the Vaal River. After gold-bearing reef was discovered in 1938, it took 13 years before the group established St Helena which was the first mine to produce gold in the Free State.

About the same time Union Corp laid claim to the discovery of the Evander field of which ... gained full control ... Winkels, Bracken, Leslie and Kinross came into being.

The group's interests outside mining were not really fostered until ... when the paper company, Sappi, was launched.

The industrial side of the group has steadily built up over the years and is now a major contributor to overall profits.

Unisel

It was decided in the 1960s that the chances of finding new mineral deposits was becoming slimmer and diversification into industry was the only way to replace wasting mining assets.

Last year industrial activities accounted for R9,3m of group profits. Mining still remains the largest earner contributing R22,5m of the profit of R62,5m.

The search for gold and uranium, however, has not stopped.

Unisel, the latest gold-uranium mine, came into production recently at a cost of some R73m and Beisa, which will be principally a uranium producer, is already under construction and the possibility of a further gold mine is also on the cards.

Muscle

It seems a pity that a group with so many ... should after so many ... spicuous years ... into another group.

But economies of ... are behind the proposed takeover and Union Corp can be happy in the ... that the expertise built up over nearly eight decades will give added muscle to the new and enlarged group and create a force to be reckoned with.

F.M. 14/12/79

(24) (232)

GENMIN/UNION CORP

The final bell

When establishment of a medium-sized gold mine can cost upwards of R250m and when several projects reach the development stage simultaneously, the largest of possible capital bases is needed if adequate funds are to be mobilised That is a major rationale behind General Mining's plan to take out Union Corp's 48,9% minorities and turn the house into a wholly-owned subsidiary

But while that makes sense from management's point of view, shareholders will plainly need to be told a lot more about their companies before they can decide on any scheme's merits And while that applies to all minority shareholders, it will be particularly important, for example, to the 13%-odd minorities on Union Corp's London register, and the Old Mutual, which has a 4,5% long-term stake in the house

Details of Genmin's proposals have yet to be announced, but no doubt they are being structured for success to satisfy everyone concerned For example, Old Mutual's Union Corp stake was worth some R35m on the basis of the share's 1 295c pre-suspension price But Old Mutual is unlikely to be happy with a cash-only bid, and will need an attractive paper offer if it is to vote in favour of a deal

London registered shareholders, on the other hand, who are now free to invest worldwide but have stuck to Union Corp because of its attractive mineral rights potential, could view a deal which does not have a sufficiently enticing cash option with some distaste

Finally, and probably of major importance to ultimate controlling shareholders Sanlam, Rembrandt, FVB and Volkskas, no deal can be structured which could even remotely threaten their control of the empire

At end-December, Fedmyn held 62,5% of General Mining and was itself owned as to 36% by Sanlam, 25% by Rembrandt, 12% by FVB and 10% by Volkskas It is likely that since the year-end Fedmyn has increased its stake in Genmin, though judging from the fact that only 884 000 Genmin shares — equivalent to 2,1% of the equity — changed hands during the first 11 months of the year, Fedmyn's stake might only have increased marginally Even so, and based on pre-suspension share prices, acceptance of a purely paper offer by the outstanding Union Corp minorities could result in Fedmyn's Genmin stake falling below the critical 50% level

That could be obviated by a paper and cash bid based on relative net asset values, though that could founder if full details of, particularly, the two houses' mineral rights are not made available to shareholders An all-cash alternative will, however, be needed if sufficient minorities are to be persuaded to vote for the merger But neither Genmin nor Fedmyn has sufficient of its own cash resources to fund a significant proportion of cash acceptances

That constraint does not apply to Fedmyn's major shareholders, so a possibility is an issue of Genmin shares underwritten by cash-flush Sanlam and Rembrandt Such an arrangement would particularly suit Sanlam down to the ground as it would give it the opportunity to re-enter the market in one of the control situations so close to its investment heart

At this stage, of course, this is all conjecture Much more important, perhaps, is the additional information shareholders will need to evaluate any proposals Annual reports of the three companies are now almost a year out of date And, in the interim, little has been vouchsafed shareholders on the all important matter of mineral rights and new developments Meantime, however, if the market is due for a correction, the timing is now right for a bid based on Genmin paper

Neither of the two operating companies provides details of its mineral rights holdings or those of its subsidiaries And for one reason or another, Union Corp has yet to provide any meaningful information on its developing Beisa mine or the prospective new gold producer on the farm Leeuwbult Apart from these two announced projects, it is a racing certainty that the house has further mineral rights in the new OFS goldfield capable of being turned to account In addition, I understand that the house has extensive rights which are currently being drilled in the Bothaville area — a zone which could eventually become as important a gold/uranium producing area as the southern OFS promises to be

On the other side of the fence, what is the true worth of Genmin's Pienaars River coal/uranium holdings? Clearly they have considerable potential which is known to the house That became clear when Sentrachem recently granted Genmin a 10% stake in itself on highly attractive terms in return for eventual "ground floor" participation in the area's development Still in coal, fuller details of the Kanhym coal interests and plans for their development are needed if the likely impact on earnings and cash flow of both houses is to be determined

Reverting to Union Corp, more comprehensive details are needed of the house's 30%-owned troubled Richards Bay Minerals operation

Finally, an update of both houses' investment portfolios — especially those of active traders such as Genmin subsidiary Sentrust — are needed And this is par-

Genmin's Wim de Villiers wants full control of Union Corp's gold . . .

. . while Union Corp's Ted Pavitt needs more cash for new mines

VOLKSKAS GROUP

F.M 14/12/79 (232)

Spreading out

As Volkskas is not on full disclosure, its reported first half 22 1% attributable profit increase to R11 1m (R9 1m) probably again understates the banking arm's performance.

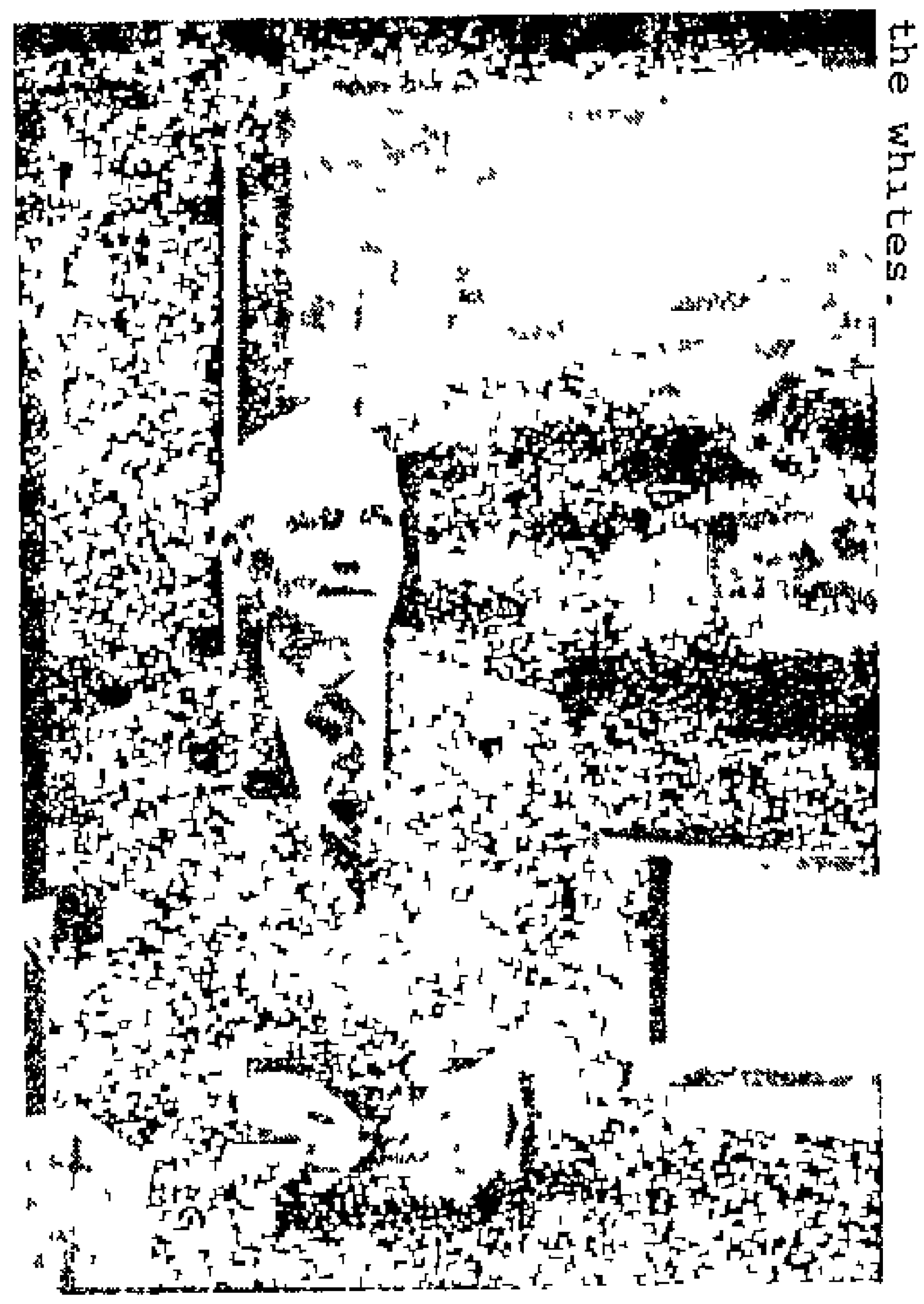
The directors say all Volkskas' subsidiaries contributed to the improvement, and 62,6%-owned Bonuskor increased its attributable profit by R1 9m to R3 0m. After minorities and transfers to hidden reserves Volkskas' net profit was only R2,8m higher. So it is probably safe to assume that almost all the bank's own profit growth went into hidden reserves.

Group earnings rose to 51,7c (42 4c) from which a 4 3-times (4 0) covered 12c (10 5c) interim was declared. But the increased cover, recent diversifications out of banking and Volkskas' increasing stake in Metkor, leave many unanswered questions.

Is Volkskas looking further ahead than most companies, and building a base from which to launch a major assault on the manufacturing industry and agriculture? For example, the way it is bolstering its financial muscle with the recent acquisition of an initial 70% stake in Legal & General and its obvious intention of spreading its investments into manufacturing companies rather than mines suggests it is. The group certainly believes in taking over lame ducks and nursing them back to health.

Bonuskor is a case in point. Last year when Sanlam withdrew at 38c a share Bonuskor seemed to be in an irretrievable situation, having lost R16 5m in two years. But Volkskas quickly chopped out Bonuskor's dead wood particularly the property arm, Vesting, and is now left with a promising trading, manufacturing and agricultural company. With the increased stake in Metkor, Volkskas has increased its interest in heavy engineering, steel products, building and construction and mining supplies.

It is calculated conjecture that Metkor's operations could be rationalised with many of Bonuskor's but Bonuskor MD André Botha says there are as far as he is aware, no moves afoot to merge the two groups' activities.



Volkskas' chairman Jan Hurter heading a diversification thrust

Volkskas' directors only go so far as to forecast that second-half earnings will be at least maintained at the previous second half's 60 2c. But this would be ultra conservative even for Volkskas and total earnings of 115c are possible, from which a total dividend of 30c could be paid. At 530c the share yields a prospective 5,7%, which is marginally below the sector's historic 6 0% average. But with the group's diversification plans still developing, the share could be under-priced on a two- to three-year view.

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

ity in whites, 'coloureds' and Asians, the s the white community is suicide, whilst that cide. For Africans, the latter is the main

The expectation for life at birth and at age 'coloureds' is summarised in Fig. 6. It is an expectation of life for urban Africans as large measure of migration. The characteris of life for women in comparison to men, is ap ties. However, what is of interest is the r life for the three communities. At birth, t ratios are 1:0,91:0,76 for males and 1:0,88 o of 45 these are 1:0,91.0,86 for males and 1:0 The 'coloureds' are less disadvantaged at e_{45} males and females, a difference which is largely attributable to the high infant mortality rate in this community. It is also noteworthy that Asian females have the worst expectation of life at age 45 of the three communities, which is in marked distinction from both males and females at e_o and males at e_{45}. The fact that for the 65+ age group, Asian women have the highest mortality rates for respiratory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

the South African population from all causes of death. The proportional teen major disease categories of the International (8th revision) to the overall mortality of the marised in Fig. 5. The whites show a typical um of mortality with Infectious and Parasitic portance (2,0%) and Neoplasms (15,6%) and Diseases (50,5%) being of major importance. For urban Infectious and Parasitic Diseases make an import- erall mortality (19,5% and 23,5% respectively), ratory system and certain causes of perinatal portance. Within the category of Infectious arrhoeal diseases and tuberculosis are the most lty. The 'coloureds' experience an interesting and 'underdeveloped' mortality with a high nd diarrhoeal diseases in the young and circu- is the relatively icularly in the n of the pro- the urban areas. nediate between is, on the other.

data as propor- n. Table I m of cause the white, Asian

portional mortal- it will be noted that despite the relatively minor proportional contribution made by circulatory diseases in the 'coloured' community, the actual rates for these diseases are higher than those of the whites. The reason for this apparent inconsistency is that the mortality rates for Infectious and Parasitic Diseases are so high that they effectively swamp the proportional mortality of the Circulatory Diseases in the 'coloured' community. In the white community, the mortality rates for most causes of death are so low, the importance of the Circulatory diseases become disproportionately exaggerated.

TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

I INFECTIVE AND PARASITIC DISEASES

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	1,99	2,2	9,81	6,60	55,55	51,04	29,36	27,05
1-4	0,16	0,13	0,76	0,79	8,27	7,48	3,56	3,42
5-24	0,02	0,02	0,07	0,08	0,21	0,21	0,20	0,22
25-44	0,06	0,03	0,17	0,20	1,14	0,78	0,36	0,45
45-64	0,25	0,13	0,75	0,45	3,30	1,37	2,15	1,27
65+	1,04	0,72	1,61	1,98	5,48	2,78	5,45	2,93
ALL	0,19	0,15	0,56	0,45	3,33	2,69	1,66	1,61
NO.	399	315	198	159	3792	3146	3472	2593

II NEOPLASMS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1-4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
5-24	0,09	0,05	0,07	0,05	0,06	0,04	0,05	0,04
[illegible]	0,26	0,33	0,21	0,26	0,54	0,56	0,34	0,36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,10	2,68	2,32	1,91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12,59	7,51	6,16	4,10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,03	0,69	0,58	0,45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1170	809	3472	715

FVB F.M. 14/12/79 ~~58~~ 232

Active catalyst

In pursuit of its policy to change from an investment group to that of controlling interests in strategic areas, and the establishment of an effective management team Federale Volksbeleggings has made rapid strides

Financial Mail December 14 1979

[illegible] ND METABOLIC DISEASES

	W		A		C		B	
	M	F	M	F	M	F	M	F
[illegible]	[illegible]	[illegible]	[illegible]	[illegible],21	2,27	1,68	2,31	1,96
1-4	0,03	0,01	0,00	0,05	1,27	1,08	1,02	1,29
5-24	0,01	0,01	0,01	0,01	0,01	0,01	0,02	0,02
25-44	0,02	0,02	0,08	0,08	0,08	0,05	0,06	0,07
45-64	0,09	0,12	0,39	0,88	0,28	0,42	0,24	0,61
65+	0,39	0,59	1,61	2,59	0,81	1,28	1,04	1,44
ALL	0,05	0,08	0,12	0,18	0,28	0,26	0,22	0,33
No.	114	173	43	63	316	307	455	530

F.M. 14/12/79 (195) (232) (2443)

CAXTON/ARGUS

Buying protection

The acquisition by Argus of a 30% stake in Caxton is, as foreshadowed in *FM* last week centred on the growing, but highly competitive free distribution newspaper market Caxton's joint MD Terry Moolman sees the link with Argus as basically a defensive manoeuvre, with several positive aspects

He feels that Caxton will now not have to face a full frontal attack from say Saan or Nasionale Pers in the freebie market "Very few will think even three times about competing with us he hopes He considers that with Argus backing albeit more psychological than material Caxton will be in a better position to tackle other dailies such as the *RDM* "which is neither fish nor fowl and has no well defined market niche "

Argus is also to form with Moolman and other joint MD Noel Coburn, a marketing agency to sell advertising to blacks on behalf of *Post*, *Sunday Post* and Caxton-associated Atmed Moolman figures that there is a lot of scope here since although *Post* ranks third in daily circulation it rates but 10th in advertising revenue

For Argus, the attraction lies in getting an immediate and meaningful stake in the freebie market, plus the option to provide editorial, typesetting and printing facilities for out-of-town papers in the future For this is how Moolman intends using Caxton's considerable printing capacity "Once everything on the Witwatersrand is running smoothly, we intend branching out

Caxton is obviously expecting circulations to balloon A six-unit Goss Suburban printing press was installed recently, bringing the number of units to nine These are running 18 hours a day, Moolman claims Standing in a Stuttafords warehouse is a three-unit Harris, while in a recent deal Moolman arranged for delivery in six months' time of another six-unit Goss This is more than enough to handle Caxton's six weeklies and five monthlies

With the combination of selling advertising to the black market as well as to white suburban women Moolman feels that he is on to a profitable pitch One reason for his confidence is overseas experience, and the fact that he is highly critical of most local newspaper management Drawing on experience gained at Republican Press under the Hyman brothers, he avers that 'most daily newspapers appear to have an identity crisis And they employ newspaper managers rather than publishers Leave the editors to do the writing, and the owners to do the publishing '

Be that as it may getting in on Caxton's act in difficult Marketability is virtually *non est* The controlling consortium of Moolman, Coburn and Argus now have 96% of the equity

John White

ey take into consideration the
health care the actual numbers
rly true for those groups which
to the total population, for
The different demographic pro-
resented in Fig. I, and this pro-
of whites and 'coloureds'.
rred between 1941 and 1970 are,
elative unimportance.

d whites are presented in Fig. 6.
ns[5], this is speculative and is
ity to warrant inclusion. Two
cluded: (1) e_o - the expectation
of life at birth, and (2) e_{45} - the expectation of life at 45 years of age. Characteristically women have a better expectation of life than men, and Fig. 6 indicates that this is so for both whites and 'coloureds'. In fact, so marked is this difference that at $\acute{e}_{45}$ 'coloured' females have a better expectation of life than white males. What is perhaps of some concern is that the gap between the expectation of life for males and females is widening. This trend is apparent in both the whites and the 'coloured' communities, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

shown an increasing life expectancy
s been small, it contrasts with the
ured' males.

tation of Life at birth for the
ment between 1941 and 1970, it is
d' males nor females, at either e_o
ife in 1970 which are as high as the
some cause for concern is that al-
be expected to improve indefinitely,
fe expectancy is levelling off at a
e white community.

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TABLE II

	WHITE		ASIAN		COLOURED		BLACK	
				Female	Male	Female	Male	Female
				15 1.9%	120 3.9%	139 4.4%	49 2.1%	56 2.9%
				127 15.8%	190 6.1%	276 8.8%	273 11.4%	212 11.0%
				246 30.6%	845 27.1%	566 18.0%	148 6.2%	66 3.4%
Cerebrovascular Diseases (430-438)					[illegible]	[illegible]	772	749
Total Circulatory Diseases (390-458)								
Motor Vehicle Accidents (E810-E819)								
Suicide (E950-E959, E979) *	24.6%	15.4%	12.6%	12.5%	3.9%	2.6%	4.1%	3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

* E979 "Suicide and self inflicted poisoning by motor vehicle exhaust gas" is a code used in South Africa which does not appear in I.C.D. (8th revision). See Ref. 13.

Bonuskor chairman Van Huyssteen chopping out dead wood

FM 14/12/79 (232)

BONUSKOR

Maintained recovery

On the back of motorcycles and timber, Bonuskor boosted its first-half attributable profit to R3m (R1,1m in the nine months to end-March 1979)

MD André Botha tells the *FM* he is happy with the group's performance and management has decided to stick to the group's current subsidiaries Since Volkskas' take over of Sanlam's 26,4% stake at 38c a share, Bonuskor has weeded out some of the loss-makers, such as SA Glazing, Republic Rubber and International Harvester It also sold its plant-hire interests to Hudaco

Currently, the group's main interests are in motorcycles and scooters through Midmacor This company also distributes industrial machines, and hopes this side of the business will pick up Botha says the market for industrial machines is beginning to show signs of improvement

The mainstay of this subsidiary is the Honda agency, which has out-performed the rest of the group thanks to the fuel crisis and the consignment increased demand for two-wheelers Vespa scooters would have done better had stocks not been depleted

The other main contributor was the laminated flooring producer, Boskor This sawmill benefited from increased local demand from the furniture and building industries and exports The other sawmills also fared well with Cape-based Densa fully on stream following its recent expansion programme The sawmill now has a capacity equivalent to that of Boskor

Capital spending has not yet resulted in significantly increased tool sales, but there are signs that the market is improving So Mitco Tool should improve its contribution to group profit Tea plantation and processing operations have improved and the group is satisfied with this division's performance

With the group's rationalisation programme almost complete, and the group firmly in the black the directors forecast that the growth will continue in the second half provided the current economic climate persists If so the first half's 11,2c (4,1c nine months) earnings could be followed by 14c in the second half

With a debt equity ratio still around 140%, loans at R43,1m at the end March balance sheet date and this year's cash flow likely to be about R8,5m an early resumption of dividends appears to be out of the question Even so the share price rose to 95c this week

FM 14/12/79 232

COMPANIES ACT

Ruling on takeovers

The differences between a "takeover offer" and a "takeover scheme" have been spelled out in a Rand Supreme Court judgment that could have far-reaching ramifications for future company takeovers

In a judgment handed down by Mr Justice Blen Franklin it has been ruled that Tongaat's quiet acquisition of a strategic stake in Primrose Industrial prior to taking that company over was not in conflict with the Companies Act

The court action followed a major row between Spinnaker Investments (a company associated with Mathison and Hollidge, the stockbrokers) and Tongaat over the sale of certain shares in Primrose

The main point of conflict was what, in law, could be correctly interpreted as a "takeover offer" or a "takeover scheme "

On March 3 last year, 17 days before announcing its bid for Primrose at 130c a share, Tongaat acquired from Spinnaker 115 000 Primrose shares at 87c each Spinnaker delivered the shares, for which Tongaat paid R100 000

On March 20, Tongaat made a public announcement that it intended making an offer to acquire the entire issued share capital (11 082 568 shares) of Primrose at a price of 130 cents in cash Thereafter, the price of Primrose shares rose to a range of prices considerably higher than

Justice Franklin . . spinnaker dismasted

130c

Spinnaker contended that during the week beginning February 20 1978, Tongaat — which until then held no shares in Primrose — started buying all the shares it could on the floor of the exchange at the ruling price It registered the shares in the names of nominee companies

Later, on April 3, Spinnaker notified Tongaat that "if a takeover offer is made by your company in the manner announced, and if our clients are not to be compensated in terms of the offer to the extent of the difference between the offer price and the actual selling price by our client to you, an interdict will be sought against you " On April 5, Tongaat repudiated the demand and made a public announcement that it had decided not to proceed with its intended offer to acquire the entire issued share capital of Primrose as the market price of Primrose shares had exceeded the offer price since March 20

Spinnaker's claim was that on or about February 20, Tongaat formulated and embarked on a "takeover scheme " This scheme was one in which the defendant (Tongaat) was to acquire as many shares as it could while the price on the JSE remained relatively low, by means of "a series of unlawful takeover offers "

According to Spinnaker the offer made by Tongaat's brokers on March 3 was an unlawful takeover because it did not comply with section 314(2) of the Companies Act

This section of the Act provides that "No takeover offer shall be made unless (a) it is made in the same terms to all the shareholders of the shares or of a particu-

lar class of shares in the offeree company, (b) there is annexed to it a takeover statement by the offeror, (c) a copy thereof, together with its annexures, is lodged with the offeree company, and (d) a copy thereof, together with its annexures, is lodged with the Registrar under cover of the prescribed form not later than the day on which it is intended to issue the takeover offer

The expression "takeover offer" is defined in Section 314(1) as "an offer for the acquisition of shares under a takeover scheme" The term "takeover scheme" is defined in the same section as " a scheme involving the making of an offer by the offeror for acquiring shares of the offeree company which together with any shares of that company already held by the offeror at the time of the making of the offer, will have the effect of (a) vesting the control of the offeree company directly or indirectly in the offeror, or (b) the offeror acquiring all the shares or all the shares of a particular class in the offeree company, but does not include any offer made in the course of or connection with any individual negotiation with any shareholder for the acquisition of any such shares "

The crux of Tongaat's exception to Spinnaker's claim is that a "takeover offer" must be an offer of the kind described in the definition of "takeover scheme "

The judge concludes that Tongaat's exception was "well-founded "

"It seems to me difficult, if not impossible, ' he says, "to adopt the plaintiff's (Spinnaker's) interpretation of a 'takeover offer,' which includes any offer on the floor of the stock exchange provided it is made made as part of a scheme for the acquisition of control of a company

"To mention merely a few examples section 314(3) prescribes the time within which a takeover offer must be accepted and may not be withdrawn The concept of prohibiting the withdrawal of an offer for a period of four months after the date of its issue is totally inapposite to any offer made on the floor of the stock exchange So, too, is the provision that the offer may be declared to be unconditional within the prescribed period of four months

"If two parties who have both conceived and embarked on a scheme for acquiring control of a company are busy purchasing shares in the company on the floor of the stock exchange, the provisions of Section 318 cannot be made to fit into the concept of a takeover offer propounded by the plaintiff — even if one of the offers made by one of the two parties happens to be the critical offer The defendant's exception is accordingly allowed with costs "

Spinnaker is taking the case on appeal The outcome of that appeal will be of enormous importance to merchant banks and stockbrokers particularly, since the issue has been confused for some time

Unicorp-oorname slaag dalk nie

Deur FRANZ ALBRECHT

RAPPORT 16/12/79 232

DIE General Mining and Finance-korporasie beoog 'n aanbod om minderheidsaandeelhouers in Union Corporation uit te koop — of dié stap hulle egter in staat sal stel om van Union Corp 'n volfiliaal te maak, is glad nie 'n uitgemaakte saak nie.

Die beoogde aanbod sal baie aantreklik wees — watter vorm dit ook al mag aanneem — maar of dit die beoogde 90 persent van die aandele wat nodig is om Uni Corp 'n volfiliaal te maak aan Gen Min sal besorg, is glad nie 'n uitgemaakte saak nie.

Gen Min kan wel sy aandelebesit van 50,9 persent in Uni Corp aansienlik vergroot. As hy met die nege hoofaandeelhouers — wat elk meer as een persent van die aandele besit — kan ooreenkom om die aanbod gunstig te oorweeg, kan hy selfs soveel as 75 persent van Uni Corp se aandele verkry.

Hierdie nege hoofaandeelhouers het in Julie vanjaar nog 'n bietjie meer as 27 persent van die aandele gehou. Daar was nie ongewone verhandeling in Uni Corp se aandele oor die afgelope drie of vier maande nie, en dit kan dus aanvaar word dat hulle dieselfde aantal nou het

Die feit dat daar geen ongewone bedrywigheid in die transaksies van Uni Corp se aandeel was nie, dui ook daarop dat Gen Min in alle waarskynlikheid nie hierdie beoogde aanbod met die hoofaandeelhouers bespreek het nie Want 'n gerug van 'n transaksie van sulke groot afmetings sou beslis die aandeel laat loop het

Dit moet nie uit die oog verloor word dat Gen Min die beoogde aanbod maak om Uni Corp as 'n volfiliaal te verkry en om sodoende 'n goeie basis te vorm vir toekomstige uitbreiding nie

Enige verdere aandelebesit wat Gen Min met dié aanbod in Uni Corp sal verkry, sal tot sy voordeel wees — en tot voordeel van die uiteindelike hoofaandeelhouers van Federale Mynbou.

Dié aandeelhouers is Sanlam, met 48 persent van Fed Myn se aandele, Tegniese Mynbeleggings (Rembrandt) met 25 persent, en Volkskas met 10 persent.

Hulle wil hul oortollige kontant in die rooskleurige toekoms van die Suid-Afrikaanse mynboubedryf belê. Om dit tot hul grootste voordeel tè kan doen, wil hulle hê dat Gen Min sy beheer oor Uni Corp moet versterk. Daarom is hierdie oorname-aanbod aangekondig

Dit sal die waardevolle goudmyne wat Uni Corp bestuur, regstreeks onder die bestuur van Gen Min (tesame met Uni Corp se goudafdeling) bring. Onder die huidige omstandighede word beleid en strategie nog gesamentlik deur Gen Min en Uni Corp bepaal, maar Uni Corp bestuur sy goudmyne en Gen Min syne

Sedert Gen Min en Uni Corp in die begin van 1976 by mekaar uitgekom het, was die gesamentlike bestuur van hul goudmyne nog altyd 'n logiese rasionalisasie wat in die vooruitsig gestel is Maar omdat dit so 'n sensitiewe veld van samewerking was, kon dit nog nie onder die huidige bedeling gedoen word nie.

Daar wag yslike voordele vir albei groepe, maar veral vir Gen Min se uiteindelike aandeelhouers — die instansies wat in die toekoms hul geld in Suid-Afrika se mynboubedryf wil belê — wanneer die goudbelange gerasionaliseer word Daar is buitendien geen botsing van belange by die bemarking van goud nie.

In werklikheid is daar geen ander veld waar Gen Min en Uni Corp so meet en pas kan rasionaliseer as in hul goudbelange nie. Hul ander mynboubelange is aanvullend — die een bestuur wat die ander nie onder sy bestuur het nie.

Ander gebiede van oorvleueling was die afdelings wat aankope gedoen het, maar hulle is 'n geruime tyd reeds saam.

Dit is interessant dat die groepe in alle waarskynlikheid hul afsonderlike organisasiestrukture sal behou indien Uni Corp 'n volfiliaal sou word — behalwe natuurlik vir die goudafdelings, en seker ook die beleggingsdepartemente

Die naam Uni Corp sal nog lank bly voortbestaan, al word dit eendag 'n volfiliaal, en verdwyn dit van die effektebeurse.

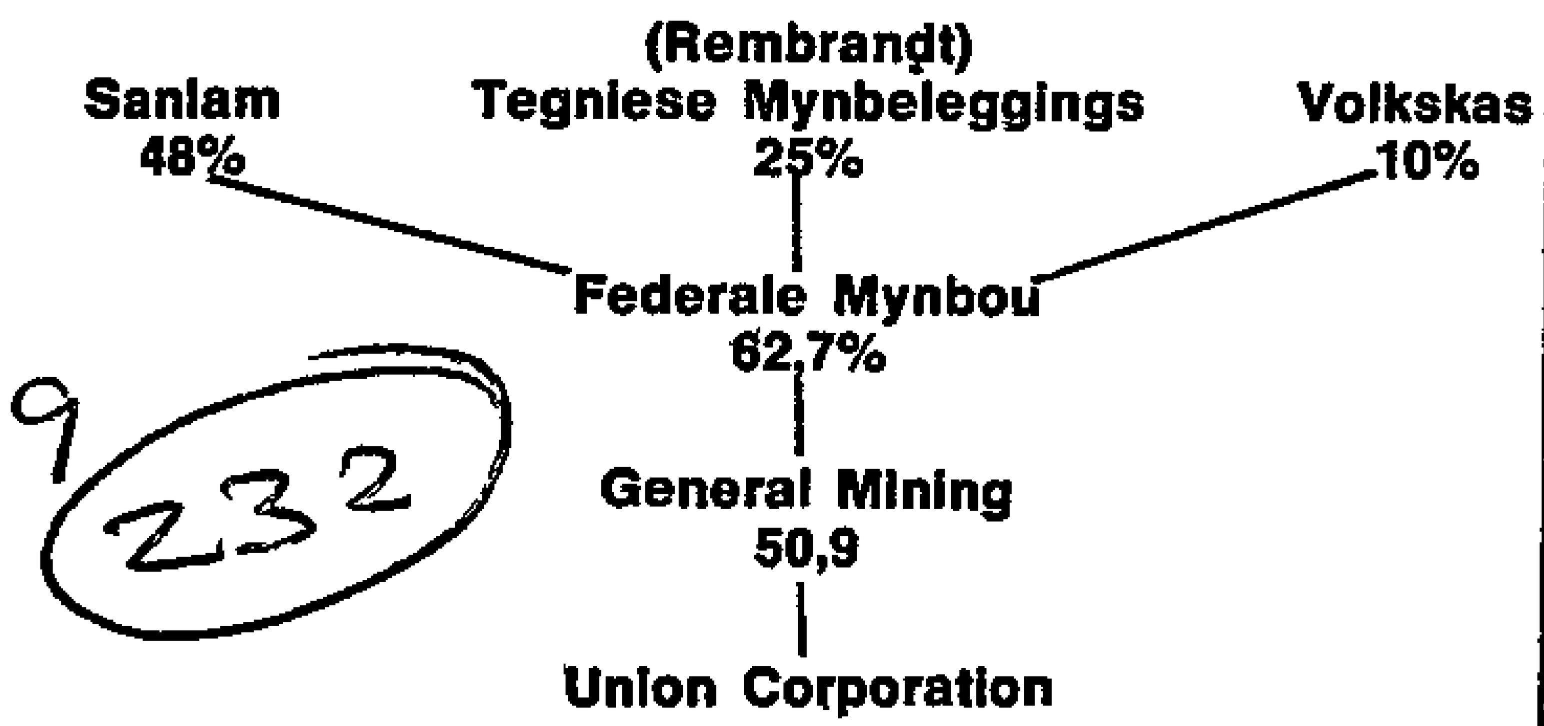
Daar wag grootskaalse uitbreidings op albei groepe. Uni Corp het Beisa en nog 'n nuwe uraanprodusent in die vooruitsig. Gen Min het yslike steenkoolontginningsplanne vir kragsentrales sowel as vir die petrochemiese bedryf

Met Uni Corp as 'n volfiliaal of nie, gaan daar 'n geweldige vraag na groepfondse, leningskapitaal en nuwe aandeelhouerskapitaal wees.

Met Uni Corp as volfiliaal sal die finansiering van nuwe projekte — wat almal geweldig kapitaalintensief is — makliker wees. Groter dele van die winste sou daarin teruggeploeg kon word, want daar sal nie minderheidsaandeelhouers wees wat in groter dividende belang stel nie En opbrengste op kapitaalbeleggings deur die uiteindelike aandeelhouers sal groter wees.

● Gen Min het verlede week gesê die maatskappy sal waarskynlik teen Dinsdag meer inligting aan sy aandeelhouers verstrek

Aandeelhouers



Belange

Gen Min	Uni Corp
Mynbou:	*Mynbou:*
Goud en Uraan	Goud en Uraan
Steenkool	Platinum
Onedele Minerale	Ander Metale
Chroom	Seesand-minerale
Beleggings	Beleggings

SOOS hierdie tabel aandui, is Gen Min en Uni Corp se belange eerder aanvullend as dieselfde. Slegs hul goudbelange en ander suiwer beleggings is logiese rasionalisasies. Die nywerhede is ook verskillend

Genmin and Unicorp in R2 200m link

RDM 19/12/79

(232)

By ADAM PAYNE

THE General Mining-Union Corporation merger will be achieved by General Mining's offering minority shareholders in Union Corporation 80 Genmin shares for every 100 Unicorp shares held.

Provided the proposals are accepted by shareholders, the combined worth of the group — the underlying assets at market value — will be R2 200-million, making it second only to Anglo American Corporation among mining groups

The capitalised value will be about R1 470-million

The main points of the merger proposals, which have been based on the pre-suspension prices of the two shares, are·

- Unicorp shareholders will receive the final dividend to be declared by Unicorp for the year to December 31 The dividend will be not less than 41c.
- The new Genmin shares will not rank for the Genmin final dividend for the year to December and will not be entitled to subscribe for a proposed rights offer by Genmin
- On implementation of the merger, existing shareholders will be offered rights to subscribe for new shares at the issue price of 1 500c a share in proportion of 30 shares for every 100 shares held
- The rights issue will raise R189-million, which will be used to finance expansion programmes now being considered by Genmin

It is intended to complete all formalities by the end of March and to make the rights offer in April Notices of meetings of shareholders to obtain approval are being prepared.

Other aspects of the proposal are that Federale Mynbou, which controls General Mining, and Sentrust, an investment company in the General Mining stable, will lose their rights to participation in all new business undertaken by Genmin and its subsidiaries

These rights amount to 25% in the case of Federale Mynbou and 10% for Sentrust.

To compensate Federale Mynbou and Sentrust, they will be allotted 900 000 and 270 000 Genmin A ordinary shares respectively

The A shares will not rank for earnings or dividends for the 1980 financial year, but will after that be converted into ordinary shares.

Subject to the Genmin rights offer going ahead, Federale Mynbou will be offered rights to subscribe for cumulative participating convertible preference shares at an issue price of 1 100c a share in the proportion of 50 participating preference shares for every 100 shares held

Genmin's directors forecast that the final dividend for the corporation will not be less than 59c totalling 84c for the year

Genmin intends to distribute 45,5% of the consolidated after-tax income as dividends for the 1980 financial year This will be equivalent to a 2,2 times cover. The rationale behind the proposals is that a single powerful group will succeed more effectively than two separate groups, especially in these times when the opening of a gold mine costs up to R200-million

The shares of Genmin and Unicorp will be reinstated tomorrow

COMMENT: This is a bold move by Genmin which is sweetening the pill for Unicorp's minority shareholders, particularly those in Britain who may have doubts about making the exchange.

Taking pre-suspension share prices, 100 Unicorp shares were worth R1 295 and 80 Genmin shares were worth R1 480, giving Union Corporation shareholders a 14,3% premium by making the exchange.

Genmin's says that 100 Unicorp shares pre-merger would earn an estimated R60 in 1979. After the merger, 80 Genmin shares should earn R65,60 or a premium of 9,3%.

The net asset value of 100 Unicorp shares is estimated at R1 496; that of 80 Genmin shares is estimated at R1 535, a premium of 2,6%.

On the other hand, Genmin shareholders are making a sacrifice to build their group for greater earnings

Dr Wim de Villiers, Genmin's chairman, says they have enjoyed an average 27% rise in profits annually over the past eight years.

Genmin's shareholder's earnings a share will drop after a merger by 13,6% as compared with projected earnings without a merger, but dividends will drop by only 2,4%. The net asset value will decline by 9,7%.

Federale Mynbou's earnings will drop 7,3% and the net asset value by 0,7%.

The Star Wednesday December 19 1979

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BUSINESS

Unicorp deal new era in mining

By Colin Campbell
Deputy Financial Editor

General Mining's bid terms for all of Union Corporation which it does not already own — 80 Genmin shares for every 100 Unicorp — has received the nod of approval from certain important shareholders.

Selected institutional approval should lead to a smooth run by Genmin which, only five years ago, fought it out in the rough and tumble of the stock market to obtain its first meaningful stake in Union Corporation.

The rationale behind the deal is, as suggested last week, that as one merged mining house the riches of South Africa can be more effectively tackled.

Assuming the successful conclusion of the deal, General Mining will emerge as second only to Anglo American

Its asset base will be in the region of R2 200m, and its market capitalisation will be in the order of R1 470m

Genmin's bid for the minority 48,3 percent of Unicorp has long been seen as inevitable, and although the terms are not over generous the conclusion remains that at the end of the day Unicorp shareholders are being offered a respectable carrot

Based on certain assumptions and dividend payment forecasts, the position of the Unicorp shareholder is that he will achieve a 9,3 percent premium on dividends, a 6,6 percent premium on earnings, a 2,6 percent premium on net asset value (taking market value of listed investments at November 30), and a 14,3 percent premium on presuspension JSE prices

If the merger of Union Corporation and General Mining is approved, then Genmin plans a 30-for-100 rights issue at 1 500c a share in April next year which will raise R189m

In turn, Federale Mynbou plans a rights issue of cumulative participating convertible preference shares in the ratio of 50-for-100 at 1 100c Fed Mynbou will raise R160m through this leg

Assuming the deal goes through and everybody follows their rights, the ownership of Genmin should then be Fed Mynbou 44,67 percent; Unicorp minorities 29,83 percent, Genmin's minorities 25,5 percent

Fed Mynbou's effective position in Genmin will thus fall below the 50 percent mark, but it must be expected that Fed Mynbou will use what ever opportunity comes along to bring its holdings above the 50 percent level again

Genmin and merchant bank executives said last night that there had been no thought of offering Unicorp minorities cash alternative — the deal was a merger, not a takeover they said, and they wanted in any case to retain Unicorp minority shareholders as shareholders in the enlarged group

Non - resident Unicorp shareholders making up roughly 13 percent, would in any case, run into capital gains hurdles and would have to take Financial Rand discount when cheques were eventualy sent out that is after record date

Some of the expected benefits of a full marriage are only the large mining groups are able today to raise the required capital for new mines

To open a gold mine in the 50s cost R20m, to open one in the 60s would have cost R40m, to open one in the 80s would cost between R150m and R250m

Funds raised by the enlarged group can be better channelled, there can be fuller integration of the future marketing of minerals, Unicorp minorities will benefit from the development of GenMin's northern Transvaal coal interests, the enlarged group will offer a wider range of job opportunities

Though Genmin dismisses Cons Gold talk as "a newspaper story," it can't be dismissed that as an enlarged group it would be in a considerably stronger position to cast its eye in that direction

Subject to the reading of the official document (due early next year) I see little reason why Unicorp shareholders should hesitate in accepting Genmin paper.

Genmin has come far and is going further, and I would suspect that the various mining plans which both sides have hinted at or announced are in fact far more extensive and far more promising than would appear at first sight

As one enlarged group it will be in a stronger position to grab the opportunities of the '80s, and thus should prove an exciting group with which to be associated

Cancellation of agreements may raise eyebrows

One aspect of the General Mining-Union Corporation deal which may raise a few eyebrows is that the participation agreement between General Mining and Sentrust, and the participation agreement between General Mining and Federale Mynbou is to be cancelled

Under the agreements, General Mining offered Sentrust a 10 percent participation, and General Mining offered a 25 percent participation to Federale Mynbou in all new business which may be undertaken by Genmin and its subsidiaries

As compensation for the cancellation of the respective agreements, Federale Mynbou will be allotted 900 000 General Mining A shares, and Sentrust 270 000 Genmin A shares

Genmin said last night that it was "difficult to place a value" on the agreements, but it did not think that the compensation offered was "unreasonable" Through the share compensation, Sentrust and Fed Mynbou would now have direct participation through Genmin

Further details are expected once the formal documents have been published

PICBEL , F.M. 21/12/79

Restructuring

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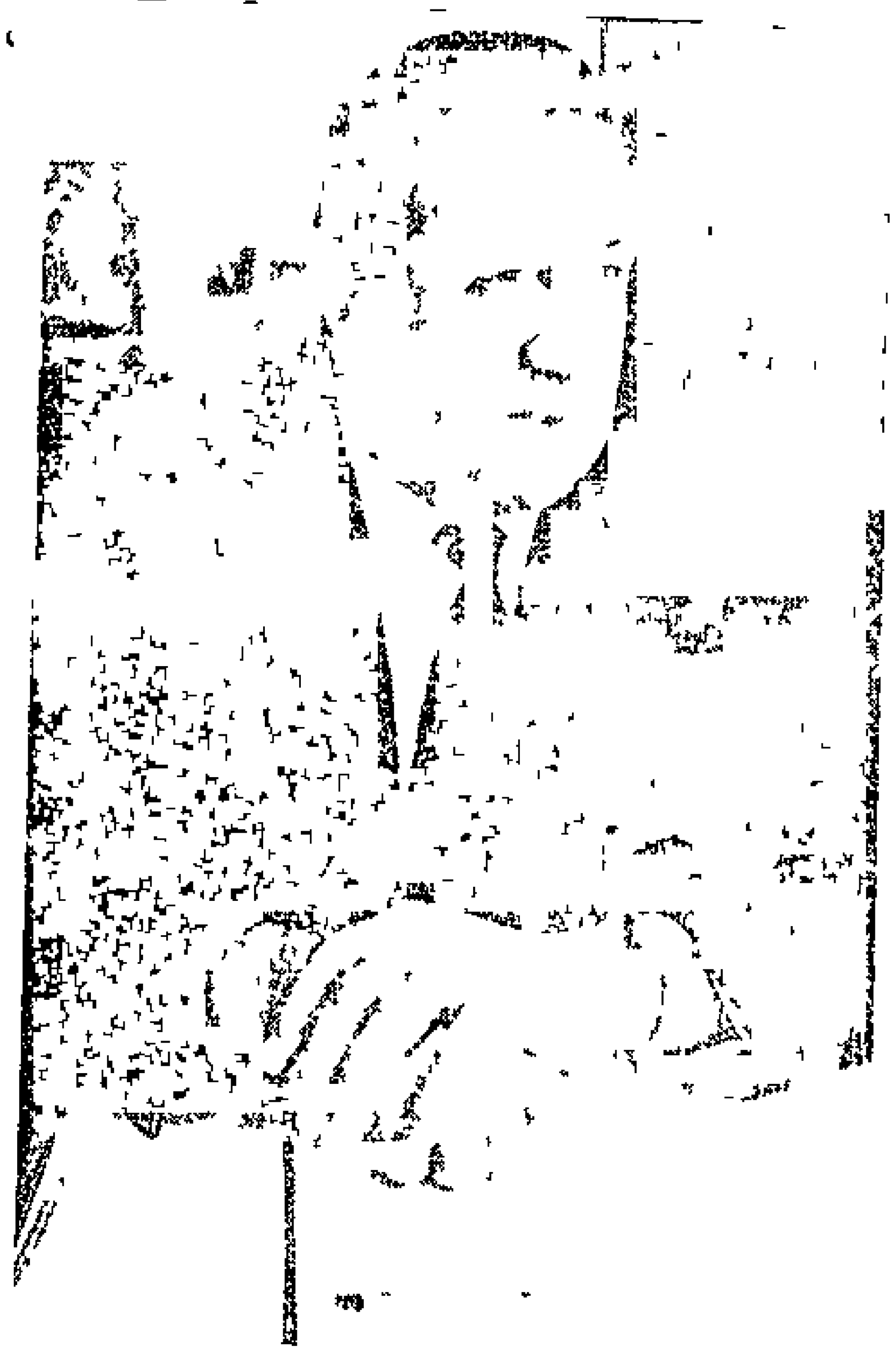
Activities: *Holding company with subsidiaries in meat, liquor and canning industries. Owns 62% of Asokor, 60%*



Jan Pickard . . . rearranging for better returns

of Umewum, 86% of Piccan, 100% of Sagit and 51% of Logans. Directors hold 49% of ordinaries.
Chairman: *J A J Pickard*
Capital structure: *4,4m ordinaries of 50c, 4m 9% red cum prefs of R1, 46 550 5,5% cum prefs of R2. Market capitalisation: R4,8m.*
Financial: *Year to June 30 1979. Borrowings: long- and medium-term, R19,9m; net short-term, R46,4m. Debt equity ratio: 226,3%. Current ratio: 1,0. Net cash flow: R2,5m. Capital commitments: R3,3m.*
Share market: *Price: 110c (1978-79: high, 132c; low, 32c; trading volume last quarter, 264 000 shares). Yields: 23,6% on earnings; 3,6% on dividend. Cover: 6,5. PE ratio: 4,2.*

	'76	77	'78	79
Return on cap %	15,2	16,5	15,9	15,5
Turnover (Rm)	352	343	352	391
Pre tax profit (Rm)	6,3	7,6	6,7	8,4
Gross margin %	4,1	4,7	4,6	4,4
Earnings (c)	6,9	32,6	15,8	26,0
Dividends (c)	4	1	4	4
Net asset value (c)	145	118	99	110

All the signs have pointed to a need for rationalisation of Jan Pickard's holding company, Picbel. The liquor industry will require a restructuring of strategy and financing by all, the meat industry is undergoing the start of what could be a major alteration in distribution structure and the stagnant return on capital for the over-geared Picbel group is anchored at an unsatisfactory level.

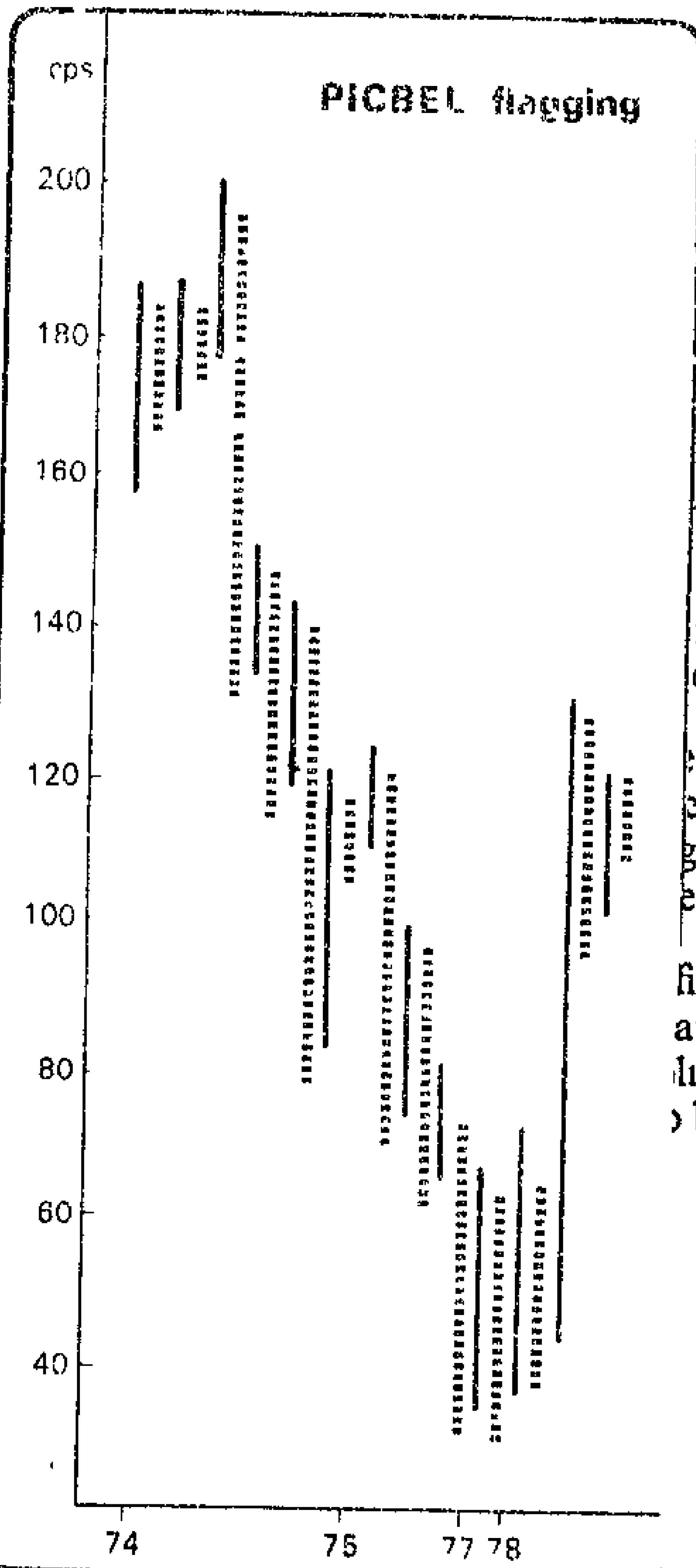
Picbel's report outlines the group restructuring plans, but it does not go into enough detail on the total group benefits for the current year. This, says chairman Jan Pickard, will be circulated to shareholders "as soon as possible". Evaluation meantime must be superficial in terms of earnings and dividend forecasts.

The essence of the reconstruction is that Picfin will buy for R16,1m Picbel's interests in Asokor, Unievin and Piccan. Pickard says the objective is "to arrange the assets controlled by the Picbel group in such a way that the return on capital employed will be increased" and to "adopt a financial policy directed at a continuous improvement in the ratio between own and external funds."

Sagit, which owns all of Picfin (previously Comani), will thus become the holding company of Picbel's activities in food and related activities and property. Pickard says Picfin will thus greatly diversify its business risk and will enlarge its asset structure. Picfin will sell off its unrelated activities (the Katz International white goods distributor) to Sagit.

This will materially affect the consolidated Picbel balance sheet in the near term as the shuffle will release enough funds to Picbel to allow that company to redeem the R4m redeemable cum prefs and all its other liabilities." These totalled about R15m at balance sheet date.

For the longer term, however, it will streamline the group structure significantly as far as management and overlapping administrative areas are concerned. The



Piccan Asokor Karoo marketing arrangement may not be in the best interests of employees but it certainly makes good business sense. And this was merely the first step in the overall re-shuffle.

The effect on earnings will be most marked in Piccan, where earnings for the June 79 year would have risen by 8c to 0,6c.

Because of the rationale behind the moves, increases in Asokor's and Karoo's earnings are modest at 0,8c and 0,5c a share respectively. This flow-through of higher earnings for Picbel, combined with a cost saving and the excision of the prefs and other debt, will, Pickard says, push earnings up by as much as 56%, while at the same time nav of Picbel will drop 7c to 214c under the new structure.

The combined fortunes of the Picbel group are on the mend. So the rise this year of pre-tax group income from R3,7m to R5,0m is likely to be a good basis for comparison next year. The gap between gross profit and attributable earnings at 19,4c a share is likely to increase as margins grow from the historical average of about 4,5 times. Although the solvency ratio is frighteningly thin, the dividend cover of 1,8 times is fair. This payout proportion is likely to come under review, however, as the group's future cash flow projection alters under the restructured framework. Dividend growth is likely to be stabilised at a significantly higher base than the past five years. On that score the share has been fully valued, for at a 3,6% yield the price discounts much . . .

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METKOR

New direction

Activities *Iscor-controlled (74,5%) investment company with holdings in steel, engineering and allied industries Owns 80% of Fowler Holdings, 54% of Wispeco, 37% of Afgate and 39% of Union Steel Through IPSA, it holds 21% of Dorbyl and 19,4% of Stewarts & Lloyds*

Chairman *Dr T M Muller*

Capital structure *57,8m ordinaries of 50c Market capitalisation R43 3m*

Financial *Year to June 30 1979 Borrowings net short-term, R21 4m Debt equity ratio 30,1% Current ratio 0,2 Net cash flow R12 9m Capital commitments R1 600*

Share market· *Price 75c (1978-79 high 75c, low 34c, trading volume last quarter 2 2m shares) Yields 15 2% on earnings 6 7% on dividend Cover 2,3 PE ratio 6 6*

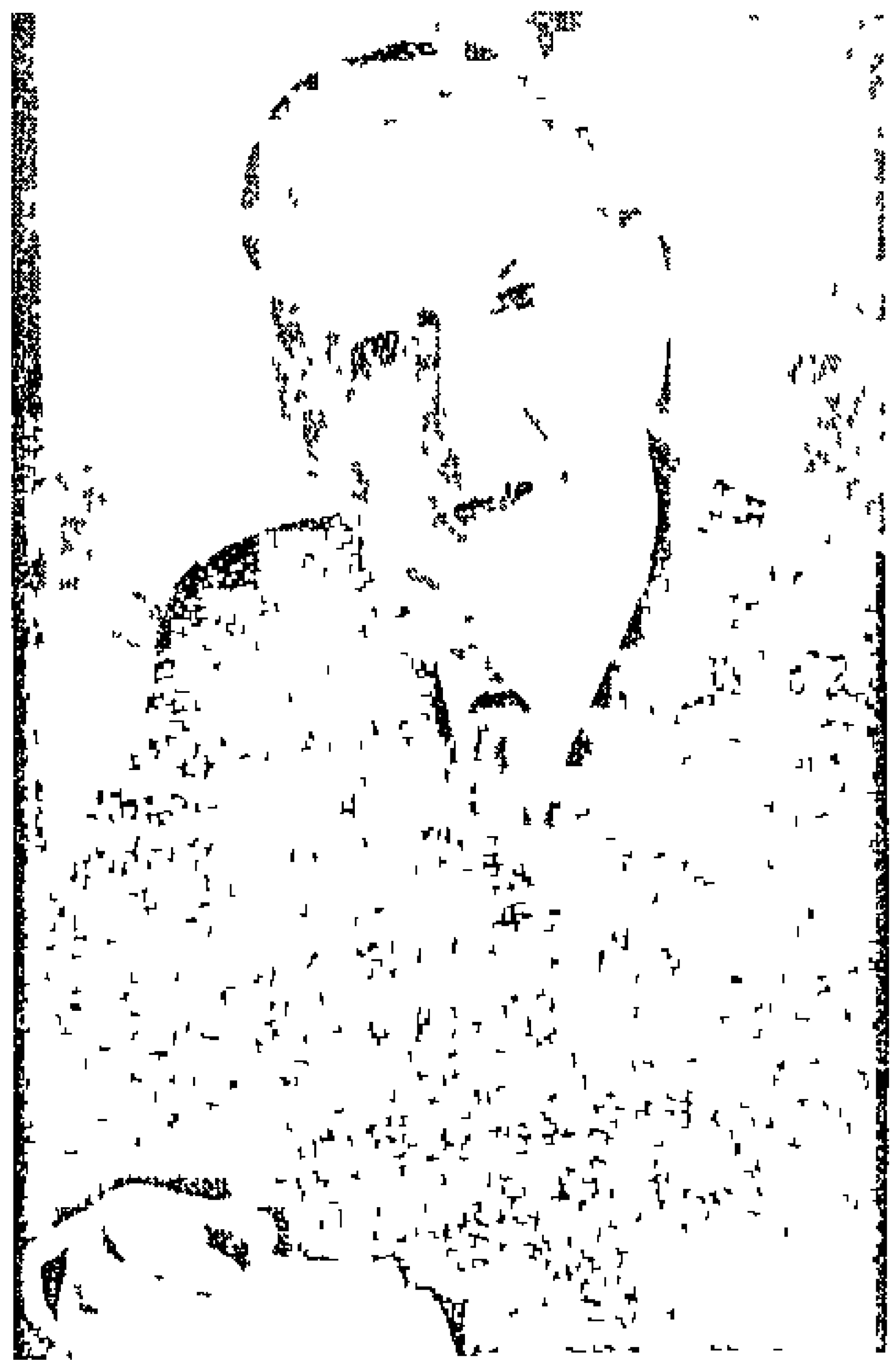
	76	'77	'78	'79
Market value of portfolio (Rm)	47 4	35 2	40 3	61 6
Dividend income (Rm)	3 8	3 5	3 0	3 7
Interest & fees (R 000)	1 095	809	795	788
Earnings (c)	17 2	13 1	8 0	11 4
Dividends (c)	5	5	5	5
Net asset value (c)	126	11[illegible]	12[illegible]	125

Metkor's investment portfolio has required a lot of surgery in the past few years Now with the various reorganisations nearing completion, it has become apparent that the group is developing its own management structure while parent Iscor gradually fades from the scene

During the year, Fowler minorities were bought out and the group restructured Since Fowler s results were not available in time for the previous year-end, provision was made for an estimated loss of R4 6m As it turned out, the loss was R20 3m After taking into account assets valued at R7,6m acquired from Fowler, such as Racec Construction, the net capital loss was R13,7m

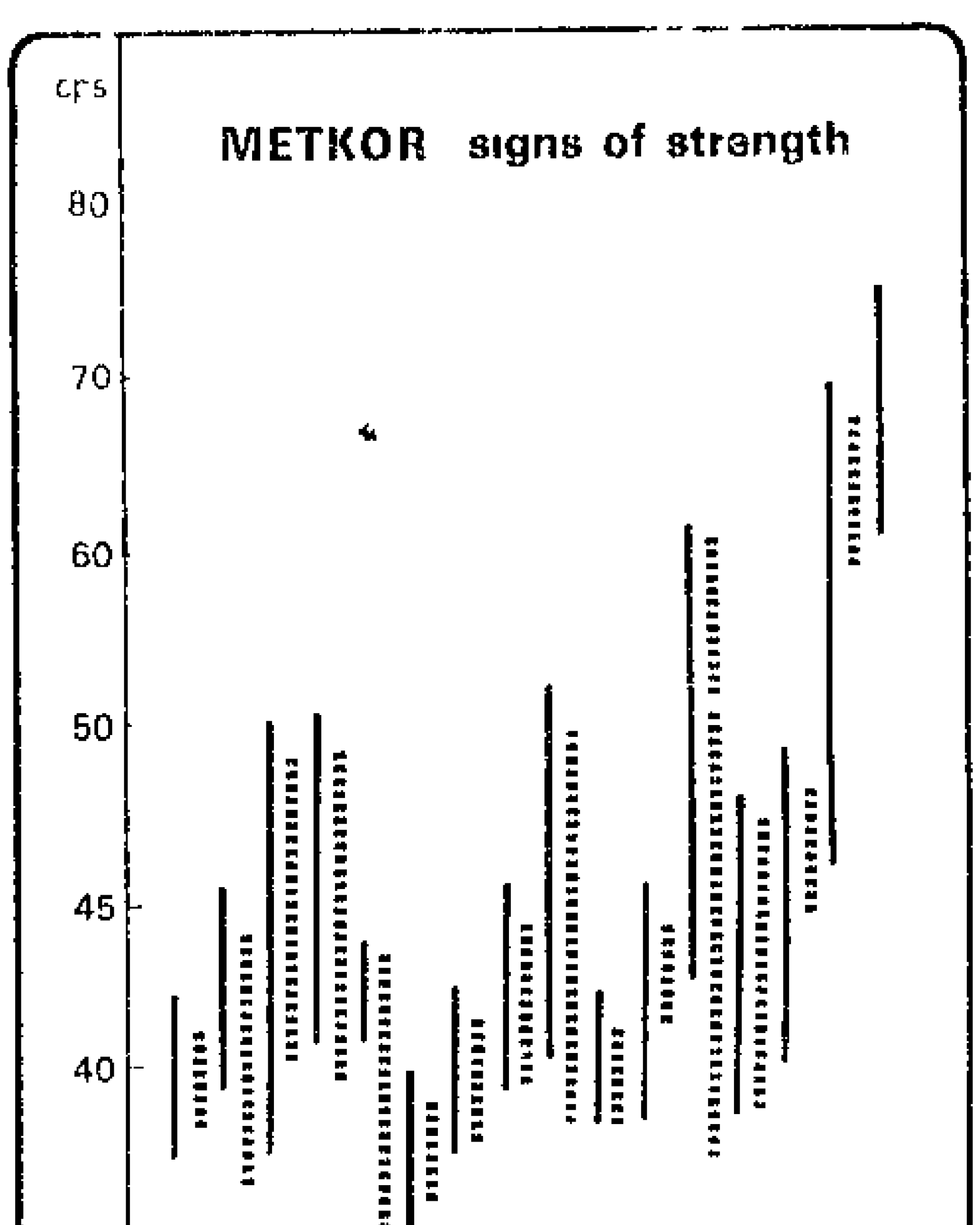
To finance this reconstruction 40 5m 10,5% cumulative, convertible non-redeemable prefs of 50c were issued by way of rights since the year-end The prefs qualify for a 5,25c dividend and currently yield 8% at 65c They may be converted on a one-for-one basis once two consecutive dividends of 5,25c or more have been declared for the ordinaries

Controlling shareholder Iscor declined to follow its pref entitlement Most analysts have construed this as proof of government's intention to withdraw from private enterprise In any event, Volkskas Merchant Bank which underwrote the issue, subscribed for most of Iscor's entitlement Current it is believed that were all the prefs to be converted VMB would hold roughly 20% of Metcor with Iscor's share slipping to 43%



Joggie Vermooten improving management depth

Iscor also further paved the way for its eventual withdrawal by stripping out Metkor's holding of 1 1m Samancor shares These were valued at R10m In exchange, Metkor was given a 50% interest in Air Products of SA However should Iscor s stake in Metkor dip below 25%, Metkor is obliged to offer this holding to Air Products & Chemicals, of the US



In terms of a previous agreement, Combrink Construction is entitled to take up 60% of Fowler During the year this option was partially exercised when Combrink bought 20% at a cost of R570 000, giving Metkor a profit of R279 000

The Fowler debacle graphically demonstrated a lack of management depth at Metkor Now, under the guidance of VMB management has been strengthened by the appointment of Rentmeester deputy chairman Joggie Vermooten as executive director Also on the board is Laurie Korsten, MD of VMB In addition Rentmeester has taken a 10% interest in Metkor

Under Vermooten the final clean up has started with an offer to take out the minorities of Wispeco and Hart Wispeco s debt burden and lack of borrowing flexibility needs to be sorted out and now that the building industry is recovering the time has arrived for restructuring Wispeco and Hart

At this stage it is an open secret that, should Iscor finally let go its remaining holding the Volkskas group would definitely consider the merits of marrying Bonuskor with Metkor under the umbrella of Volkskas Industries and possibly seek a listing

Even allowing for the enlarged share capital once the prefs are converted which could be in three years and further write-offs associated with Wispeco the share looks undervalued There is new direction to the group plus ample room for dividend growth from unlisted investments such as Asap Carbide Diamond Industries and even Fowler Further down the line there is the possibility of an unchanged 5c dividend this year — even after servicing the new prefs — for a prospective yield of 7 2%

And with Iscor s influence thankfully on the wane and a growing involvement with Volkskas the old reasons for holding large, but not controlling stakes in Stewart & Lloyds, Afgate and Union Steel fall away Given the swing to towards getting involved with day-to-day management of subsidiaries these stakes look even less permanent

Iva White

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BARLOW/C G SMITH

Taking control

On September 14 *Fox* speculated that Barlow's downplayed acquisition of a 4,3% stake in unlisted C G Smith & Co was a strategic move preceding its eventual acquisition of a controlling interest in the giant sugar group

This week we were proven spot on Barlow has announced details of a deal whereby it will gain control of the C G Smith group and inject its Nampak packaging arm into C G Smith, in a cash and share deal worth about R200m The essence of the deal is a scheme agreed to between Barlows and C G Smith whereby Smith will acquire Barlow's 55,4% stake in Nampak for the issue to Barlows of 169 508 Smith shares Combined with the September acquisition of a 4,3% stake, for R3,5m, this will bring Barlow's effective holding in Smith up to 58,1% of voting equity

Barlow wants a tightening up of control all the way down the line, however, and C G Smith is to top up its effective 47,8% stake in quoted C G Smith Sugar to a controlling stake of over 50% According to Barlow, C G Sugar will then lose voting rights over the 93 632 C G Smith shares it holds bringing Barlow's voting equity up to 58,1%

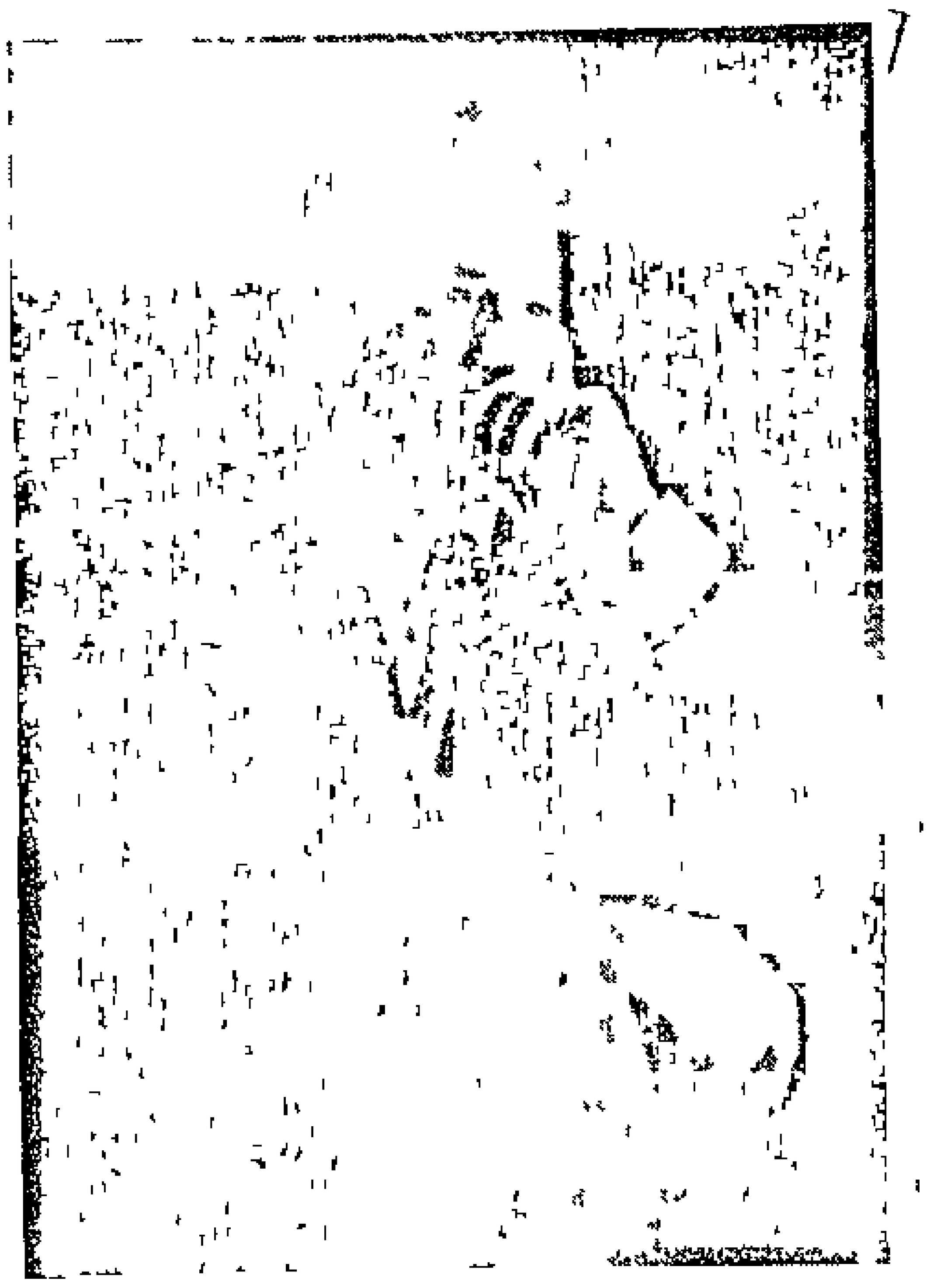
This acquisition will give Barlow a significantly greater spread in the country's industry (to include chemicals and its byproducts) and a major stake in the sugar industry through C G Sugar and S & T Investments' (50% held by Smith Investments) 50% stake in Huletts

Barlows is extending an offer to C G Smith shareholders (excluding C G Sugar) which puts a share and cash value of almost R663 on each C G Smith share This is based on the offer of R323,20 cash and 43 ordinary Barlow shares, valued at 790c by the market on Wednesday, for each C G Smith share

The deal will, it is projected, increase C G Smith's dividend-paying capacity by about R2 a share but will reduce Barlow's earnings by about 2,1c a share — less than 2%

Through the issue of new shares C G Smith will suffer an 8,3% decrease in net asset value while Barlow, presumably through consolidation, will see its net asset value rise 6%

Barlow executive chairman Mike Rosholt tells me the rationale behind slotting Nampak into Smiths was because 'of its attraction to them " There are, presumably, exciting areas for vertical integration on the sugar pulp side and possibly horizontally with Romatex's packaging interests But, Rosholt says, it is early days yet to project on future Barlow capex programmes in alcohol/methanol/ethanol ventures though these are likely to be high up on the group's agenda for discussion



Mike Rosholt . . into the strong goes sweetness

The terms of the deal are such that no suspension of Barlow, Smith Sugar or Smith Investments was necessary No immediate price reaction is likely either The shares will merely gain in stature and turn slightly more blue-chip than ever they were

Ian Muil

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of

... ranking of the mortality between the observed groups. There is no 'true' answer. As the Duke of Wellington said: 'There are lies, damned lies, and statistics'!

Infant mortality rates are summarised in Fig. 3. Once again, difficulty is experienced in obtaining data for Africans. Birth statistics for Africans are not published by the central government. The various medical officers of health[9] have estimated the infant mortality rates for their urban areas. These show considerable variation. (See also ref.15). A mean figure and the range are given in Fig. 2. These de facto figures should be interpreted with caution as sick infants are often brought to the cities from rural areas. An indication of the situation in the rural areas is given by a sample survey carried out in Cape Town and Transkei among Xhosa-speaking Africans.[12] An increase in infant mortality was observed with decreasing urbanisation, the figure for the completely rural areas being of the same magnitude as those parts of the world devoid of medical services. Fig. 4 summarises the age specific mortality rates of

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GENERAL MINING/UNION CORP

Doubts still remain

At first blush the offer of 80 General Mining shares for 100 Union Corp seems fair based as it was, on Genmin's 1 850c and Union Corp's 1 295c pre-suspension prices But the initial announcement of terms leaves many questions unanswered And on the information thus far available it is not strictly possible to advise shareholders what action to take

However managements are determined that the deal is to go through and are increasing the chances of acceptance by getting shareholders to vote on a scheme of arrangement And if acceptance is forced on dissenting minorities, that is just tough There is no cash alternative — simply the straight share swap

The non-cash offer has been justified by saying that it would not be in the interests of London-registered shareholders If they accepted a cash alternative they could be faced with payment of capital gains tax I do not find that wholly acceptable Foreign investors who do not want to hold Genmin have the option of selling, but by doing that they still attract capital gains liabilities And if there is any heavy selling of Genmin shares that could depress the price below the levels being used for deal purposes

Union Corp shareholders who accept the offer are not entitled to participate in Genmin's proposed 30-for-100 rights issue at 1 500c to raise R189m So, effectively, no sooner will everything have been agreed to than the present Union Corp shareholders will find their percentage interest in the combined group diluted

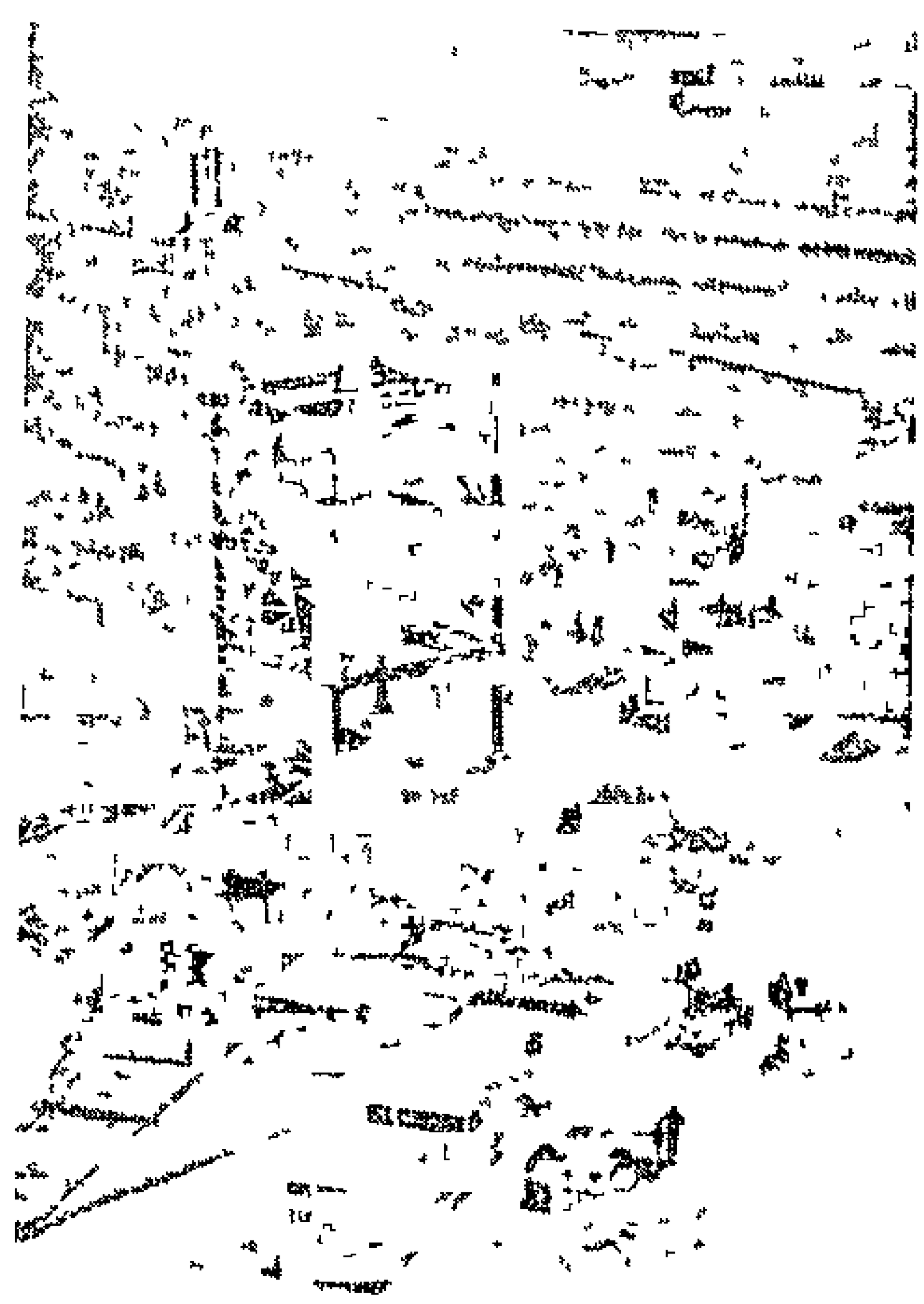
Of course they could increase their stakes with share purchases through the market But almost inevitably that will be at a higher level than the 1 500c of the rights issue

And that is underlined by the fact that Fedmyn only needs about R120m to follow its Genmin rights Fedmyn's own rights issue will raise R160m so effectively the company will have R40m cash to support the Genmin share price by buying in the market and fund any underwriting calls

However, even allowing for the dilution of the rights issue based on expected 1979 results the holder of 100 Union Corp shares would be 6 6% better off as far as earnings are concerned (R144 40 against R135,40) and 9,3% better off with dividends (R65,60 against R60) Of course the latter figure is quite hypothetical as Union Corp shareholders will only be entitled to their company's proposed 41c final and not the 59c final planned by Genmin

But these are historic figures, with Union Corp's income based on a gold price which effectively averaged $270 More to the point what are earnings projections for 1980 based on, say, $400 gold? Shareholders might well ask if earnings comparisons might then appear to be as favourable

As far as net asset value is concerned, there is little to choose between staying with Union Corp or swapping for Genmin Based on end November listed share values estimated end-December balance sheets and after the rights issue 80 Genmin shares are only worth 2 6% more than 100 Union Corp — R1 535 compared with R1 496



Union Corp's Beisa mine but what is it worth?

It is debatable on the meagre information vouchsafed Union Corp's shareholders whether this small premium compensates for dilution of interests and possible eventual direct participation in the house's developing OFS gold/uranium operations

Genmin chairman Wim de Villiers makes the point that at this stage of developments in the OFS it "is not in shareholders' interests to make further disclosures on the area I find that very difficult to go along with Many investors have bought Union Corp because of its OFS mineral rights and it is about time management was more forthcoming on the area's prospects

Keeping minority shareholders uninformed is, as far as many people are concerned unsatisfactory How it might be asked can any shareholder make up his mind on the offer's merits when he is completely in the dark on the house's most exciting venture

One of the rationales behind the proposed merger is that "UC's minorities will benefit from the further development of GM's Northern Transvaal coal interests Which is all very well but no-one outside the Genmin coterie knows exactly what those coal uranium interests are worth They have been given only the sparsest information on the area And does this coal participation compensate for dilution of the OFS gold/uranium interests?

On the other hand, at least one point has been cleared up De Villiers assures me that Genmin holds no Cons Gold shares — so that is not a factor in attempting to evaluate the proposed merger

There are some compelling factors for the deal from management's point of view A larger combined capital base plus the cash injection from Genmin's rights issue should mean greater facility for mobilising funds for future projects But that is not necessarily a compelling factor as far as individual shareholders in the two houses are concerned Union Corp does not need to be a wholly-owned subsidiary of Genmin to raise funds to develop its OFS interests despite the fact that a new medium-sized gold mine can cost upwards of R250m Nor necessarily does Genmin need to pull in Union Corp if it is to exploit the Pienaars River coal or any of its other interests A rights issue alone could have sufficed

Certainly capital costs of new mines are escalating But if they are beyond the capital mobilisation capabilities of one house alone it is always possible to bring in outside partners on a project-by-project basis That is what is happening with large mining ventures elsewhere in the world and it lessens the risk of one company — no matter how large — over-extending itself

All the stops will be pulled to ensure the deal is consummated but I doubt whether it will be to the ultimate benefit of all shareholders concerned Genmin will not be voting its Union Corp shares at the scheme meeting so minorities will decide the issue themselves But minorities need more information than is presently available Perhaps if they make it clear that their interests are best served by full disclosure Genmin chairman Wim de Villiers or Union Corp chairman Ted Pavitt might just be a little more forthcoming The future is more important than the past

Tim Jones

PICBEL FM 21/12/79

Restructuring

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Activities: *Holding company with subsidiaries in meat, liquor and canning industries Owns 62% of Asokor, 60%*

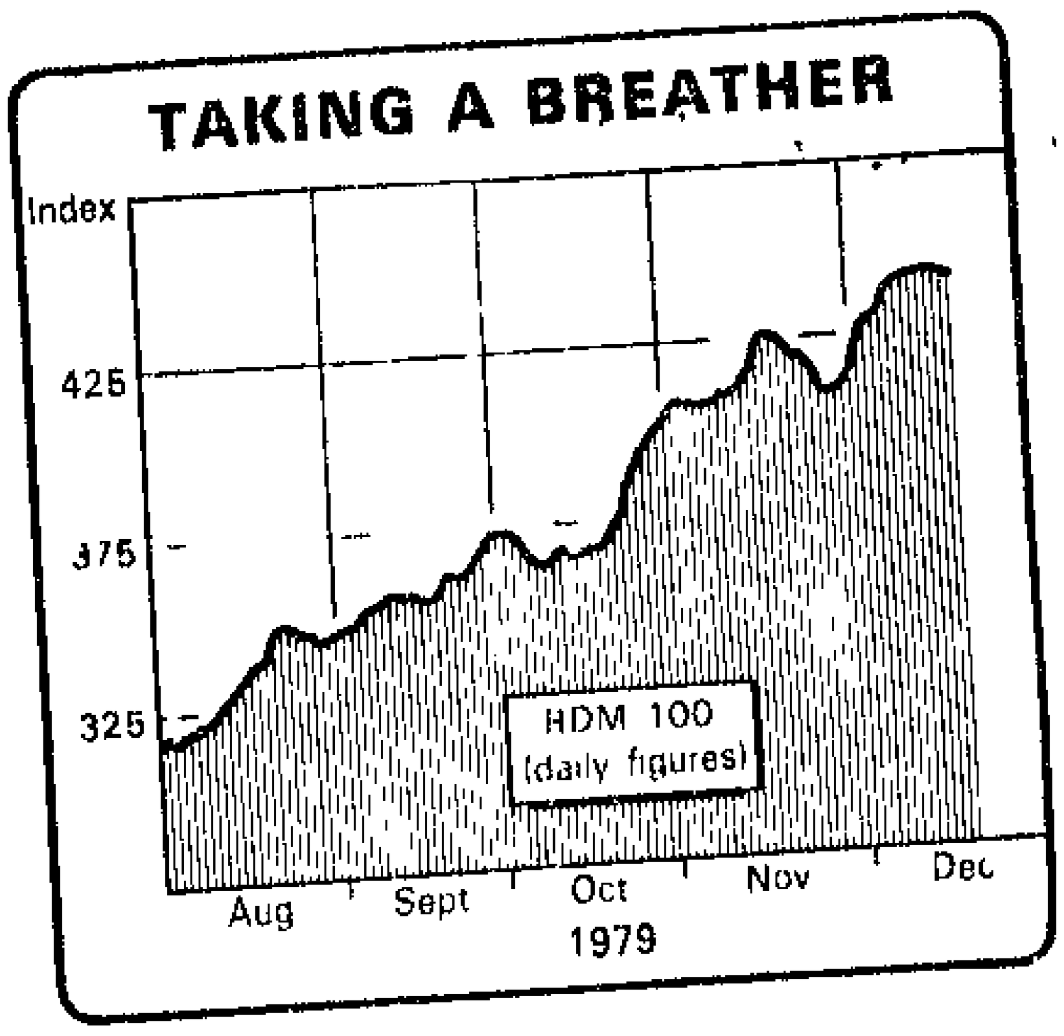
Financial Mail December 21 1979

some bulls predicting a price of $600 within the first few months of next year

Meantime, other precious metals continue to make the running With free-market platinum solidly fixed in the $570 range, Impala and Rustenburg boosted their producer quotes $40 to $420 Even so, Rustenburg only managed a 5c advance to 470c and Impala a 15c increase to 545c

For the brokers the week was both a good one, but also a frustrating one Most brokers have done particularly well during the year and 1979's family Christmas trees are going to be laden with goodies But the complaint now is that though the money is there, market activity has gone up rather than down as a prelude to the holiday season and brokers have been hard-put to snatch shopping time

The week's activity was strong, with mining shares, particularly gold, attracting most of the new and overseas money flowing into Diagonal Street Industrials were steady with the *RDM* 100 closing only 0,7 points down at Tuesday's 441 The strength in industrials has surprised some analysts who have been predicting lower prices for both technical and fundamental reasons But, with most of the institutions having wrapped up their 1979 portfolios, there is little selling pressure and a larger than usual number of individual buying orders to keep prices up And with GNP growth next year expected to be up at 5% there are now those who see current



prices as being reasonable value

Special situations in industrials now abound, however, as speculators climb in to add to those topping up with portfolios liquidated in error earlier this year

Barlow Rand on news that it is to take control of the CG Smith sugar and industrial empire gained only 12c to 790c reflecting the shares high marketability — this ensures full pricing on continual rating which currently discounts the short term for most corporate probabilities Likewise C G Smith Investments gained 20c to 545c and C G Sugar closed unchanged at 1 000c

Premier Cement, moved on the basis that it is doing extremely well out of its lime mining and expected to boost profits sharply next year as builders and civil engineers push cement orders through to cope with the expanding work they are now getting The share gained almost 35% to 225c in active trading

Select coming back to the boards after a lengthy lay-off during Mercabank's restructuring of the near-crippled company, moved 31% to 62c This reflects the despondency at the time of de listing and also the apparent success in the re-structuring operation which has given the group Skok as its main operating arm

In furniture Russel slipped back after a somewhat heady reaction to the 45% profit and 50% dividend improvement announced last week The share has come back to 200c at which it yields 6,5% compared with 5 6% for the sector Also in this sector Tedelex moved on anticipation that the company will cream sales over the next few months With increased margins on most of its household lines likely to be maintained during the bumper shopping period, the company is likely to improve profits by as much as 50% — dependent to some extent on the success of its new export ventures which will raise gross margins Tedelex, which moved strongly this week to 205c for a 10c gain, is now only 20c short of its two-year high

In the coal sector most prices remained steady, with few believing that with the index at 982 there are many bargains to be had

Ian Muil

METKOR

F.M. 21/12/79

232

New direction

Activities: *Iscor-controlled (74,5%) investment company with holdings in steel, engineering and allied industries. Owns 80% of Fowler Holdings, 54% of Wispeco, 37% of Afgate and 39% of Union Steel. Through IPSA, it holds 21% of Dorbyl and 19,4% of Stewarts & Lloyds.*
Chairman: *Dr T M Muller*
Capital structure: *57,8m ordinaries of 50c. Market capitalisation R43,3m.*
Financial: *Year to June 30 1979. Borrowings net short-term, R21,4m. Debt equity ratio 30,1%. Current ratio 0,2. Net cash flow R12,9m. Capital commitments R1 600.*
Share market. *Price 75c (1978-79 high, 75c, low, 34c, trading volume last quarter, 2,2m shares). Yields 15,2% on earnings 6,7% on dividend. Cover 2,3. PE ratio 6,6.*

	'76	'77	'78	'79
Market value of portfolio (Rm)	47 4—	35 2	40 3	61 6
Dividend income (Rm)	3 8	3 5	3 0	3 7
Interest & fees (R 000)	1 095	809	795	788
Earnings (c)	17 2	13 1	8 0	11 4
Dividends (c)	5	5	5	5
Net asset value (c)	126	111	122	125

Metkor's investment portfolio has required a lot of surgery in the past few years. Now, with the various reorganisations nearing completion, it has become apparent that the group is developing its own management structure while parent Iscor gradually fades from the scene.

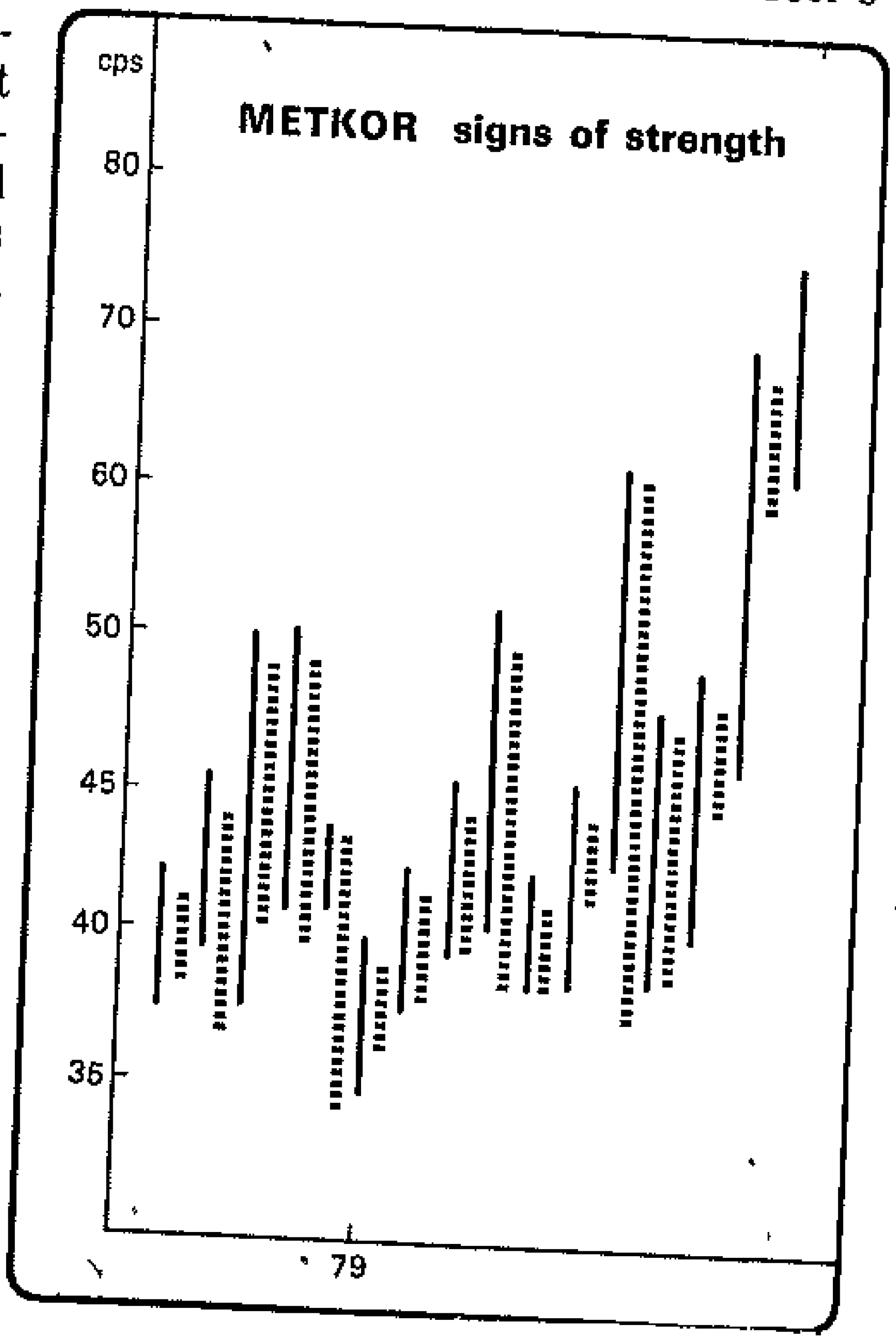
During the year, Fowler minorities were bought out and the group restructured. Since Fowler's results were not available in time for the previous year-end, provision was made for an estimated loss of R4,6m. As it turned out, the loss was R20,3m. After taking into account assets valued at R7,6m acquired from Fowler, such as Racec Construction, the net capital loss was R13,7m.

To finance this reconstruction, 40,5m 10,5% cumulative, convertible, non-redeemable prefs of 50c were issued by way of rights since the year-end. The prefs qualify for a 5,25c dividend, and currently yield 8% at 65c. They may be converted on a one-for-one basis once two consecutive dividends of 5,25c or more have been declared for the ordinaries.

Controlling shareholder Iscor declined to follow its pref entitlement. Most analysts have construed this as proof of government's intention to withdraw from private enterprise. In any event, Volkskas Merchant Bank, which underwrote the issue, subscribed for most of Iscor's entitlement. Current it is believed that, were all the prefs to be converted, VMB would hold roughly 20% of Metcor, with Iscor's share slipping to 43%.

Joggie Vermooten . . improving management depth

Iscor also further paved the way for its eventual withdrawal by stripping out Metkor's holding of 1,1m Samancor shares. These were valued at R10m. In exchange, Metkor was given a 50% interest in Air Products of SA. However, should Iscor's stake in Metkor dip below 25%, Metkor is obliged to offer this holding to Air Products & Chemicals, of the US.



In terms of a previous agreement, Combrink Construction is entitled to take up 60% of Fowler. During the year this option was partially exercised when Combrink bought 20% at a cost of R570 000, giving Metkor a profit of R279 000.

The Fowler debacle graphically demonstrated a lack of management depth at Metkor. Now, under the guidance of VMB, management has been strengthened by the appointment of Rentmeester deputy chairman Joggie Vermooten as executive director. Also on the board is Laurie Korsten, MD of VMB. In addition, Rentmeester has taken a 10% interest in Metkor.

Under Vermooten, the final clean up has started with an offer to take out the minorities of Wispeco and Hart. Wispeco's debt burden and lack of borrowing flexibility needs to be sorted out and, now that the building industry is recovering, the time has arrived for restructuring Wispeco and Hart.

At this stage it is an open secret that, should Iscor finally let go its remaining holding, the Volkskas group would definitely consider the merits of marrying Bonuskor with Metkor under the umbrella of Volkskas Industries, and possibly seek a listing.

Even allowing for the enlarged share capital once the prefs are converted, which could be in three years and further write-offs associated with Wispeco, the share looks undervalued. There is new direction to the group plus ample room for dividend growth from unlisted investments such as Asap, Carbide Diamond Industries and even Fowler. Further down the line there is the possibility of an unchanged 5c dividend this year — even after servicing the new prefs — for a prospective yield of 7,2%.

And, with Iscor's influence thankfully on the wane and a growing involvement with Volkskas, the old reasons for holding large, but not controlling, stakes in Stewart & Lloyds, Afgate and Union Steel fall away. Given the swing to towards getting involved with day-to-day management of subsidiaries, these stakes look even less permanent.

John White

FM. 21/12/79 (232)

BARLOW/C G SMITH

Taking control

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This week we were proven spot on Barlow has announced details of a deal whereby it will gain control of the C G Smith group, and inject its Nampak packaging arm into C G Smith, in a cash and share deal worth about R200m The essence of the deal is a scheme agreed to between Barlows and C G Smith whereby Smith will acquire Barlow's 55,4% stake in Nampak for the issue to Barlows of 169 508 Smith shares Combined with the September acquisition of a 4,3% stake, for R3,5m, this will bring Barlow's effective holding in Smith up to 58,1% of voting equity

Barlow wants a tightening up of control all the way down the line, however, and C G Smith is to top up its effective 47,8% stake in quoted C G Smith Sugar to a controlling stake of over 50% According to Barlow, C G Sugar will then lose voting rights over the 93 632 C G Smith shares it holds bringing Barlow's voting equity up to 58,1%

This acquisition will give Barlow a significantly greater spread in the country's industry (to include chemicals and its by-products) and a major stake in the sugar industry through C G Sugar and S & T Investments' (50% held by Smith Investments) 50% stake in Huletts

Barlows is extending an offer to C G Smith shareholders (excluding C G Sugar) which puts a share and cash value of almost R663 on each C G Smith share This is based on the offer of R323,20 cash and 43 ordinary Barlow shares, valued at 790c by the market on Wednesday, for each C G Smith share

The deal will, it is projected, increase C G Smith's dividend-paying capacity by about R2 a share but will reduce Barlow's earnings by about 2,1c a share — less than 2%

Through the issue of new shares C G Smith will suffer an 8,3% decrease in net asset value while Barlow, presumably through consolidation, will see its net asset value rise 6%

Barlow executive chairman Mike Rosholt tells me the rationale behind slotting Nampak into Smiths was because "of its attraction to them" There are, presumably, exciting areas for vertical integration on the sugar pulp side and possibly horizontally with Romatex's packaging interests But, Rosholt says, it is early days yet to project on future Barlow capex programmes in alcohol/methanol/ethanol ventures though these are likely to be high up on the group's agenda for discussion

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Ian Muil

F.M. 21/12/79 ~~2700~~ 232

fox

GENERAL MINING/UNION CORP

Doubts still remain

At first blush the offer of 80 General Mining shares for 100 Union Corp seems fair, based, as it was, on Genmin's 1 850c and Union Corp's 1 295c pre-suspension prices But the initial announcement of terms leaves many questions unanswered And on the information thus far available it is not strictly possible to advise shareholders what action to take

However, managements are determined that the deal is to go through and are increasing the chances of acceptance by getting shareholders to vote on a scheme of arrangement And if acceptance is forced on dissenting minorities, that is just tough There is no cash alternative — simply the straight share swap

The non-cash offer has been justified by saying that it would not be in the interests of London-registered shareholders If they accepted a cash alternative, they could be faced with payment of capital gains tax I do not find that wholly acceptable Foreign investors who do not want to hold Genmin have the option of selling, but by doing that they still attract capital gains liabilities And if there is any heavy selling of Genmin shares, that could depress the price below the levels being used for deal purposes

Union Corp shareholders who accept the offer are not entitled to participate in Genmin's proposed 30-for-100 rights issue at 1 500c to raise R189m So, effectively, no sooner will everything have been agreed to than the present Union Corp shareholders will find their percentage interest in the combined group diluted

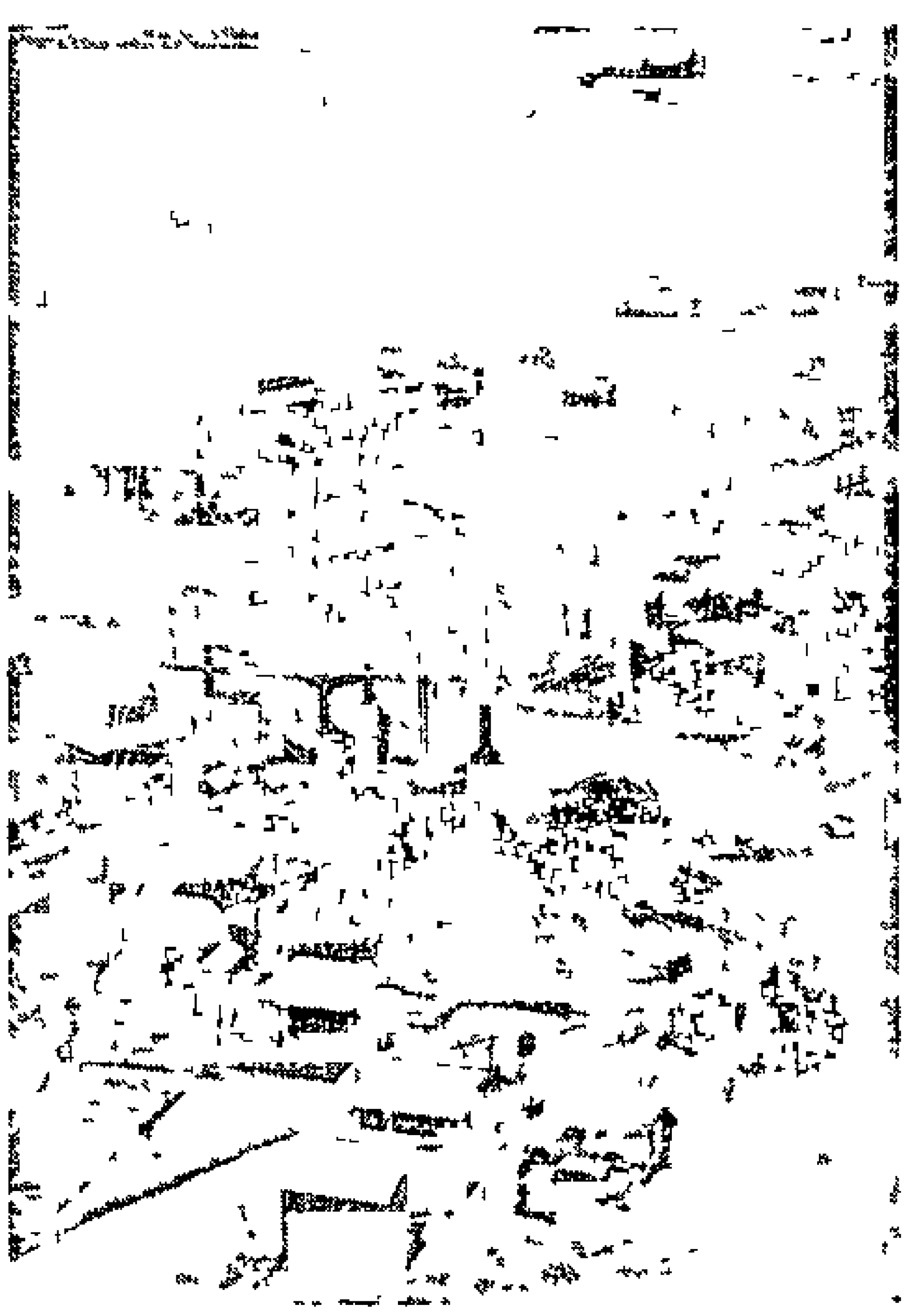
Of course they could increase their stakes with share purchases through the market But almost inevitably that will be at a higher level than the 1 500c of the rights issue

And that is underlined by the fact that Fedmyn only needs about R120m to follow its Genmin rights Fedmyn's own rights issue will raise R160m, so effectively the company will have R40m cash to support the Genmin share price by buying in the market and fund any underwriting calls

However, even allowing for the dilution of the rights issue, based on expected 1979 results the holder of 100 Union Corp shares would be 6,6% better off as far as earnings are concerned (R144,40 against R135,40) and 9,3% better off with dividends (R65,60 against R60) Of course the latter figure is quite hypothetical as Union Corp shareholders will only be entitled to their company's proposed 41c final and not the 59c final planned by Genmin

But these are historic figures, with Union Corp's income based on a gold price which effectively averaged $270 More to the point, what are earnings projections for 1980 based on, sav, $400 gold? Shareholders might well ask if earnings comparisons might then appear to be as favourable

As far as net asset value is concerned, there is little to choose between staying with Union Corp or swapping for Genmin Based on end-November listed share values, estimated end-December balance sheets and after the rights issue, 80 Genmin shares are only worth 2,6% more than 100 Union Corp — R1 535 compared with R1 496



Union Corp's Beisa mine . . but what is it worth?

It is debatable on the meagre information vouchsafed Union Corp's shareholders whether this small premium compensates for dilution of interests and possible eventual direct participation in the house's developing OFS gold/uranium operations

Genmin chairman Wim de Villiers makes the point that at this stage of developments in the OFS it "is not in shareholders' interests" to make further disclosures on the area I find that very difficult to go along with Many investors have bought Union Corp because of its OFS mineral rights and it is about time management was more forthcoming on the area's prospects

Keeping minority shareholders uninformed is, as far as many people are concerned, unsatisfactory How, it might be asked, can any shareholder make up his mind on the offer's merits when he is completely in the dark on the house's most exciting venture

One of the rationales behind the proposed merger is that "UC's minorities will benefit from the further development of GM's Northern Transvaal coal interests" Which is all very well, but no-one outside the Genmin coterie knows exactly what those coal/uranium interests are worth They have been given only the sparsest information on the area And does this coal participation compensate for dilution of the OFS gold/uranium interests?

On the other hand, at least one point has been cleared up De Villiers assures me that Genmin holds no Cons Gold shares — so that is not a factor in attempting to evaluate the proposed merger

There are some compelling factors for the deal from management's point of view A larger combined capital base plus the cash injection from Genmin's right issue should mean greater facility for mobilising funds for future projects But that is not necessarily a compelling factor as far as individual shareholders in the two houses are concerned Union Corp does not need to be a wholly-owned subsidiary of Genmin to raise funds to develop its OFS interests despite the fact that a new medium-sized gold mine can cost upwards of R250m Nor, necessarily, does Genmin need to pull in Union Corp if it is to exploit the Pienaars River coal or any of its other interests A rights issue alone could have sufficed

Certainly capital costs of new mines are escalating But if they are beyond the capital mobilisation capabilities of one house alone, it is always possible to bring in outside partners on a project-by-project basis That is what is happening with large mining ventures elsewhere in the world, and it lessens the risk of one company — no matter how large — over-extending itself

All the stops will be pulled to ensure the deal is consummated, but I doubt whether it will be to the ultimate benefit of all shareholders concerned Genmin will not be voting its Union Corp shares at the scheme meeting so minorities will decide the issue themselves But minorities need more information than is presently available Perhaps if they make it clear that their interests are best served by full disclosure, Genmin chairman Wim de Villiers or Union Corp chairman Ted Pavitt might just be a little more forthcoming The future is more important than the past

Jim Jones

F.M. 21/12/79 (232)

BARLOW/C G SMITH

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GENERAL ERECTION

Maintaining growth

Despite earlier suggestions that Genrec might not be able to maintain its previous growth path, interim taxed profit for the six months to end-August advanced 22,1% to R1,8m (R1,5m), and earnings 18,6% to 38,8c (32,7c) In line the dividend has been lifted to 7,5c (6c)

MD Hennie Esterhuysen explains that the profit improvement resulted from contracts completed in the first half and the build-up in short-term orders in the fabrication, mining and construction divisions The construction division is believed to have been the best performer and, with further contracts awarded on the mining side following strong precious metal prices, the second half looks set to continue the profit improvement

At the end of last year the directors said the fabrication division was suffering from a shortage of longer-term contracts Esterhuysen says the market is improving with a number of new contracts available

Last week, Genrec announced it had agreed with US-based Fluor to set up a joint venture company in the process plant engineering industry This is an area in which Genrec is not well represented, and the move is part of the stated policy of diversification and follows last year's acquisition of control of Alpret Automatic Systems

The interim report offers no details on group finances after borrowings more than doubled to R10,7m (R5,3m) last year Nor is there any indication of second-half prospects other than to caution against using the interim results as a yardstick

The share, at 450c, has appreciated about 21% in the past three months to yield an historic 5,2% It is not cheap but, with an upturn in the markets served by the group, it rates a hold *Des Kilalea*

ASSENG

Well geared

Six months back Asseng reported a modest first-half earnings increase of 4,7% Investors who took the directors at their word at the time now have some handsome capital gains to show for their faith For the directors predicted "strengthening of the economic recovery" and an improved rate of increase for second-half earnings The share price at mid-year was 300c and this has climbed to the 370c at which Asseng was ruling prior to announcement of results for the year to September 30 1979

This movement was based largely on the increased dividend which, at 30c (26c) gives a yield of 8,1% which compares with the mid-year prospective yield of 7,4% While the market may have hoped for even more growth in dividends than the 15,4% achieved, the higher dividend has in fact been paid on an increased share capital base of 3 2m (3,0m) shares

As expected, margins increased during the six months and on sales growth of 20,1% to R67,3m profit before interest rose 26 6% to R5,5m The interest bill was 49,5% higher at R1,3m because of funding needs for capex and new acquisitions N F Die Castings and Cymot As tax shields are being reduced the tax rate has risen 16,2% to 28 3%

Maintaining dividend cover at just over three times, the company has still been able to retain over R2m — exactly the amount earmarked at the start of the year for capex Of the purchase price paid for the acquisitions, R142 000 was goodwill and this has been written off against retained earnings

Shareholders will have to await the annual report for the divisional profitability breakdown and for the director's views on prospects But with brighter signs now flashing in the motor industry and Asseng's timely decision to diversify, prospects look good And with sound dividend cover and relatively low debt equity (43% last balance sheet date) dividend growth of at least 15% over the short term seems assured On this basis the share is a good hold but its short-term price movements could be sharp in anticipation of overall market movements *Ian Muil*

ADM 22/12/79

'Liqour deal is a monopoly'

169 182 232

Staff Reporter

THE recent R1,5-billion liquor industry trade-off between SA Breweries, and the Rembrandt Group has been sharply criticised by the Federated Hotel Association of Southern Africa

Fedhasa has dubbed the "shock restructuring of the South African liquor industry" as a "monopoly"

Under the new dispensation, SAB takes over Rembrandt's beer interests — Intercontinental Breweries — while Rembrandt and KWV form a new wine marketing giant called Cape Wine and Distillers, which will be managed by Rembrandt

Fedhasa also complains that it "received a slap in the face" when it was not consulted on the SAB-Rembrandt deal

A toughly-worded editorial in the December edition of "Hotelier and Caterer", Fedhasa's official journal, says of the merger "The remark by one of the parties involved, namely that the need for secrecy during the negotiations was such that it was impossible to tell Fedhasa, does not hold any water."

The editorial also said "Monopoly appears to be the name of the game the creation of which is likely to have far-reaching effects on licensees."

Fedhasa, which said it was treating the new deal with extreme caution, listed possible disadvantages of the merger, among them

- Would the two liquor giants press for a deposit system of liquor bottles? — "a move which has been successfully resisted by Fedhasa in the past largely because of the competitive system prevailing between the two main producer merchants"
- Would the remaining producer merchants go along with the proposal to stop discriminatory discounts?

The editorial indicated that Fedhasa was worried at the "prominence" achieved by KWV, which has backed a freer availability of liquor licences.

Barlows grab Natal's sugar plum

232

S. TRIB. 23/12/79

By BEN TEMKIN

TWO MAMMOTH deals are on the go — the proposed Genmin takeover of the Unicorp minorities and the acquisition of control of the CG Smith Group by Barlows.

The first deal, if successful, will create a mining house with assets of R2 200 million, second only in size to Anglo American.

The second will put more muscle into the Barlows group — net assets R1 770 million — and will also make it the largest stakeholder in the South African sugar industry.

The Genmin offer to minorities via a scheme of arrangement is 80 Genmin shares for 100 Unicorp while Unicorp shareholders will also receive the final dividend for the current financial year

This dividend is promised not to be less than 41 cents a share.

Effectively, and based on market prices before suspension of the shares, the offer means a gain of 14 percent for the Unicorp shareholders

This seems reasonable enough es ally as both share s have risen consid ahead of the negotia being announced — possibly to some extent because the market felt something was going on.

But the view that the main shareholders had already been canvassed to find out whether they would accept does not hold At least one institution with a large block of shares felt the offer to be "ungenerous" and, while for obvious reasons it did not want its name to be revealed, went on to say through a spokesman that it would hold out for "much better."

The Barlows deal, on the other hand, has met with admiration in the market place Barlows is offering its 55,4 percent interest in Nampak to C. G Smith in return for 169 508 ordinary shares in C. G. Smith.

Barlows will then hold 44,6 percent of CG Smith's equity. CG Smith, will, however, brin CG Sugar up to 50 percent so that the latter company will become a subsidiary of CG Smith and will therefore lose its voting rights in that company.

This means that Barlows will hold 58,1 percent of the voting equity in CG Smith.

Barlows is offering minorities R323,30 in cash plus 43 Barlows ordinary shares for each CG Smith share. For those who want greater marketability plus a stake in mining as well as industry and sugar, there could be an incentive to accept the Barlows offer.

... accept or not the deal will make Barlows the giants of the sugar industry, with Tongaat the only and nearest rival. CG Smith will not only have its subsidiary, CG Smith Sugar with its own sugar interests, a substantial stake in Crookes Brothers but also effectively has 50 percent control of Huletts.

It is in the matter of ownership of Huletts that some interest focussed as a result of the deal CG Smith's holding in Huletts is through a company jointly controlled with Tongaat (although CG Smith has a two-thirds financial interest in this company).

This jointly-co... company, S and T Investments (Pty) Ltd, has a 51 percent interest (Huletts has the other 49 percent) in Hypack Products (Pty) Ltd. Hypack is a kraft paper converter manufacturing multiwall paper sacks, balers and bags for the sugar industry and other users. There could be a little rationalisation with Nampak in this area.

The move into CG Smith means, too, that Barlows will have control of the giant textile group, Romatex This, like sugar, represents entirely new diversification for Barlows and will complement its activities in household appliances.

F.M 28/12/79

MINING EQUIPMENT

Whispering giant

232

Question: What multi-national industrial group is controlled from SA and operates in five continents with a current turnover of nearly R300m?

Answer Boart International, a wholly-owned subsidiary of Amic, in the Anglo Group

Boart, because it is unquoted, usually only commands a sentence or two in annual analyses of its parent's accounts And management is not altogether unhappy to operate discreetly, because too much publicity about their SA affiliation might very well hurt some of Boart's overseas subsidiaries

Nevertheless, there is much that deserves to be said about Boart, whose financial track record alone speaks volumes for management After a low point of under R1,5m in 1972, group after-tax profits rose 12-fold in only six years, to well over R19m in 1978

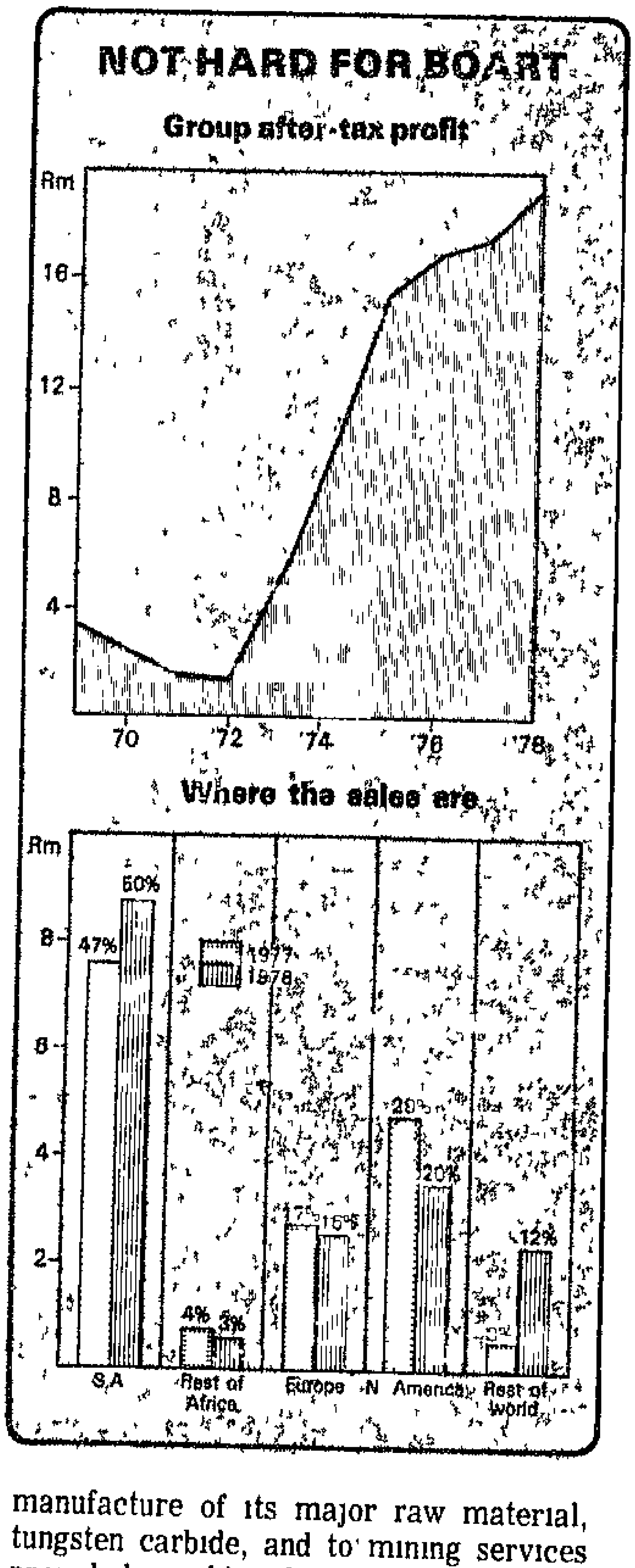
Attributable profits were R17,7m, arrived at after deconsolidating the profits of certain foreign subsidiaries, as, in the directors' opinion, they may not be recoverable

These profits were generated by "diamond drilling and allied manufacturing activities" (47%), 'hard metal manufacturing and allied trading and contracting activities" (36%) and "other manufacturing activities" (17%)

It all started way back in 1936 when Anglo-American was desperate to find a market for Congo boart (low-grade industrial diamond) which had accumulated during the depression The problem was solved by the development of a cheap and efficient diamond drilling crown (subsequently used to great effect in the exploration of the OFS gold fields)

Diamond drills led very logically to tungsten carbide mining tools (in 1949), and so a diversified supplier of mining equipment and hardmetal tools was born An important milestone was the take-over of Barratt's Industries in 1975, which added the rock-drilling equipment of Steel Engineering (Seco) and the iron foundry at Barratt & Pillans

Today, Boart's activities extend to the



manufacture of its major raw material, tungsten carbide, and to mining services provided world-wide on a contractual basis These include exploratory and blasthole drilling services, specially those offered by its American subsidiary, Longyear, which is particularly active in core drilling Longyear also supplies drilling equipment

Boart recently extended its local activity in coal mining equipment through a partnership between Coalequip (owned by Boart and General Mining, 50-50) and the German coal mining equipment firm, Klockner-Beckorit (*FM* December 7)

Boart has a factory at the industrial "free port" at Shannon, Ireland, where Boart Hardmetals (Europe) Ltd serves European mining industry In Germany, Wendt gmbh manufactures impregnated grinding machines

SA provides 50% of consolidated profits, North America 20%, Europe including UK 15% and South America, Australia and the Far East, between them, 20%

Boart has a group business development division (operating from Johannesburg and the UK) which provides international marketing and corporate planning

The Boart Research Laboratory, at Factoria, Krugersdorp, develops new mining products, which can be tested at the Boart "test mine" nearby

Managing Director is Hilton Davies, who is optimistic about 1979 results He thinks the most promising markets for future growth are the United States and the Far East

Boart has opened a trading office Hong Kong, to serve future markets in Japan, South Korea, Taiwan and even, to some extent, China

BRICKBATS AND BOUQUETS FM. 28/12/79 (232)

Cheers for the monopolists

The past year has possibly been one of the most sensational for decades in terms of business and political news, so it's not been easy to weed out the worthy (and not so worthy) recipients of our annual Christmas goodwill

Most notable of the year's big botch-ups has been the amazing about-face of government in letting Dick Goss and Anton Rupert establish monopolies in beer and wine respectively

The man-in-the-street may be excused if he believes the story that the Cabinet consumed the entire surplus of Rupert's Colt 45 beer before taking its decision

To Goss and Rupert, who as good businessmen can't be blamed for taking advantage of a malleable government, a case each of Guronsan-C

The man who did the deal, Senbank's Fred du Plessis, deserves an enormous amount of credit for putting together a complicated deal in spite of the new anti-monopolies legislation He gets a rent-free office in the Union Buildings, next to the Cabinet room, so that future deals of this kind may be expedited without red tape

Talking of red tape, Prime Minister P W Botha has earned much praise for his efforts to streamline the civil service and trim the nastier aspects of SA's monolithic bureaucracy He will be needing, not an axe, but a heavy-duty guillotine to do the job properly

For his other worthy efforts in talking to blacks across the country, not to mention businessmen, the *FM* promises not to complain too bitterly about his next salary review, whenever government decides to vote him one

His colleague Marais Steyn, whose niggardly approach to relaxation of the permit system regarding mixed restaurants and theatres has caused a great deal of black disillusionment, may, however, rest assured that the *FM* will protest mightily against any increase in pay for him

Piet Koornhof, as usual, features in the *FM's* Christmas honours list His efforts in removing the last of the Mulders from SA public life will be remembered by many Thus, he wins a month in the new Warmbaths spa where he can acclimatise himself to the hot water in which he is bound to land some time during 1980

Showman of the year is undoubtedly Southern Sun's Sol Kerzner He gets a month, all expenses paid, with Anneline Kriel in Las Vegas

For the third year in succession, Tucsa supremo Arthur Grobbelaar devoted a considerable portion of his annual report to attacks on the *FM* To him goes the Alwyn Schlebusch award for championing the Freedom of the Press (*magna cum laude*)

The former State President, John Vorster, stood down during the year His superb timing earns him a free box at Loftus Versfeld

Failed showman of the year is Jan Marais He has the habit of sending to the press, along with his speeches, a black and gilt covered *curriculum vitae* that looks like his obituary To him goes a seat on the board of Group Editors, erstwhile publicists to the Transkei government

One businessman who knows where he belongs is Sanlam chairman, Andreas Wassenaar An old-hand at dealing with Prime Ministers, he wins the *FM's* Milton Friedman award for telling the PM at his November 22 businessman's summit just what Botha needed to hear, rather than some of the sycophantic claptrap offered by some of his fellow delegates

The Adam Smith Prize (the *FM's* prestige award) goes to Finance Minister Owen Horwood for his consistent efforts to revive SA's flagging growth, which appear to be meeting with some success

Meanwhile, for his devotion to keeping the rail links between SA and its northern neighbours (and other) open, Railways boss Kobus Loubser wins a month at the Victoria Falls where he will be able to watch the trains roll by

British Foreign Minister, Lord "Carry On" Carrington, is presented with a large bouquet for his patience in dealing with some of the most impossible politicians in Africa and the West without losing his cool A copy of Robert Ruark's *Something of Value*

Chris Heunis goes to the dog-box for his efforts as former Minister of Economic Affairs For having panicked the country unnecessarily over the future of diesel motor cars, his general management of the fuel crisis, including his handling of speed restrictions, he gets a Vespa scooter

Opposition leader Fred van Zyl Slabbert, who has given the PFP a new lease of life judging from that party's performance at Edenvale, clearly deserves his new job He wins a year's rent-free stay at Groote Schuur, the former Prime Ministerial residence that has become a museum

A bouquet to NRP leader Vause Raw for trying hard He gets a packet of potato crisps to munch while he waits for Marais Steyn's job

Iscor chairman Tommy Muller has kept his promise that Iscor would make it into the black To him goes a directorship of Highveld Steel, with an appointment to the board of Anglo American once government decides to sell Samancor to Harry Oppenheimer

Finally, for those who are looking forward to 1980 with some trepidation, a hope that things will go well With gold nearly at $500 an ounce, and the forecast of economic upswing, all systems seem to be go

It seems, however, that true appreciation of gold is not shared by all South Africans Van der Merwe, on winning a gold medal at the Olympics, was so pleased with his prize he went off and had it bronzed

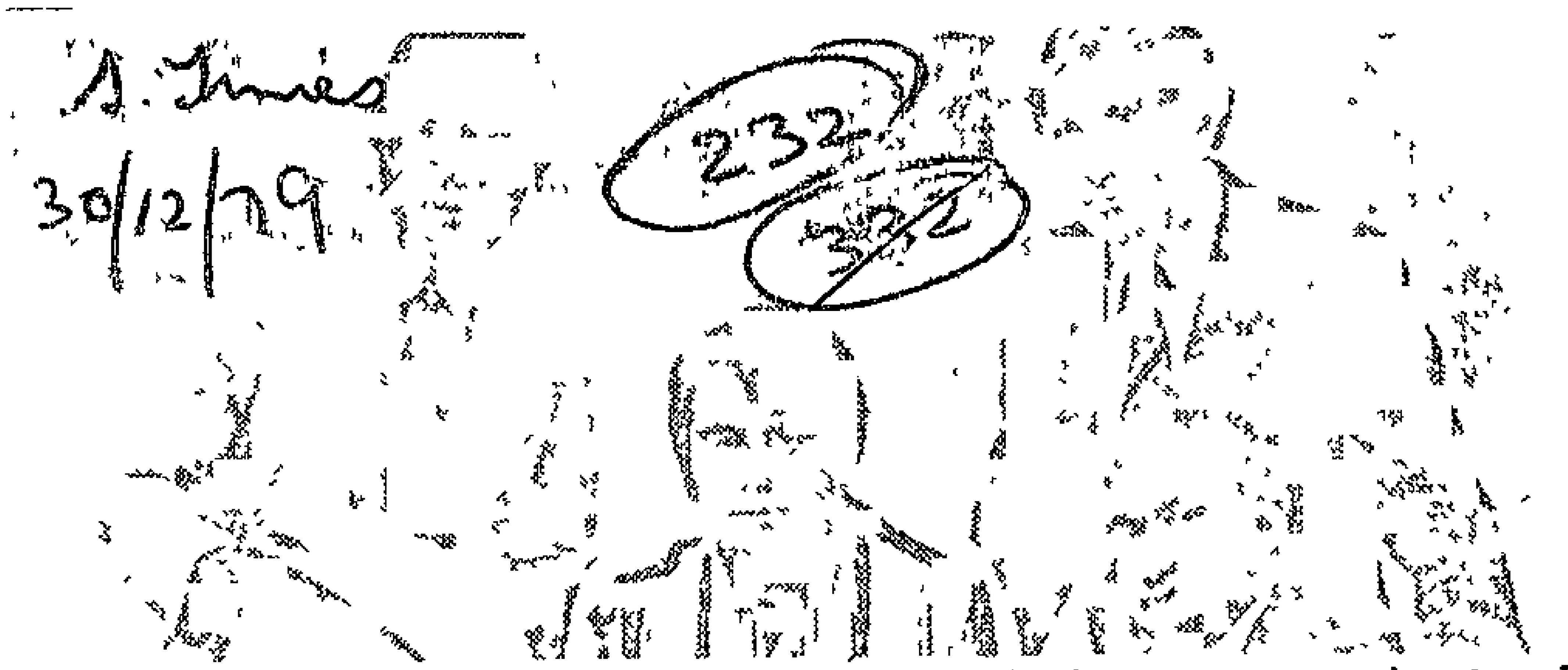
Well, you can't win 'em all

S. Times
30/12/79

232

332

Mystery shrouds R300m shipping deal



The men behind Lakonea lines are (from left), Ishwar Beeharie, managing director of SA operations; Kostas Konstantakos, managing director of overseas operations; Riaan van Schalkwyk and Gopaul Bhagat.

By VERA BELJAKOVA and G R NAIDOO

MYSTERY surrounds a giant South African-Greek shipping deal involving hundreds of millions of rands

For reasons of "national interest" the parties to the deal are reluctant to disclose precise details of the controlling interest and the full nature of key operations, or to provide a description of commodities carried and their ultimate destinations"

In an exclusive interview it was revealed this week to Business Times that Lakonea Lines (Pty) Ltd, a Durban-based shipping company, which only registered this month, has acquired a substantial interest in Lakonea Lines of Athens, whose assets are said to exceed R700-million and which owns seven tankers and three bulk carriers with capacities ranging between 220 000 and 250 000 tons each

Anticipated group turnover for the first five years of trading is no less than R1 500-million

Company spokesmen explain "We freight Middle East produce to all parts of the world from our overseas office, selling on the free market on condition that our vessels are used Spot cargo at sea can be diverted anywhere but all negotiations are clinched in Durban"

According to a source close to the group, some R300-million has been borrowed from a European national bank to finance the deal This loan is to be repaid within 10 years at a rate of 9,7%

The SA company, with a mixed board of directors, claims to have clinched a "substantial" shareholding in the Greek conglomeragate in addition to substantial interests in other related subsidiaries in ship-owning, shipping, clearing and forwarding, and the negotiating of international contracts for primary raw materials agricultural produce and bulk-manufactured goods

By securing this shareholding, the SA company has acquired an indirect interest in extracting industries in the Persian Gulf, says Riaan van Schalkwyk business consultant and one spokesman for the shipping company

The mixed board of directors includes Kostos Konstantakos, 31, MD of Lakonea Athens and a third generation member of a Greek shipping family, who emigrated to South Africa 10 years ago and Gopal Bhagat, a Durban restaurateur now in control of the shipping finances

Business consultant Mr Van Schalkwyk is on the board of an associated US-registered import-export company and another associated Transkei sea-produce company

Lakonea Lines is part of an 18 month-old group of companies South African Financial Enterprises (the Safe group of companies) concerned with finance and business consulting

Safe controls several subsidiaries — such as the "fairly" inactive property company Safe Homes Infla-Protector (for potential live and film promotions, but which currently promotes the black golfer Phillip Mhlongo on the Sunshine Circuit), and an insurance brokerage held in partnership by Safe's four directors

Safe also claims to have interests in sea products, especially in the Transkei, through another new associated Transkei company Transkei Sea Harvest

Mr Van Schalwyk is a representative director for the Safe group in the Transkei Coastal Enterprises company, with an SA arm, Safe Seafoods, responsible for marketing the Transkei seafoods

"We have a potential export market worth R10-million a year for seafoods which we will sell mainly to the US and the EEC where we enjoy revolving letters of credit to the value of $11-million" explains Mr Van Schalkwyk

Safe, which does not want to set up new ship chandlers business is, however, investigating from its European office the feasibility of acquiring an interest in an existing ships' chandlers' concern in South Africa It remains to be seen if these new companies will survive the rough waters of international shipping competition

W M	W F	A M	A F	C M	C F	B M	B F
0,52	0,18	0,50	0,41	2,02	1,56	1,26	1,20
0,05	0,05	0,02	0,07	0,45	0,26	0,23	0,18
0,03	0,01	0,05	0,04	0,09	0,06	0,09	0,07
0,03	0,01	0,04	0,05	0,23	0,09	0,13	0,06
),07	0,07	0,21	0,11	0,36	0,13	0,26	0,07
),18	0,13	0,00	0,15	0,47	0,18	0,44	0,15
),06	0,04	0,07	0,06	0,25	0,14	0,17	0,12
128	85	26	23	289	164	366	187

W M	W F	A M	A F	C M	C F	B M	B F
,02	0,03	0,20	0,21	0,06	0,16	0,06	0,06
,01	0,01	0,02	0,00	0,02	0,04	0,01	0,01
,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01
,01	0,01	0,01	0,02	0,00	0,01	0,01	0,01
,02	0,02	0,03	0,03	0,06	0,04	0,01	0,03
,11	0,11	0,13	0,15	0,13	0,15	0,03	0,03
,01	0,02	0,02	0,02	0,02	0,03	0,01	0,01
30	34	7	7	21	31	23	21