OWNERSHIP & CONTROL

1989

MAY. _ ~~JUNE~~ JULY

COMPANIES

(232) B/Day 2/5/87.

Hunts to acquire Spectrum and V & R Engine Spares

LESLEY LAMBERT

FSI company Hunts and its subsidiaries are to acquire control of Spectrum Industrial and V & R Engine Spares

This is part of an overall plan to streamline the group's operations

FSI, in a series of interlinked announcements, has disclosed plans for a strategic review of Hunts and three of its subsidiaries — FS-Team, Natbolt and Tarrys — to enhance earnings growth in the short and long term

While complementary activities of FS-Team and Tarrys are being injected into Spectrum Industrial, with Hunts assuming control of the group, an effective 70% stake has been acquired for R36m cash in the V & R Engine Spares group

The operational reorganisation follows last year's successful corporate restructuring of the overall FSI group in which Hunts was transformed into a major manufacturing and distribution group

Last week the group issued a cautionary statement warning an announcement regarding the operational restructuring was imminent

One of the major developments so far is the passing of control in Spectrum to Hunts as a result of the acquisition

The enlarged Spectrum will become a focused distribution company serving key sectors of the southern African economy — mining, the motor trade, construction, general industry and the DIY market, according to the announcement

V & R has been acquired by FSI Corporate Services on behalf of FSI and its subsidiaries

The group operates 13 outlets across SA, distributing engine spares and motor parts. It is complementary to Femo Auto Parts which was acquired by the Hunts group in 1988 and is currently owned by Natbolt. Femo operates six distribution outlets throughout southern Africa handling engine spares and non-discretionary automotive components

V & R will be developed in partnership with its executive management teams, which hold the balance of the shares in each operating unit within the group

Further details of both transactions, including the effects on Hunts's earnings and net asset value, and other companies within the group, will be announced simultaneously with the outcome of the Hunts streamlining

FSI said the transactions were in accordance with the group's philosophy of "developing a leadership position in all markets in which it participates, in partnership with entrepreneurial management teams who have a significant portion of their personal wealth invested in the businesses"

GFSA rights issue on cards?

New twist in Minorco, ConsGold saga

GNG Times 2/5/89

232

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

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

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

Rights plan

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

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

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

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

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

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

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

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

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

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

Largest shareholder

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

Plumbridge himself sits on the ConsGold board

GFSA holds a 7,8% stake in ConsGold and Agnew's reference to the option of "selling off investments" hits the rawest of nerves

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

TAKEOVERS

News 2/5/89 (23)

Minorco's epic battle for Cons Gold

Business Staff

MINORCO's epic battle for control of Consgold climaxed last week in what most believe is a resounding victory for Minorco.

Cons Gold chairman Rudolph Agnew has vowed to fight the battle to the bitter end but market consensus is that he has lost Britain's biggest takeover battle.

A takeover by Minorco has been on the cards for some time but the latest bid would probably only have come to the attention of extremely astute observers in July, 1987. The following is a chronological reflection of major features of the battle.

July 7 1987. Minorco sells its entire 10 percent holding in Anamint.

Sept 20 1987. Minorco announces plan to relocate from Bermuda to Luxembourg and to become an active management company, rather than merley an investment holding company.

Sept 28 1987. Minorco sells its remaining stake in Salomon Inc for £808-million and now has a "cash mountain" of about £1-billion

Oct 29 1987. Minorco buys an additional one million Cons Gold shares, raising its stake to 28,4 percent.

Sept 21 1988. Minorco announces a bid of £13,06 per share for Cons Gold Cons Gold shares rise to £15,05 Silmultaneously the group announces the appointment of Sir Michael Edwardes as deputy chairman and chief executive

Sept 22 1988. London reports indicate the bid has unleashed a bitter financial and political row. Cons Gold says the bid is "devoid of commercial logic" and the war of words begins.

Sept 25 1988. GFSA chairman, Robin Plumbridge sides with the Cons Gold board His company holds 7,5percent of Consgold.

Sept 30 1988. Mr Agnew resigns from the Anglo American board

Oct 5 1988 Minorco gets a £1,4-billion loan facility from several banks

Oct 6 1988. Cons Gold and US mining company Newmont appeal to President Reagan to block the bid

Oct 10 1988. Cons Gold tells the UK Office of Fair Trading that a successful bid would see South Africa dominate the world supply of strategic minrals. Minorco indicates it would sell Cons Gold's 49,3 percent holding in Newmont if it succeeds

Oct 11 1988. The Anti-Apartheid Movement launches a campaign to block the bid

Oct 13 1988. Minorco announces it has purchased 250 000 more Cons Gold shares, raising its stake to 29,06 percent

Oct 14 1988. Australian premier Bob Hawke writes to Margaret Thatcher, urging her to intervene in the battle

Oct 16 1988. Minorco writes to President Reagan, saying the Cons Gold US moves are an attempt to abuse the law in a desperate effort to block the bid

Oct 23 1988. The takeover panel of the Office of Fair Trading turns down Consgold's request to halt the bid

Oct 25 1988. The bid is effectively suspended when it is referred to the UK Monopolies and Mergers Commission

Oct 26 1988 The EEC launches probe

Oct 30 1988. Minorco says it will contemplate the sale of GFSA, should the bid succeed

Nov 7 1988. The US Treasury rejects the Consgold/Newmont plea for a takeover probe

Jan 25 1989. Minorco estimates the costs of the Cons Gold defence to date at R84-million - about 25 percent of the 1988 pre-tax profits

Feb 2 1989. The UK's Mergers and Monopolies Commission gives the go-ahead for a renewed bid

Feb 17 1989. The EEC says it has no objections to the bid after Minorco's assurance that it will sell Cons Gold's platinum interests if it succeeds

Feb 20 1989. Minorco announces a raised bid of £13,2-billion

March 9 1989. Cons Gold issues a defence document which fails to put an asset value on its shares.

March 13 1989 Minorco slams the defence document.

March 17 1989. GFSA directors (7,5percent Cons Gold stake) reject the new offer

March 18 1989 Closing date for the second bid Analysts speculate on a final offer of more than £15.

March 20 1989. Mr Agnew terms the 0,2 percent acceptance of the bid "pathetic"

March 22 1989. Minorco attacks a "mine of misinformation" in the Cons Gold defence A US federal court upholds a district court injunction preventing Minorco from buying Cons Gold shares in the US

March 29 1989 Minorco offers to post a £100-million bond to guarantee it will speedily dispose of key Cons Gold assets after a successful takeover

April 2 1989. Observers point out Minorco is free to pursue the bid in spite of the court injunction, as long as shares do not actually change hands If Minorco achieves a vote of 51 percent, the pressure would be on Cons Gold management to withdraw its case

April 4 1989. Cons Gold comes up with an unconventional defence document which Mr Agnew says is a "unique performance pledge" to shareholders, promising them a 20 percent compound growth in earnings

April 10 1989 Minorco makes a final offer of £15,50 a share, which values Cons Gold at £3,54-billion The final date for acceptance is April 26

April 17 1989. A US federal judge turns down a Minorco request for a modification of the preliminary injunction against it, preventing it from buying more Cons Gold shares in the US.

April 18 1989. UK observers believe the US court decision has scuppered the bid. However, American Barrick Resources, reveals it bought 500 000 Cons Gold shares immediately after Minorco's initial offer and that it had instructed its brokers to accept the offer for its 3,4-million shares

April 26 1989. At 6pm London time, Minorco announces it has more than 54 percent of Cons Gold. Mr Agnew says he will fight to the bitter end (through the US court injunction) Observers say his fight will be a lonely one.

FLASHBACK . Mr Ronnie Meyer (right), director-general of Transport Affairs, clasps hands with the chairman of Toll Road Concessionaires, Mr Ron McLennan, at the official opening of the Vaal Toll Plaza in July last year.

Tolcon spells out need for toll roads

Star 2/5/89 232

By RON McLENNAN, Chief Executive of Tolcon

These are the reasons why toll roads are not a rip-off There are no quick bucks in it and Tolcon, the toll road company, endorses the "user-pays" principle

Tolcon, the toll road company, is bringing you faster, safer and measurably cheaper motoring

Tolcon is maintaining roads which the country would otherwise not be able to afford We are building new roads which would otherwise not have been built this century

Tolcon links the huge markets of the country's major industrial and manufacturing heartland in the PWV to the port of Durban — providing much of Natal's economic lifeblood in the process

We are part of privatisation Tolcon endorses the "user pays" principle which is a more equitable method of taxation

We are vital to the transport industry Where local communities are affected, Tolcon offers generous concessions

We help tourism — and make it safer and easier for you to go on holiday

Tolcon is a consortium in which five major companies hold the majority of shares They are Murray and Roberts, Group Five, Grinaker, Keeve Steyn Inc and Sanlam

Toll roads were introduced after increasing demands on Government funds led to the scrapping of the dedicated fuel fund This meant that roads had to compete with all other State departments for funds

We have the concessions to toll the N3 from Alberton to Cedara, near Hilton Road, and the N1 from just south of Uncle Charlie's to Kroonstad

Over the next 22 years we will spend R1,5 billion (in 1989 rands) building new roads and fixing the old ones Existing roads will make up 35 percent of the total length of our concession

We are charging the cheapest rate we can Our agreement with Government limits us to charging 75 percent of the actual saving you make by driving on one of our roads We charge far less than this

This calculation is based on the fact that when you drive on a toll road you save time and fuel — and reduce wear on tyres, brakes, clutches, shock absorbers, springs and a myriad of other moving parts which make up a modern motor vehicle

We charge far less the the 75 percent maximum — because we work on the "perceived benefit" system

Applied to the N3 superway, between the foot of Van Reenen Pass and Frere, the saving, calculated according to Automobile Association figures, and adjusted for inflation, would total R17,55

Roads become cheaper

Tolcon could charge 75 percent of this Instead we charge only R6,50 That is because our perceived benefits policy acknowledges that motorists do not see all of this as a saving but take into account only the time and the fuel saved

In October 1988, the perceived benefit savings was R6,66 The toll was, therefore, adjusted downwards and set at R6,50

Now that the price of fuel has jumped by between 5 c and 8 c a litre, the toll road becomes much cheaper

Another benefit of toll roads is that the public is allowed to share in us In terms of our agreement with Government, Tolcon has to list on the Johannesburg Stock Exchange within 10 years Government keeps a watchful eye over our activities by virtue of its shareholding in the company which allows it to nominate three members to our board

The country's assets are protected We have not bought — or been given — the roads When our agreement with Government is ratified by Parliament, all we will have is the right to toll the traffic on the roads

At the end of 25 years we have to give back both the new and the existing roads — or we have to buy the right to toll them again

Toll roads are not a rip off There are no quick bucks for the investor

But they do offer faster, safer, cheaper and more enjoyable motoring

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Cost factors dictate roads

232 Star 2/5/89

Portions of existing roads are being included in toll roads in order to reduce the cost of financing toll roads and to make them commercially viable, says a **DEPARTMENT OF TRANSPORT SPOKESMAN**

The Government's policy of privatisation aims to reduce State expenditure, allowing private enterprise to provide public services as much as possible

The Government's initial concept regarding toll financing of road projects was to provide funds for national road construction projects which could not be funded from the fuel levy

It was envisaged that portions of existing roads would be included in construction projects, such as the inclusion of the existing 20 km of road between Brakpan and the N3 in the proposed 85 km long Springs to Krugersdorp toll road

During the successful commissioning of the existing four State toll roads, it became clear that State funding of toll roads was possibly not in the Government' long-term economic interests

Therefore, when private enterprise put forward privatisation proposals for roads in July 1984 relating to the provision of roads, negotiations were entered into with private toll companies to privatise the Springs to Krugersdorp road project at a cost of over a billion rand, and a large portion of the N3 and a portion of the N1 from Kroonstad to Johannesburg as another project at a cost of over R1,2 billion

The then Minister of Transport, Mr Hendrik Schoeman, made a call for expressions of interest in privatising national roads in February 1985 By September that year, the four consortia approved by the National Transport Commission were regrouped into two — Tollway and Tolcon

In March 1988 the main agreement was signed with the two companies

In August 19..8 an amendment to legislation to allow for privatisation by the Joint Committee on Transport and Communications was debated The amendment to the National Roads Act was passed by the House of Assembly but rejected by the Houses of Representatives and Delegates

High costs

During negotiations with Tolcon — aimed at concluding a contract for privatising the whole N3 from Cedara to Alberton, and a portion of the N1 from Johannesburg to Kroonstad for a 25 year period — it became clear that the N1 and N3 projects did not constitute a financially viable toll project

Private enterprise, who in addition to operating the toll plazas, maintaining the road and servicing and amortising the loans, also have to obtain a return on equity after tax

The State was faced with the choice of providing a large amount of the needed capital from taxation or including sections of State-funded existing sections of the road They chose the latter which conformed to the "user pay" principle and which called for no additional taxation while relieving the State of the considerable rehabilitation and maintainance costs

The position with Tollway is different, in that the existing R77 has to be included to make the tolling strategy workable and the project viable

The toll collected is not for recovering the cost of the initial capital investment in the existing roads which were built and paid for from State funds and are now included in privatised projects

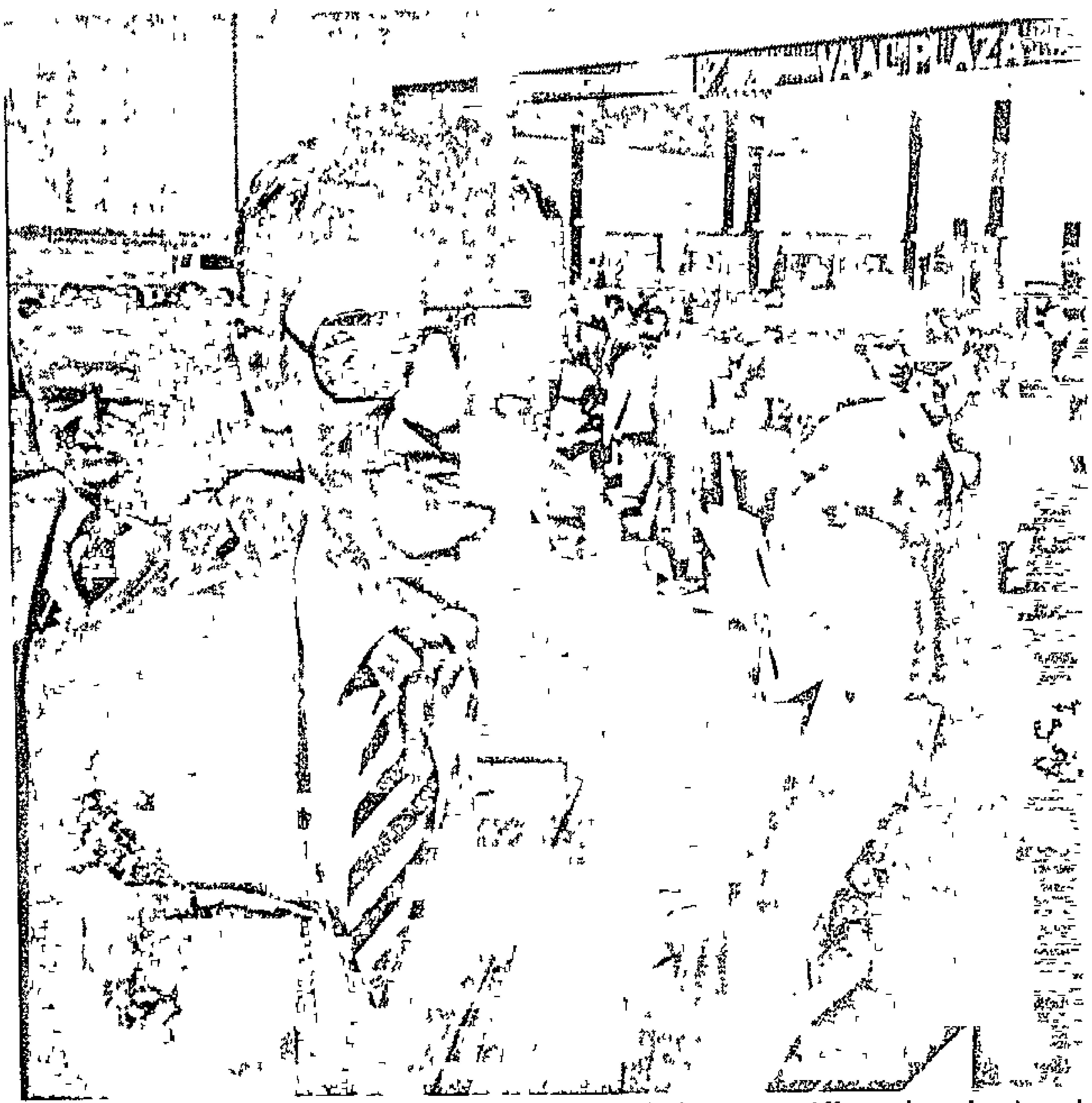
By privatising the N3, part of the N1 and the Springs to Krugersdorp road, the through traffic will enjoy a considerable ultimate benefit through the use of the better road facilities which will be provided earlier than would otherwise be possible

However, it is accepted that some local communities will be adversely affected and Tolcon and Tollway are offering a discount to regular users who also have the choice of an alternative road

The toll tariff charged is limited to 75 percent of the total saving in transport costs by using the toll road as compared with using the best alternative route This tariff has to be approved by Government

The alternative routes are maintained by the road authority for the particular road

The contruction of new roads by the State will continue, subject to the availability of funds



FLASHBACK ... Mr Ronnie Meyer (right), director-general of Transport Affairs, clasps hands McLennan, at the official opening of the Vaal Toll Plaza in

Tolcon spells out need f

Star 2/5/89

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Restraint on sale of Iscor planned

Star 25/9/89

CAPE TOWN — The billion-rand sell-off of Iscor to the private sector is due to start early in November with the Government restraining big business and foreigners.

Sources said today the Government had established "guidelines" limiting Iscor stock bought by any group of shareholders to no more than 20 percent.

It also intended pegging total foreign investment to 20 percent at most, with any single foreign investor allowed a maximum of 10 percent.

The State expects at this stage to realise more than R1 billion from the sale. — Political Staff.

FSI reorganises asset structure

184 Star 2/5/89 188 232

By Ann Crotty

In what appears to be an attempt to maximise the synergies existing between the original W&A assets and the original FSI assets, FSI management is reviewing Natbolts, FS-Team and Tarrys "with the objective of enhancing earnings growth of all three companies and of Hunts in both the short and the long term".

After last year's reorganisation of the enlarged FSI group, mangement is now doing the obvious re-organising the assets so that similar operational units are bedded down together to ensure optimum performance

In the absence of this sort of streamlining activity, the enlarged FSI (after the W&A acquistion and the reorganisation) would have been left in a sub-optimal state.

The exercise will see the establishment of three arms of activity within the Natbolt group and will involve the acquistion of Tarrys and Spectrum by Natbolts

The three areas of activity are manufacturing — primarily through National Bolts and Universal Clips, distribution of automotive products through V&R, Femo and Tarrys, distribution of industrial products through Spectrum, Tarrys and FS-Team

There will be no change in the grouping of manufacturing activities, which will remain within National Bolts (100 percent owned by Natbolts)

Operations in the other areas will need to be rearranged so that no one company is involved in the distribution of both automotive and industrial products

Assuming Tarrys is used to house automotive distribution activities, it would acquire V&R and Femo and hold onto its own automotive interests.

Assuming that Spectrum is used to house the industrial distribution activities, it would acquire Tarrys' tools and, possibly some of FS—Team's operations

If this is the sort of structure management has in mind, it will be left sitting with a listing it doesn't really need

It is likely that management would prefer to see a stronger performance from manufacturing before getting a separate listing for it

Tarry, which has a listing in London, will house the automotive interests Spectrum will house industrial interests

So FS—Team, which after the restructuring will only have a 35 percent stake in Elcentre, will not need a listing

This means the minority shareholders who hold 8,5 million shares with a current market value of around 380c will have to be paid out, either in cash or paper Payment in cash would put a fairly heavy burden on Natbolt.

The difficult part of the exercise will be pricing the various transactions in the fairest manner A further announcement is expected in mid-June

Adcock pays high price for Sterling buy-out

Bottom Line

MICHAEL MENOF

Adcock-Ingram enjoyed record sales and attributable earnings in 19.8.

The exceptional growth trend since 1982 is set to continue, with targets for 1989 higher than ever

The 1988 annual report featured two important items. the group acquired disinvesting US firm Sterling Drug's net assets for R10,29 million and its trademarks for a R46,3 million The acquisition, renamed Saphar-Med, had a marginal effect on group earnings

The purchase price was funded by a rights issue of 462 270 ordinary shares of R120 each

The capitalisation issue of nine ordinary shares for each share held at close of business on September 23 1988 should improve the share's marketability

The US disinvestment debacle raises some interesting questions Are SA companies grossly overpaying withdrawing US investors? Surely the US companies value SA as distributors and marketers of their products?

Wouldn't it be in SA's interests to pay the tax-deductible expense of royalties and technical fees based on products sold or manufactured, rather than goodwill, which is not tax-deductible?

Should the Government control the outflow of capital by imposing stiffer legislation, thereby preventing funds leaving the country?

It is easy to blame the Government for overspending, but why are SA businssmen paying such astonishing prices for foreign-controlled companies still requiring SA distributorship

Legislation is needed to freeze the purchase price and pay it out in instalments over, say, five years

Turnover increased to R334,64 million (1987 R250,86 million), with pre-tax income R45,13 million (1987 R32,2 million)

The effective tax rate declined to 42,9 percent (1987 46 percent) — tax was R19,34 million (1987 R14,82 million)

Income from associates, minority shareholders' interest and pref dividends were insignificant, leaving attributable earnings up 50 percent at R26,21 million (1987 R17,66 million).

Earnings per share were 110c (1987, 100c) and the dividend went up from 30c to 44c

Net trademarks of R44,68 million (for Sterling Drug) written off below the line turned profits to a loss of R18,7 million

It is not apparent why the trademarks were not written off over 10 to 14 years, unless it was to justify price increases

Chairman RA Williams and CE DC Bodley are confident that Sterling Drug will have a positive impact, but say nothing about how the R46 million trademarks price was computed

Sterling produced sales of R30 million in 1986, less than R40 million in 1987 and about R46 million in 1988.

Profitability was not disclosed. Shareholders should query the price paid

Mr Williams says government commissions have found health prices are not unrealistic in world terms and pharmaceutical profits not excessive. Who is he kidding?

Adcock's seven year review since 1982 shows a 19,5 percent compound growth rate for turnover and a 21,5 percent bottom line growth rate

The group is owned 76,2 percent by Tiger Oats. Barlows is the holding company Liberty Life, including Prudential and Guardian, hold 12,7 percent.

In 1988, capex, excluding investments, was R17,6 million, with R40 million planned for 1989 Over the next three years R74 million will be spent to maintain "a leading edge in manufacturing quality products at low cost", says Mr Bodley

The balance sheet has improved, with shareholders' equity at R112,53 million (1987 R87,18 million) and working capital at R28,69 million (1987 R22,11 million) at end-September 19.8.

Debt is negligible Higher earnings and dividends are predicted for 1989 turnover R415 million, bottom line R33 million, earnings 124c and a 51c dividend

In spite of a net worth of R4,22 at end-September 1988, the JSE price is bounding along at R25 per share — a P/E of 20 times and dividend yield of only two percent.

Taxed earnings at eight percent of sales proves my point SA is moving along the same lines as the US where health care costs are beyond the reach of many

Cape Times 3/5/89

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Disinvestment: Union to fight Mobil in court

Staff Reporter

THE Industrial Court has been urgently called to compel Mobil SA to negotiate a disinvestment agreement with the Chemical Workers' Industrial Union (CWIU).

The move follows the company's "consistent refusal" since 1987 to negotiate on disinvestment procedures and the job security of 650 union members at Mobil plants in the country, CWIU general secretary Mr Rod Crompton said yesterday.

The giant United States multinational disclosed the planned sale last week of its local assets to the Gencor mining group — drawing angry union charges that the company had lied about its disinvestment plans.

Explaining the grounds for last Friday's court action, Mr Crompton said Mobil had reneged on a written undertaking to consult with the union once it considered disinvesting.

This followed press leaks in New York last year revealing Mobil's intention to withdraw its South African operation — despite regular assurances to the contrary, Mr Crompton said.

After union representations earlier this year, Mobil had indicated it did not intend disinvesting, thereby seeing no need to negotiate a disinvestment agreement, he said.

of reporting, comment and pictures in the Cape Times

COMPANIES

Cape Times 3/5/89 232

CNA Gallo's profits soar to R32,6-million

BOOSTED by buoyant Christmas and back-to-school seasonal sales, CNA Gallo showed a 28 percent turnover gain to R550-million

Profit after tax soared 58 percent to R32,6-million (R20,6-million) The final dividend has been increased to 36c to raise the year's total to 45c a share, 55 percent higher than last year

Other features are

- Cash and bank balances more than doubled to R12,8-million, and
- Other investments rose from R2,8-million to R11,4-million as a result of the purchase of a 5,5 percent stake in Walhold from Hortors

The directors say "Given political and economic stability, it is expected that earnings for the current year will increase in excess of the inflation rate.

"The rate of growth is, however, expected to diminish from the extraordinarily high levels achieved in the past few years."

Earnings have now more than doubled in the past four years, with distribution having followed a similar pattern

CNA Gallo subsidiary **Video Lab** fared nowhere near as well as its parent

Attributable taxed income rose 5 percent to R1,8-million on a turnover increase of 14 percent to R12,5-million.

The directors ascribe the disappointing performance to the delayed achievement of certain merger benefits and non-recurring restructuring costs

Real earnings growth in the current financial year is forecast

- Improved stock turn, increased operating margins and lower-than-expected interest charges enabled **OK Bazaars** to report results at the top end of most analysts' expectations.

A dividend of 103c a share has been paid, 15,7 percent ahead of the previous year's 89c.

Results show that in spite of a squeeze on furniture sales, OK managed to cope with the tougher trading environment better than most analysts had expected

In the 12 months to March turnover rose 19,4 percent to R3,7-billion

Taxed profit was up 19,3 percent to R23,8-million and net profit up 20,4 percent to R23,9-million.

- Strong performances by the two major operations, Pep Stores and Shoprite, were behind **Pepkor's** 27 percent increase in turnover to R1,2-billion

Operating profit rose 56 percent to R111,6-million

A dividend of 158c a share was paid, 21 percent higher than last year.

- **The Drop-Inn** group's turnover increased to R109-million from R86-million, exceeding R100-million for the first time, for the year ended February 28

Pre-tax profit increased 36 percent to R6,8-million

With a final dividend of 2,25c a share, the year's total was 3,25c, an increase of 25 percent

- **The Board of Executors** net profit rose 145 percent to R1,8-million for the six months to the end of March

A major boost to earnings arose from the Board's 40 percent interest in Mercury Trust, an unlisted strategic investment company managed by the Board

Chairman Mr P W Wilson said the group had experienced a strong inflow of business and the outlook for the year remained encouraging

- **Altech's** profit before tax in the six months ended February was R74,0-million, an increase of only 9,1 percent on last year and a rise of only R3,5-million (5 percent) on earnings in the six months to August

Earnings before tax for the full year to the end of February were R144,4-million, an increase of 8,4 percent on last year.

Turnover rose to a record R745-million However, this is not comparable to last year's figures as the sales of STC Business Communications and Altech Informatics are no longer included

DICK USHER

Columbia working on new strategy

STEPHEN RICHTER

COLUMBIA Consultants has been sitting on the sidelines with regard to the recent spate of disinvestment activity by overseas companies, but according to chief executive Gordon Polovin that could soon be changing

This week's sale by Columbia of its holdings in Toco follows closely on the heels of the Milstan disposal These sales, combined with the proceeds from Trimtex, placed Columbia well on the road to accomplishing its goal of focusing on larger acquisitions valued in excess of R100m

To allow this to happen, Columbia must first build up the necessary cash resources Polovin says the group is well on its way, with proceeds from these sales amounting to roughly R35m He feels Columbia needs to raise a total of R50m to R60m before the group can seriously consider implementing its new strategy

The Toco disposal involved 32,9-million shares at a price of 48,6c, which brought in total proceeds of R16,2m But since the shares were sold ex-dividend, Columbia will reap an additional R2m and therefore the total effective income from the Toco disposal will increase to R18m

Polovin would not specify what other investments would be sold to raise further funds needed, but says that "within the next few months, there will be some more action"

The reason Columbia seems quite determined to shift its focus is that recently the group has been unable to capitalise on some very attractive opportunities owing to its financial situation Although Columbia is conservatively geared and able to increase its borrowings, it appears that the group is unwilling to jeopardise its financial health in any way.

B/Day 3/1/89

Mystery

232

Polovin says that the group has always been conservatively run, and therefore in order for Columbia to best finance its latest strategy, the directors have decided to cash in on various investments instead of approaching the banks for more funds That seems a prudent strategy in view of the high interest rates and poor performance of second-line shares

Exactly what acquisitions Columbia are contemplating at the moment remain a mystery Polovin does disclose that the group is looking at some exceptional asset strip and turnaround situations In addition, Columbia has been approached by other larger companies to go into partnership with regard to certain opportunities.

As these events unfolded last week, investors seemed to wake up to Columbia's inherent value, and pushed the share up 15%, or 30c, to 230c on Friday If Columbia's directors would like to see a higher share price, then a generous payout from the latest proceeds might help

In addition, an enhanced share price would place Columbia in a stronger position to pay either cash or paper for any future acquisition But it seems that the market will only re-rate the shares once management shows its hand and invests in areas which offer above average growth prospects

BIDa7/3/5/57 232

Chamber urges big state sell-off

CHARLOTTE MATHEWS

PRIVATISATION is advocated as the only way to curb governmenet spending

Witwatersrand Chamber of Commerce and Industry outgoing president Hennie Viljoen added in its annual report a state sell-off would also cut the growth in money supply

"Privatisation is an extremely important issue and one that is vital to the long-term prosperity of this country"

Viljoen said resilience of the economy had been amply demonstrated last year

In spite of the October 1987 JSE crash confidence remained buoyant and companies continued to show vigorous growth

He added GDP had risen by 3% and described this as "creditable, when viewed in the light of the credit freeze by foreign banks and the excessive role played by government in the economy"

Viljoen was concerned political factors still influenced economic priorities

"Delaying a bank rate rise, as was done before the municipal elections in October, benefited only those who stood to be elected"

Skirtskip sells business and becomes cash shell

B/D47 7/3/89 (232)

CHARLOTTE MATHEWS

TROUBLED clothing manufacturer Skirtskip has returned poor final results for the year to February -- and at the same time a change of ownership has been announced

This will result in Skirtskip becoming a cash shell, looking for suitable acquisitions to retain its listing on the JSE

Although turnover rose 31% compared with the previous year, attributable profits dropped 50% to R426 000 from R882 000 and earnings a share dropped 51% to 3,8c (7,7c) The dividend has been passed

The directors say the fall in profits was caused by "increased competition and material costs and ongoing production problems at our factory"

Skirtskip, which was listed in May 1987, began by making skirts for the budget market and later widened its range of womenswear Production from the Lebowa factory has suffered from distance and skills shortage

In terms of the change-of-ownership announcement by Duros Merchant Bank, Skirtskip MD Barry Berold will buy the business of the company for R2m

Duros, on behalf of a nominee, will buy Berold's 70% shareholding for R1,6m at a price of 21c a share and make a similar offer to minority shareholders The company will then become a cash shell

Suspended

Net asset value of the company was 22,6c a share but will fall to 17,85c a share after the sale of the business The price is affected by the loss of goodwill, valued at R293 000 in the prospectus

Trading in the company's shares was suspended at 40c yesterday The shares will remain suspended until suitable assets are acquired The price of the shares fell to 25c in December compared with its issue price of 70c

Govt to open up air routes

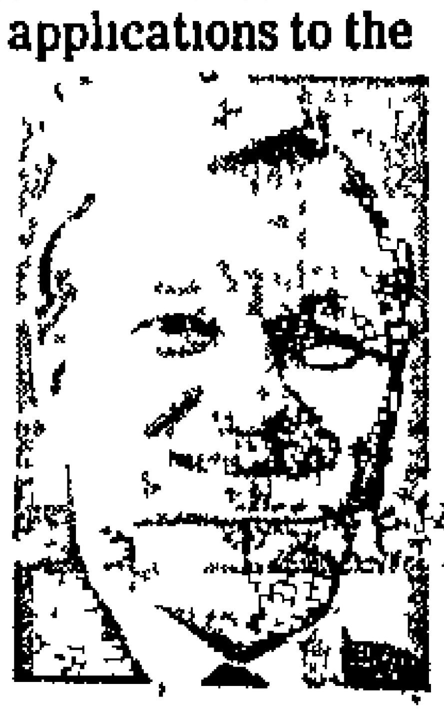
BDay 3/5/87

232

MIKE ROBERTSON

CAPE TOWN — Government has thrown open the domestic airline market

Transport Minister Eli Louw yesterday invited companies which wished to compete with SAA to submit applications to the National Transportation Commission (NTC) All applications would be accorded the same treatment as SAA



● LOUW

He said airports and air traffic control services would be converted to public companies with a view to privatising them

Louw said stringent regulations restricted access to the air transport market But an investigation into deregulation was making good progress

Transport officials said the NTC would use the following guidelines to evaluate all applications to compete with SAA

- Market forces must determine economic decisions in regard to air transport,
- Quality and safety were the only criteria that should determine access to the air transport market,
- All participants in the air transport industry should receive equal treatment and be subjected to the same rules, and
- Consumer interests should be protected to prevent a deterioration in standards and compromise safety aspects.

Louw said legislation implementing these principles would be introduced next year. Meanwhile, he invited airlines which wished to provide services in accordance with these principles to apply to the NTC for permission to operate.

While international air services were

● To Page 2

Govt to open up all domestic air routes

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BDay 3/5/87

● From Page 1

governed by agreements with other countries, he had agreed an in-depth study should be undertaken on this aspect

After studying the provision of services at other international airports, he had ordered an investigation by management consultants to review the situation at SA's international airports

It had recommended that central government should remain in control of the setting and monitoring of safety standards, overall planning and the establishment of guidelines for aviation development

But the provision, operation, maintenance and improvement of airports and airport facilities should be left to private enterprise

Louw said he anticipated that state airports and air traffic control services would be converted into public companies

MANDY JEAN WOODS reports Civil Aviation Association president Cor Beek said last night airlines had always been allowed to apply to the NTC for routes which SAA operated But generally such applications had been turned down

"But it remains to be seen if the NTC have been instructed otherwise As there is no change to the legislation yet, it would appear there is no change in our position of applying to the NTC to operate routes," he said

Unilever may buy Yardley, Lentheric

232 BDay 3/5/89

ROBERT GENTLE

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

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

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

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

Campaigns to boost Iscor

(232) BDay 31/3/89

GERALD REILLY

PRETORIA — A new corporate advertising campaign to prepare for Iscor's privitisation is to be launched within the next three months, a spokesman says

The campaign will aim at enhancing the awareness of Iscor and its role in the economy.

A separate campaign will focus on promoting the sale of Iscor shares This will be launched later in the year by the two merchant banks involved in the project as advisers.

The Iscor journal Iscorian says job security will depend on employees' quality of work. Economic conditions will also play a role

The banks will be responsible for the prospectus for prospective investors and other interested parties before listing on the JSE.

They are also investigating the requirements for Iscor to become a public company

The banks will appoint specialists to assist in the privitisation process

One issue to be finalised is that of a special share ownership scheme for Iscor workers A decision on this is expected before the end of May

Consulting

Meanwhile, the Iscorian says, preparations for privitisation are progressing smoothly.

Privitisation will not affect the medical benefit funds, the pension fund and the retirement fund, it says.

Iscor's internal privitisation committee, assisted by its team of advisers, is consulting goverment on an ongoing basis

City backs Minorco as Consgold still resists

(Afr Times 4/5/89 (232

From ROBERT GENTLE

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

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

This is because despite having received acceptances from ConsGold shareholders giving it 55% of the issued share capital — theoretical control by normal takeover rules — the ConsGold-backed US court injunction prevents Minorco from actually acquiring those and other shares

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

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

Finish the job

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

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

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

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

●First quarter profits at Newmont Mining, ConsGold's 49%-owned US gold mining company, were $9,4m, or 14c a share.

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

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

Union wants Mob sale stopped

SAK Times 5/5/89

232

Own Correspondent

JOHANNESBURG — Representatives of Mobil Oil SA and the Chemical Workers' Industrial Union (CWIU) are due to meet on Monday for negotiations over Mobil's withdrawal from SA, a day ahead of the resumption of the union's urgent court application

The CWIU has asked the Industrial Court to halt Mobil's sale to Gencor pending negotiation of the union's disinvestment demands first submitted to the company in July, 1987

Mobil industrial rela ager Mr Jacques Frank day said the meeting v cuss "the possible cons of (Mobil's) decision to c its interests in Southerr

He agreed this mea, considered the sale a *fa pli*, and certain union such as for 12 months' intention to disinves therefore fall away

It appears Mobil will a n- r- i- giving any guarantees regarding employees' future job security under the new owners

Regarding union demands for severance payments, Mr Franken said the sale would not disturb the employer/employee relationship All that had occurred was a book entry transferring shares from one owner to another

Other CWIU demands include a guarantee that future employment conditions be no less favourable

Bus Time 5/5/89 (...) 232

Trade unions concern over privatisation

Bruce Dyke has been appointed group insurance manager for the Altron Group.

From ALAN FINE

JOHANNESBURG — If trade unions refused to try and influence the privatization process, it will have the very consequences they fear, Free Market Foundation director Leon Louw warned on Wednesday

Louw was speaking at a seminar on privatisation and deregulation, organized by the hawkers' organisation Achib, and attended by representatives of small and big business, trade unionists, government specialists, and lobbyists

Unionists at the seminar expressed the view that privatisation would lead to retrenchments and greater monopolization of the economy by large corporations

NUM national organizer Gwede Mantashi added privatisation would destroy prospects of "self-determination among the oppressed" by encouraging the "swallowing up" of small businesses by large ones

It would also discourage the building of workers' co-operatives and strong hawkers' organizations, he said

Louw said research done for his organization had showed SA had R300bn worth of privatisable assets It would cost R30bn a year to raise government spending blacks to that of the level of whites, and some proceeds from privatisation could be used for this purpose

Alternatively, the entire shareholdings of privatised State assets should be distributed among employees or the population as a whole, he said

This would prevent large corporations from increasing their stake in the economy, while it would substantially increase the stake of black South Africans

Ownership of State-owned housing should be handed over to occupants, he added

Achib president Laurence Mavundla said his organization was fighting for the right of traders to earn a living Members would simply ignore the laws and regulations standing in their way until these were scrapped

Federale Volksbeleggings GM Anton Roodt, who has been seconded to the Department of Administration and Privatisation, said privatisation and deregulation could represent a fundamental break with apartheid which was essentially a form of ethnic socialism on April 1

Privatisation is not a priority — official

232/89 Star 5/5/89

There was no question of the J G Strijdom Hospital in Johannesburg being privatised "at this point in time" despite strong rumours to the contrary, the Deputy Minister of Health Services and Welfare in the House of Assembly, Dr Michael Veldman, has said.

Dr Veldman said speculation that the hospital was earmarked for privatisation should be put down as nothing but rumours "There is no question that the Strijdom is on the priority list," he said

However, Dr Veldman agreed that some of the more than 30 hospitals recently transferred to "own affairs" administration, including the Kempton Park Hospital, were under consideration for privatisation.

"We are concerned about the unused beds in some so-called own affairs hospitals and we are in the process — in line with the Government's privatisation policy — of looking at the different models of privatisation

"We have had some offers from private companies and are looking into this whole matter," said Dr Veldman

He emphasised that the matter was not simply a question of privatising an institution

"We will have to make provision for the State-dependent patients and the services in a privatised institution should be affordable to all patients," he said.

Dr Veldman said he was very concerned about the resignations at the J G Strijdom and his department was carefully investigating all aspects of the matter

Fortune smiles on timing of the Iscor share issue

232

Star 5/5/89

By Derek Tommey

Iscor, which is to be privatised later this year, should have some good news for prospective shareholders when it produces its 1988-89 figures in July or August

Iscor, along with Highveld, Samanco and other suppliers of raw materials used in the manufacture of steel, is benefiting from the overseas steel boom

Exports of iron ore from the Sishen mine through Saldanha Bay are running at record levels.

Iscor's house newspaper, *Iscor News*, says sales of ore reached 1,1 million tons in February, an increase of 57 percent on budget

Industry officials add that not only have sales tonnages risen sharply, but so has the overseas ore price

The Sishen mine is going full out to meet export and domestic requirements

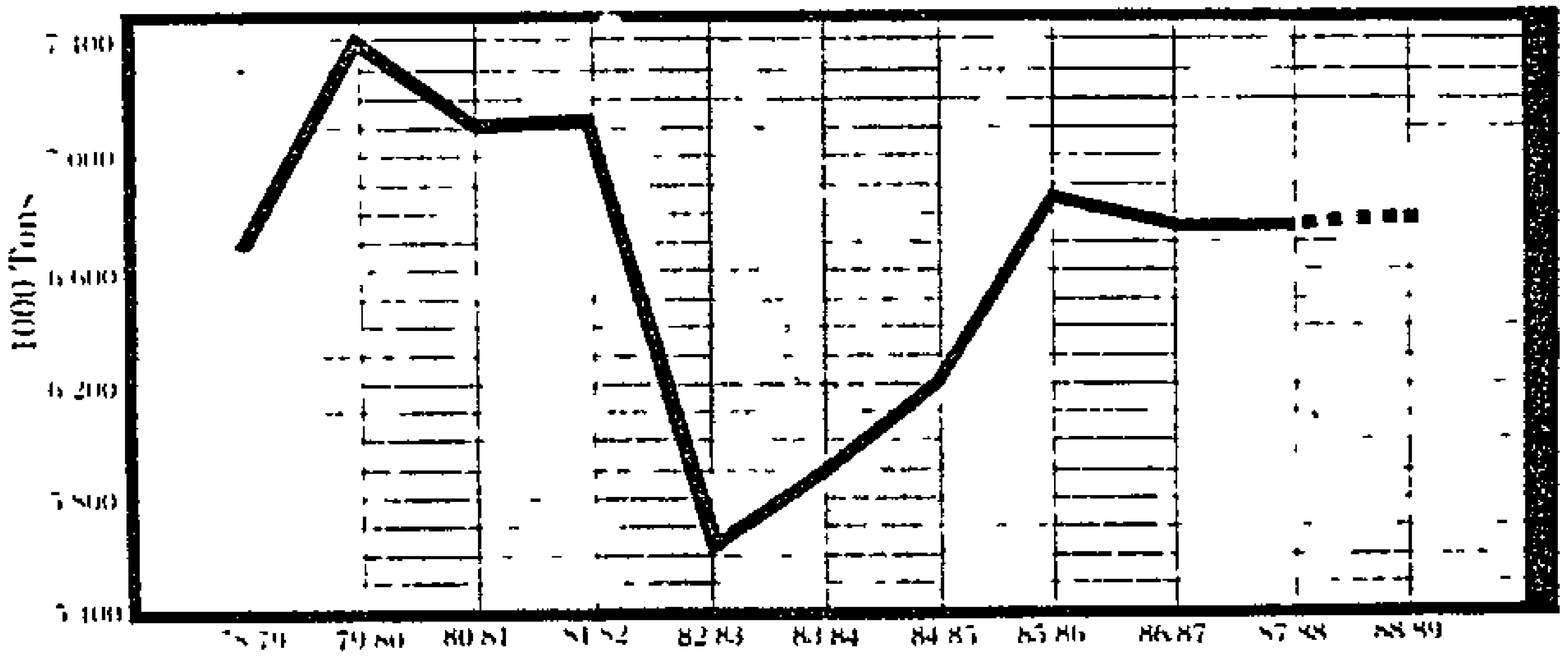
But it is not only iron ore that Iscor is exporting in large quantities Steel is also going overseas, although Iscor is keeping details of these exports close to its chest.

Investors will have to wait for the profit statement to gain some indication of the value of Iscor sales

However, owing to political considerations Iscor is unlikely to disclose its export markets

Both the US and the European Community have imposed restrictions on steel imports from SA

But Iscor and other producers have learnt that the closure of one market usually leads to the opening of another



Financial Year ended 30 June

This graph of Iscor's liquid steel production at its Vanderbijl, Newcastle and Pretoria works shows how it was badly affected by the 1983-85 recession in South Africa It also shows that Iscor has not embarked on any major expansion of production now that the economy has recovered, chosing instead to directing its efforts into producing better steel more economically

Iscor and other producers are being helped by the limited expansion plans of most steel producers.

For the past 15 years most of the world's steel mills have been operating below capacity and, in many instances, at a large financial loss

Although demand has recovered, the memories of the past 15 years remain strong and none of the major producers seems to be in a hurry to embark upon the huge capital expenditure needed for a major expansion

Instead the majors are spending money on plant that helps to reduce costs so that when the expected world downturn arrives and demand drops they will still be able to sell steel at a profit.

Fuelling the demand for steel overseas has been the six-year upsurge in economic growth

This has resulted in a a steady growth in sales of new motor vehicles — a major user of steel

Car sales in the European Community last year reached a record 12,5 million — roughly one for every 16 people.

It is digressing slightly to point out that the corresponding sales figure for South Africa was one new car for every 120 people — which, however, helps to highlight the excellent growth prospects of the local motor and steel industries.

Meanwhile, intensive work is reported to be going on behind the scenes at Iscor preparing for its privatisation and share issue later this year

No figures are available, but it appears that R1,5 billion worth of shares might be offered to the public

The institutions are expected to take up about 80 percent of the issue, leaving 20 percent for the small investor

Whether this 20 percent will be reserved for the small investor is not clear

But the Government is believed to be keen to spread share-ownership as widely as possible.

If 20 percent of the shares are kept for small investors, it means they will be asked to invest R300 million, which is a large sum of money to find.

However, it is possible that small investors may not have to pay for the shares immediately It has been suggested that they should be allowed to pay for them over a period of time and this seems to be a possibility

Iscor is faced with the task of selling itself to the public and then the idea that the public should hold shares in it. It also has to ensure that its 55 000 workers do not feel slighted or aggrieved in any way

Therefore, despite the long existence of the Johannesburg Stock Exchange and the familiarity of some members of the public with share investment, Iscor is in many ways a pioneer

As part of this pioneering work, Iscor is shortly to launch a new corporate advertising campaign to enhance the public's awareness of the company and its role in the economy

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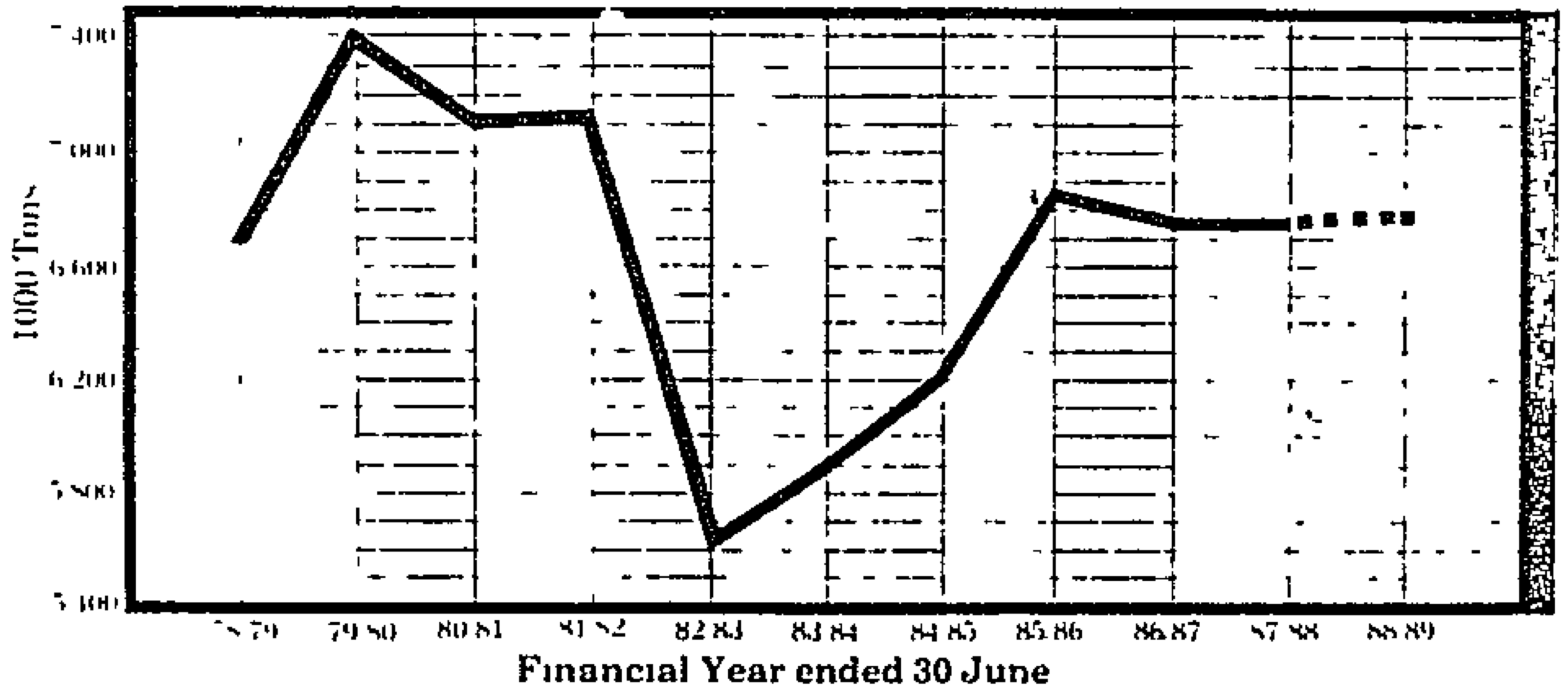

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ISCOR PRIVATISATION 232

FinMail 9/5/89

On your marks . . .

Iscor is ready to unleash a full-scale advertising and public relations campaign in the build-up to its privatisation and Johannesburg Stock Exchange (JSE) listing.

Launch date of the campaign is May 19. Iscor won't confirm the figure but advertising industry sources say the total campaign is costing well over R10m.

They say it will be money well spent if it makes the listing a success. Besides earning many times the original R10m, it could determine the pace of the government's whole privatisation programme.

It's a foregone conclusion that institutional investors will take up the lion's share of Iscor. However, it's also intended to sell as many shares as possible to individual investors, particularly blacks.

It is at the smaller investor that the PR and advertising campaign is chiefly targeted. The first stage is to establish a popular corporate identity for Iscor. It won't be easy.

232 FinMail 5/5/89

TWS, the public relations consultancy co-ordinating the project, concedes there are problems in popularising something that's perceived as a monolithic State corporation.

Other privatisation targets, like South African Airways, have a clear public identity and are likely to be easier to sell to first-time or one-off investors.

On the other hand, as an advertising industry executive says: "If you can sell Iscor, you can sell anything."

Once Iscor is established in the public mind, the next stage is to persuade would-be investors it's worth buying. Finally, it must sustain the interest and get people to put their money down when the shares are finally available.

TWS says it will look beyond traditional outlets. It plans to persuade banks, building societies and other institutions to make information available to customers.

The campaign is likely to lean extensively on the British experience, where wholesale privatisation has led to an estimated 20% of the population becoming shareholders.

Hennie Klerck, of the Klerck & White advertising agency responsible for the Iscor ad campaign, says it is associated with Saatchi & Saatchi, which handled much of the UK privatisation publicity. He says his agency "will draw on the Saatchis' experience."

He says the campaign will encompass TV, and the popular and business press.

Meanwhile, Iscor's private sector shareholders will face an immediate business problem after privatisation. More than four years after it was pressured into doing so by government, Iscor is maintaining a discount steel delivery rate to the eastern Cape, particularly Port Elizabeth.

The then Industry Minister, Dawie de Villiers, "persuaded" Iscor to discount rates in September 1985 when the eastern Cape was facing particularly harsh business conditions. Iscor absorbs 25% of rail tariffs to the eastern Cape, a gesture that last year cost the corporation R4,8m. ■

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5/5/89

ORGANISED COMMERCE AND INDUSTRY

D-Day nears for merger

Assocom and the Federated Chamber of Industries (FCI) are likely to decide this month whether to go ahead with their long-awaited merger

Professor Joe Poolman, vice-rector of Rand Afrikaans University, has completed his report on the practicability of a merger and handed his findings to the two business organisations

Regional chambers will be consulted before the national executives of Assocom and the FCI hold their mid-year meetings late this month Barring hold-ups, these meetings will decide, in principle, whether to continue with the merger process

If the answer is yes, further discussions will map out details of the agreement before both bodies hold their national conferences late this year At the conferences, the merger would be formally ratified and the organisations' constitutions amended

Assocom CE Raymond Parsons and FCI executive director Ron Haywood both say the process is on schedule and target date for a merger remains January 1, 1990 At first, it would be only at national level Only later would consideration be given to merging regional chambers

If agreement is reached, it will end more than a decade of wrangling over the creation of a single umbrella body for white, English-speaking commerce and industry Assocom, in particular, has argued that a united voice will give business more influence in its dealings with government It would also like to involve Afrikaans and black organised business in a single body, but recognises this as a longer-term objective

Advocates of an Assocom-FCI merger point out that the two groups already agree on a wide range of economic and political issues, so it makes sense to unite They add that there is a lot of expensive duplication in maintaining separate offices to offer similar services

Opponents, however, say it is impossible to marry the needs of shopkeepers and industrialists in one body Indeed, the needs of commerce and industry are often in direct conflict and each sector needs to be represented separately

Haywood says national officials of the FCI accept there are benefits in a merger, but it must be framed carefully if it is to gain agreement from regional membership

However, certain misgivings remain among some sectors of the FCI's membership They are of the same sort which caused an earlier merger attempt to be aborted in 1982, after Poolman had produced a report concluding that a merger was possible The FCI terminated the investigation before he could continue with the next stage, to see how a merger could be achieved

His new report, jointly commissioned by the FCI and Assocom late last year, is essentially the one he was prevented from completing in 1982

Part of the FCI's reticence at that stage emanated from fears that the process might result less in a merger, than in a takeover by Assocom Those fears were not allayed by renewed Assocom overtures in the last two years, when the FCI was at its lowest ebb

Parsons

Haywood

Reeling from the findings of an independent management report which declared it to be in trouble financially, organisationally and politically, the FCI did not react kindly to renewed lobbying for a merger The timing seemed to confirm Assocom's acquisitive ambitions

The feeling wasn't helped by the defection of its biggest constituent, the Transvaal Chamber of Industries, to merge with the Johannesburg Chamber of Commerce under the Assocom banner — nor by Assocom's decision to incorporate the word "Industries" into its national title in an attempt to attract industrial members

But now the mood has changed A turnaround in the FCI's fortunes and the appointment of business heavyweights to its management board, have lifted spirits

Anglo American executive director Les Boyd became FCI president late last year With vice-presidents John Hall, of Barlow Rand, and Mike Getz, of Seardel, he is joined by management board chairman Andy Warner, of Shell, in bringing added muscle to the FCI

Haywood points out these are not the sort of men to be steamrollered into an agreement He says they have sufficient hard-headed experience to judge the merger proposals on sound business principles If the answer is no, it will be a considered no, rather than an emotional one

Although the odds appear to be in favour of a merger agreement, this is by no means certain Boyd has been deliberately noncommittal about his own views, openly questioning whether a single chamber can address everyone's needs

The mechanics of a merger need to be carefully addressed, for, despite the FCI's new-found confidence, takeover fears remain

Logically, a merged organisation would be based at Assocom's current headquarters in JCC House, Johannesburg Assocom has a shareholding in the building — an asset that would accrue to the new organisation

Assocom's current title incorporating both commerce and industry is also closer to the needs of a new body than the FCI's, which addresses only industry It may be necessary to move away from both titles to protect members' sensibilities

However, a bigger hurdle could be leadership of the merged body Parsons is too closely associated with Assocom for many FCI members' comfort and they admit to misgivings at the idea of him being in charge While acknowledging his success as a high-profile business lobbyist, they want to see someone more "neutral" as head of a united business organisation

Likewise, Haywood has his supporters and detractors His support comes from those who favour a behind-the-scenes business manager rather than a chief spokesman

In theory, there's a place for both men — if compromise can be reached Whether the merger is agreed or not, it should not be endangered on the issue of personalities ■

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'Control' may not be enough

Minorco still faces large hurdles in its battle for Cons Gold

Rudolph Agnew, abrasive chairman of Consolidated Gold Fields (Cons Gold), seemed increasingly near the end of his tether as he flew to the US at the weekend for a board meeting of Cons Gold's 49%-owned Newmont associate He still refused to concede defeat in the battle for Cons Gold, despite Minorco's 55% acceptances, but one by one his reasons for resistance were crumbling

Agnew is trying to continue the battle on two main fronts He refuses to withdraw the private anti-trust suit brought by Cons Gold in New York, alleging that Anglo American, through Minorco, is bent on establishing a world gold cartel And he insists that Minorco's 55% acceptances mean that only just over a third of independent shareholders support the bid — insufficient, he says, for Cons Gold to drop the action

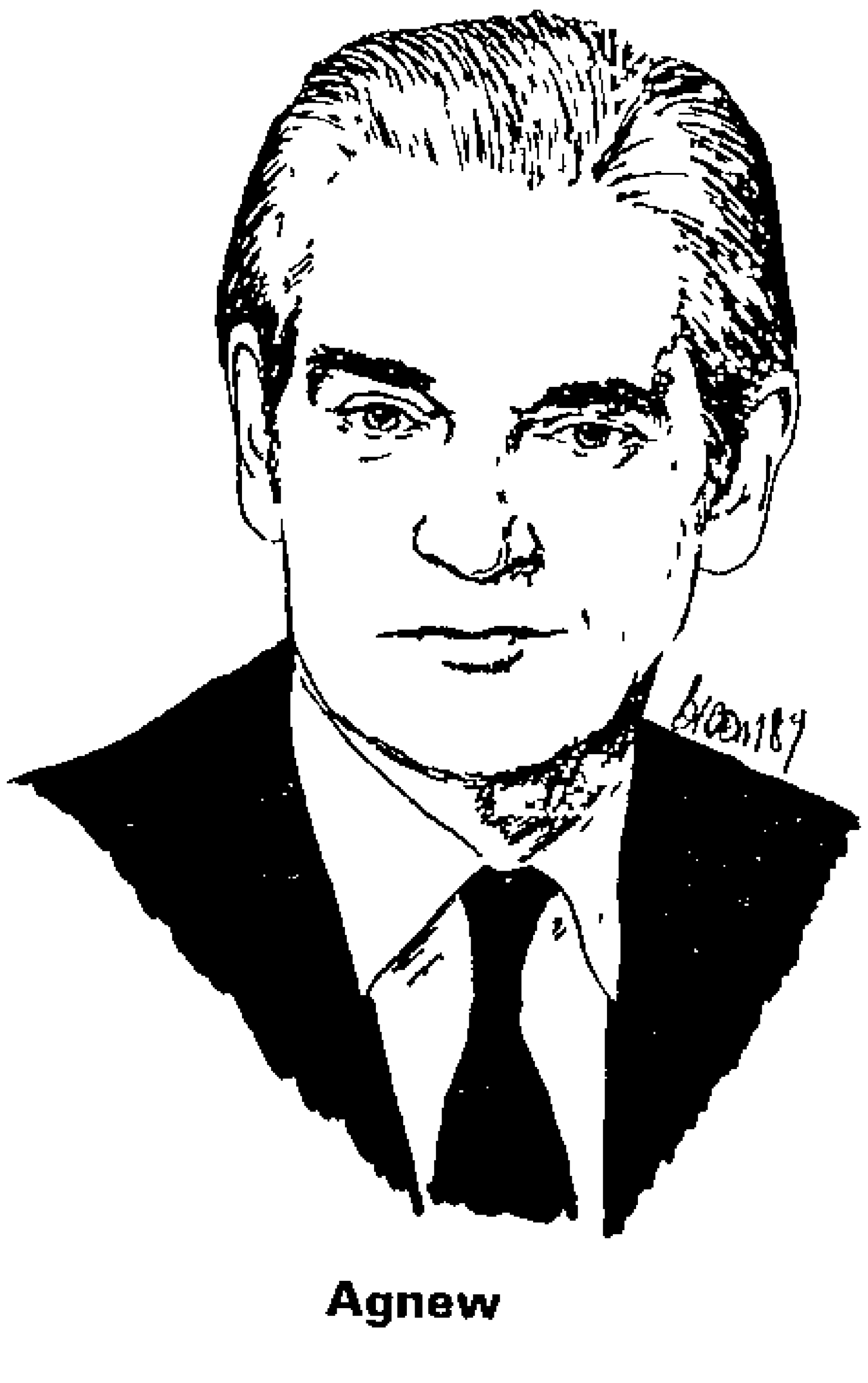
Anti-trust suits are normally brought by governments In this case, Cons Gold and Newmont persuaded a New York court that they are the only possible policeman of Anglo's alleged monopoly plans in the world gold market Therefore, they argue, either Minorco's takeover of Cons Gold or the group's dismemberment will create a vacuum

The clincher for the court was that total gold output of Cons Gold and Anglo would top 30% of annual world non-communist production, the level which triggers a presumption of illegality in the US When Minorco responded with a commitment to sell Newmont and Renison, Cons Gold's Australian arm, Cons Gold convinced the court that Anglo could not be trusted to abstain from selling either interest to an offshore trust, or to a competitor in return for other favours

If the case comes to full trial, Cons Gold and Newmont will have to argue what they know to be untrue — that the world gold market could be cartelised by producer interests despite the existence of thousands of tons of gold in central bank vaults and individual hoards

Cons Gold and Newmont will also have to sustain the argument that they are the only possible counterweight to Anglo On this, they surely have an exaggerated idea of their importance In the sunrise gold mining industries of the US, Australia and Canada, combined Anglo-Minorco-Cons Gold-Newmont production falls well short of any conceivable threshold

According to latest estimates by Shearson Lehman, US output will exceed 250 t in 1989 Newmont will account for 45 t, CGF 10 t and Minorco a nominal amount That leaves nearly 200 t — 80% — in the hands of aggressive, low-cost producers such as Placer Dome, RTZ/BP, Amax and American Barrick, and a score of smaller groups In Australia, Newmont and Cons Gold have less than 10% of current output The anti-trust action is so specious that it is hard to take seriously, if it ever comes to court, Cons Gold executives will have a problem giving evidence without falling foul of the perjury laws Yet as long as the injunction remains in force, Minorco cannot legally acquire any Cons Gold shares tendered to it and the stalemate continues



Agnew

On Agnew's second count, Minorco's supposed lack of a clear majority, he also seems to be losing ground Since announcing the result, Minorco has kept a low profile and pursued a policy of winning institutional hearts and minds, on the view that UK institutions, with 42% of Cons Gold, hold the key Cons Gold claims that only four of its 30 main institutional shareholders supported Minorco, Minorco claims 17 did

The Cons Gold board has obtained a legal opinion that its duty is to the company, not the shareholders On the back of this, the board argues that it must continue the New York court action That might have some theoretical justification if the US anti-trust action had merit, which it does not

Edwardes

Minorco's view is that the board is in breach of general principle seven of the UK Takeover Code which lays down that a target company should not, other than with the approval of shareholders, take any action that results in a bid being frustrated UK institutions seem increasingly uncomfortable with two points that a New York court can thwart the UK's biggest-ever takeover, when it has obtained all the clearances required in the US, UK and Europe, and that a majority of shareholders, at the end of a seven-month bid, can be defied by their board Even institutions opposed to Minorco or Anglo are unhappy with the conduct of a board which decides arbitrarily to disenfranchise shareholders it doesn't like

Minorco calculates that these fears can be exploited and UK institutions brought to put unendurable pressure on the Cons Gold board The immediate test of this strategy will come on Friday, when the full Takeover Panel will rule on Minorco's request for an extension of the bid timetable The panel has heard submissions from both parties

If it agrees to extend beyond the final closing date of May 17, Minorco has the option of calling an EGM of Cons Gold to vote on a resolution in favour of dropping the New York lawsuit An extension might also enable Minorco to appeal the latest ruling maintaining the injunction in the New York court But it is sceptical about both the timing and outcome of an appeal, which it feels might not be worth the effort

The UK press, solidly against Minorco until acceptances were counted, is having second thoughts, perhaps reflecting institutions' shifting mood There is praise for Agnew's defence, despite its £25m plus cost, and condemnation of Minorco's campaign and Sir Michael Edwardes in particular

But now the feeling is that enough is enough "Agnew should end the agony" is the *Evening Standard*'s view, while *The Sunday Times*, vehemently against Minorco

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from the outset, sees failure to concede as "Cons Gold sets bad precedent "

Agnew has faced down all the pressure put on him, but it is becoming irresistible What was once a justifiable fight against a much larger opponent now defies commonsense Surrender is a bitter pill, but sooner or later Agnew may have to swallow it

But what if he doesn't? And it's not only Agnew, but also the New York court and Cons Gold's co-plaintiff, Newmont Mining, that need to be persuaded — with Newmont perhaps the most difficult, unless a deal can be struck

Plumbridge

Where will Minorco stand if its seven-month battle ends in defeat? Even if the London Takeover Panel grants an extension, the clock has become Minorco's biggest enemy As one London commentator put it, what began as high drama is in danger of ending as low farce

Lessons can be drawn from the way the drama developed The way that Cons Gold conducted its defence, and the degree of success it achieved, shows how vulnerable any company with major SA shareholders is when making a hostile bid in international markets Having retained a large and costly retinue of legal and financial advisers, Cons Gold concentrated its defence largely on the SA connection and the personalities and history of Anglo and De Beers

Financial and business considerations were downplayed One local analyst noted that Cons Gold's net asset value had been grossly overstated in London and management had done nothing to set the record straight He added that Cons Gold had unforgivably not given a profit forecast for 1988-1989, though the financial year is almost 10 months complete, instead it indulged in wild speculation about 1989-1990, 1990-1991 and 1991-1992 — years for which it knows nothing about the gold price or the international economy — and recklessly promised to give away £1,36bn of shareholders' own money if earnings in those years do not total 400p a share

Though there was initially disappointment in London that the final offer was not higher, it's now more widely recognised that Minorco's price in fact was highly attractive One analyst says there is a strong camp within Anglo itself that believes £15,50 excessive — "some of them think Minorco have gone out of their bloody minds," he says

Even so, given that Minorco already held 30%, its capture of acceptances from only another 24,92% hardly ranks as an overwhelming victory Evidently price was not the only consideration Cons Gold's defence aside, analysts believe part of the reason lies in the poor acceptability of Minorco's paper in London, which in turn is rooted in the company's own lacklustre history

Net worth per share by the end of the 1988 financial year was only slightly higher than in 1983, its dividend growth has been pedestrian, and the price has long stood at a big discount to NAV

Critics also pointed to the historical lack of management at Minorco But that is what this bid is about Until 1987, Minorco was simply a passive investment portfolio, mainly holding interests in associates — the only holding of more than 50% was 56% (42% of the votes) in Inspiration Resources — and cash flow comprised dividend income from companies it did not control

The structure of Minorco largely reflects its history Originally Zambian Anglo American, it became Bermudan-domiciled and changed its name in 1970, to re-invest the proceeds from the nationalisation of its Zambian copper mines Subsequent deals included acquiring 30% of Engelhard, 36% of Charter Cons, selling a holding in Salomon Inc for $1,4bn, and acquiring the Cons Gold stake through a controversial "dawn raid " When the bid for Cons Gold was announced, the directors said it was part of a new strategy of turning Minorco into an actively managed company with operational and cash flow control over core assets

Mick Oliver of James Capel, house broker to Minorco, points out that the conventional wisdom of investing in associates must be questioned Far from paying out substantial dividends, associates wish to re-invest much of their cash flow to grow themselves

Oliver concludes that Minorco could not compete effectively over the medium term because cash flow in the form of dividends is severely limited "So the forced sale of assets, rights issues or debt become the only options open to compete against associates able to control their own cash flow," he says Even without Cons Gold, their logic suggests the transformation of Minorco will continue

But the approach may have to change Minorco has made a number of uncontested acquisitions, generally minority stakes, in smaller companies such as Adobe Resources Though it surely knew Agnew would fight, Minorco chose to start implementing its strategy with a hostile bid for one of the bigger fishes in the natural resources arena Apart from the political and emotive defence, some of it homing in on Anglo's historical record in the US, the result also exposed astonishingly poor personal relationships between some directors of the groups

Even after Minorco won acceptances for more than 51% of Cons Gold, GFSA chairman Robin Plumbridge clung to a stance not to accept the offer until it is fully unconditional and all legal qualifications have been lifted Yet if Plumbridge's board accepts and the offer succeeds, GFSA and Drie Cons (which together hold the Cons Gold stake) stand to make a huge capital gain

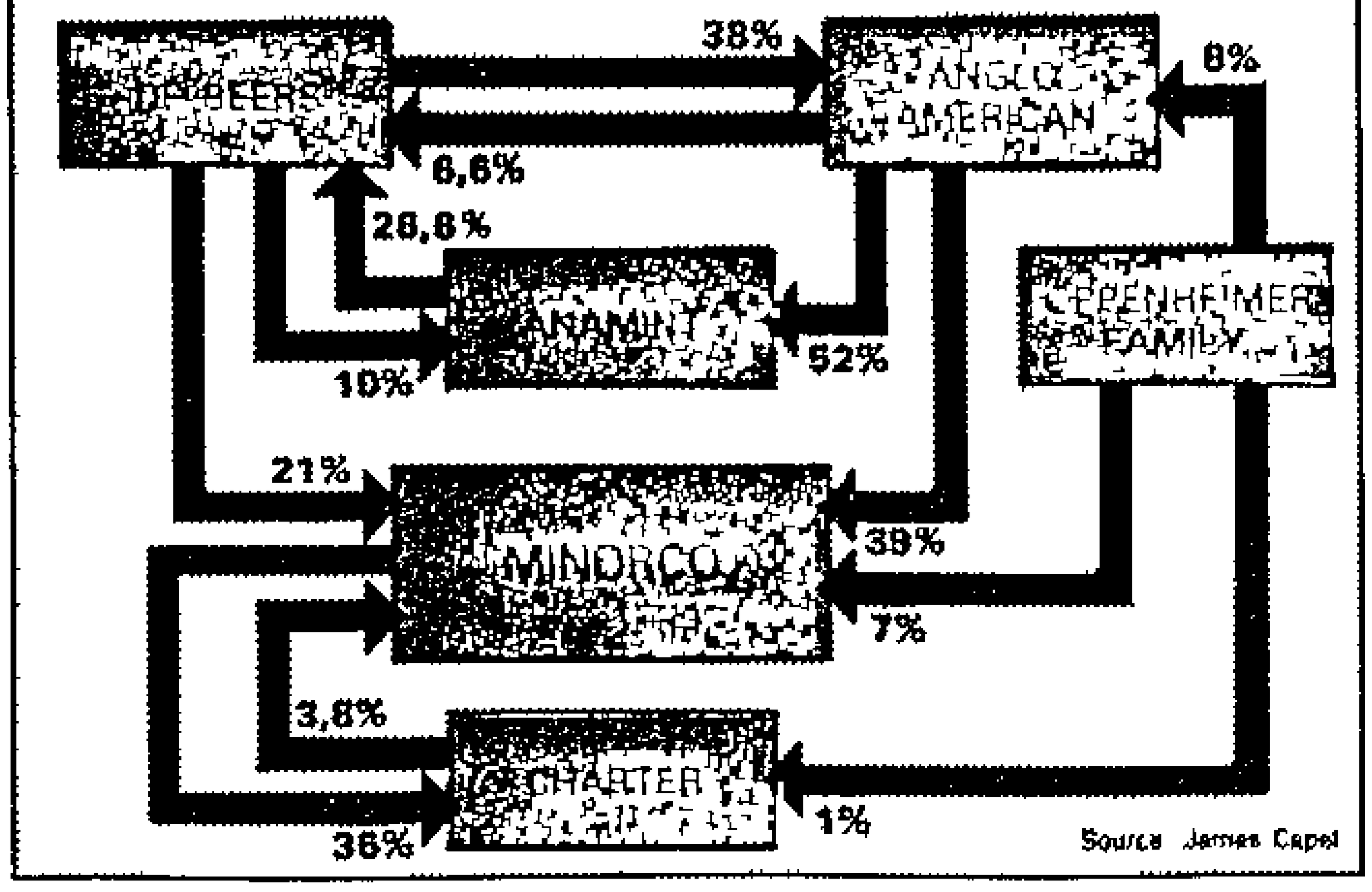
Of course, the fate of Cons Gold's 38% of GFSA is no foregone conclusion Analysts note that if it goes to Rembrand, Plumbridge may become even more independant, if it goes to Gencor the implications are less clear, but he could end up out of a job

In many companies, heads might roll in the event of a bid as costly as Minorco's failing But that can almost certainly be ruled out should this one not come off Julian Ogilvie Thompson, chairman of Minorco and De Beers, is one of three deputy chairmen of Anglo and looks unassailably placed to succeed Gavin Relly as chairman of Anglo He has a powerful supporter last year, at De Beers' centenary banquet, Harry Oppenheimer described Ogilvie Thompson as "a very great businessman He is, technically, in my opinion, better equipped for (the chair of De Beers) than any of his distinguished predecessors "

With or without Cons Gold, Minorco's strategy will continue — but it will be surprising if there are many more hostile bids Friendly takeovers seem more probable

The problem is, if the object is to build an actively managed company controlling its own assets, that could narrow the field considerably And after asset shuffling is complete, Minorco will have to show that it can manage an operational business ■

The Oppenheimer link



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GENCOR/MOBIL

Cash benefits

Until this week, Gencor's vaunted energy division seemed to exist somewhat more in the future than in its operating businesses That changed when it was confirmed at the weekend that the house has bagged Mobil SA, reputedly for a low price

Details are skimpy — the Gencor announcement says there will be further information on finalisation of the agreement which is unlikely before the end of June While the price has yet to be disclosed, a figure around R600m has generally been mooted

Should this be correct, it must mean that Gencor has got a bargain in terms of assets and potential cash receipts A senior source in the oil industry says that, without knowing precisely what Gencor has bought and without a profit record, an accurate estimate cannot be placed on the value, but he feels that around R500m would be regarded as "very cheap" and a price above R1 000m would be excessive

The sale includes the Mobil refinery in Durban and the retail and commercial petroleum marketing networks operated by Mobil in SA, Namibia, Botswana, Swaziland, Lesotho and Transkei This means there are substantial assets involved Apart from the oil refinery, it can be assumed that large amounts of capital are tied up in the marketing and distribution side of the operation In SA, the major oil companies have long had a practice of directly owning a large proportion of their service stations, with the rest franchised Gencor will be acquiring probably hundreds of such properties nationwide

Capital projects

Trek, which operates 366 service stations, is a Gencor susidiary, so the group knows what to expect from the distribution side Both this and the refinery could be particularly useful to the group over the next few years Gencor chairman Derek Keys has referred to various capital projects and, it's hoped, acquisitions in the pipeline for Gencor Just one of these offers a reason why the cash flow from Mobil would be useful Gencor has the right to acquire 30% of Mossgas

Once the commercial viability and robustness of Mossgas has been shown, or not later than six months after commercial production starts, certain loans will be replaced by equity and Gencor is expected to elect to invest about another R600m in 1988 money to maintain its stake in the venture

Oil refining and distribution of petroleum products is seen as a mature business which should, in general, be a strong cash generator At any particular time, though, profitability of crude oil refining is variable The cost of the crude oil to the refiner is linked to the international price and the refining margin achieved is essentially an international margin

When international refining margins are under pressure, the profitability of the local oil refiners are depressed. However, a fall in crude oil prices tends to result in temporarily widened refining margins due to the time-lag between the fall and the corresponding movement in refined product prices The other big factor which influences a refiner's profitability is throughput of crude oil This has increased recently

Sasol, which owns 52,5% of Natref, noted last year that it was expecting an increase in the local refining margin and higher crude oil throughput and was, therefore, anticipating rising profits from oil refining Analysts say the present profitability of Natref should not be underestimated and that it partly explains the recent strength of Sasol's share price

Growth constraints

Industry sources estimate Mobil's share of the total SA retail market for liquid fuels at around 18-20% All of the other multinationals are also reputed to hold between 15% and 20% of the market The company has diversified to some degree and its refining operation apparently includes plants to recover aromatics and to produce lubricating oils The Mobil Foundation, established with a provision of R40m, is to have its funding extended until 1994 at least

What is less clear is where the growth will come from There are three constraints — which may have been among the "business considerations" taken into account by Mobil Corp — to the growth potential for a pure refining and distribution operation, particularly one in which any capital investment almost certainly would have been limited Firstly, prices and the return on investment in the marketing operation are subject to government controls, there is a fixed marketing margin Secondly, the medium-term outlook for the international refining margin looks unattractive

Thirdly, and more importantly, given that the official policy is to favour approved synfuel projects, any new synfuel plants could mean that the throughput of the refiners will be reduced

Their level of capacity utilisation then would again depend on expansion of market demand in line with growth in the economy and the population In the long term, the refiners may well see their capacity fully utilised again, but the inevitable development of SA's synfuel industry does restrict their growth potential

Meanwhile, Mobil could be a very useful acquisition for Gencor *Andrew McNulty*

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AVIATION DEREGULATION

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High hopes

The specialist report on deregulating civil aviation in SA should be in government's hands by September — in time for amended legislation to be lodged early in 1990

This is the prediction of Transport Affairs spokesman Leon Els

Deregulation centres on rewriting the antiquated Air Services Act of 1949 A central issue to be challenged in the new legislation will be Section 10 of the Act, which offers route security to any carrier providing a satisfactory service under its existing licence

In the case of SA Airways (SAA), this has enabled the national carrier to monopolise about 94% of SA's civilian air traffic business — with competitors virtually excluded from entry

"We have received and studied a number of reports on overseas experiences with airline deregulation Once this preliminary work is completed, we will, later this year, submit proposals for an amended Air Services Act to government," says Civil Aviation chief director Japie Smit

The new Act should allow more than one airline to compete on specific scheduled routes This will open the way for SA's major private airlines — Safair, Comair, Magnum and National Airways — to offer competitive services on SAA's lucrative, high-density routes

Safair is busy establishing a strong corporate presence through a high-profile advertising campaign Other private airlines are also doing their homework On certain low-density routes, the authorities have already allowed limited competition

But, while a streamlined Air Services Act seems to be in the offing for early 1990, privatising SAA remains years away, Els says no timetable has been set yet for privatising the airline, although Comair CE Piet van Hoven says government is "busy severing the umbilical cord that links SAA to the SA Transport Services"

With its fleet of 37 jets (eight Airbuses, 12 747s and 17 737s), SAA flew more than 4m passengers on domestic routes in the 11 months to end-February 1989 This was 800 000 more than the 3 255m passengers carried in the year to end-March 1987 Over the same period, international passengers grew from 577 000 to 625 000 — an increase in the passenger load factor from 58,4% to 62,4%

On domestic routes, the load factor remained a steady 72%-73% ■

Gant sells to Tollgate Holdings

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Own Correspondent

CAPE TOWN — Tollgate Holdings said at the weekend it had taken over the controlling share in food processing and agricultural giant Gant's Holdings from the Gant family It also acquired Chris Willemse Cycles

Acorn's plans to lease out crew and aircraft 232

BDay 3/5/89

New deal in the offing for local air commuters

CAPE TOWN — A new deal could be in the offing for air commuters on internal flights — and if Acorn has its way, South Africans could have the option of more efficient and cheaper flights by next year

Following yesterday's statement by Transport Minister Eli Louw that government will deregulate internal flights, Acorn (Aircrew Operating and Recruiting Network) announced they would probably buy several new aircraft early next year

"We are offering a unique and fresh concept which could change the face of air travel in SA," said Acorn director Capt De Villiers Steyn

Acorn is the marketing and corporate arm of SAA Pilots' Association, and has more than 600 pilots and maintenance crew as members

"With deregulation in the offing we offer a completely new type of service in the aviation field," said Capt Steyn

"We will lease any entrepreneur the crew and the aircraft, while he must look after the marketing side"

Steyn said he could not go into detail yet as Acorn had only expected the Minister's deregulation statement later this year

Louw told Parliament that state air-

Own Correspondent

ports and air traffic services could be privatised "in due course".

Later, Department of Transport chief PRO Leon Els said legislation would be tabled next year, and private air operators could apply to work domestic routes in the meantime

Louw this week invited companies wanting to compete with SAA on existing and other routes to submit applications in this regard

Discussions

He also announced that airports and air traffic control services would be converted to public companies with a view to privatising them

Although the Minister was still having discussions with relevant parties, Els said the new moves would affect airport services not already run by the private sector, including air traffic control, baggage handling, fire services and airport management

"The whole spectrum of airport facilities would be involved in a corporation"

Catering and parking at airports were already privatised.

Els could not say whether this would mean greater expense to the public

Steyn said "Pending the outcome of a feasibility study, Acorn will be purchasing a number of new, modern, medium-to-large jet aircraft for operation early in the new year

"We will not be in competition with SAA or any other airline

"Anyone will be able to make use of our crew or aircraft for a day charter or on an internal route for any period — and it is up to them to market seats."

He said Acorn's concept had been met with enthusiasm as SA did not have the resources to be able to afford the "scramble" that followed a similar deregulation move in the US

The new scheme could mean more flights on long weekends, or in the long term, special tourist charters

Els said it was still too early to pinpoint exactly how the changes would affect the man-in-the-street financially but the competition had to benefit the public

He said the plus factors in the long run were that private companies were more flexible and could obtain funds more easily on the open market

"Competition with SAA on existing and other routes will keep everyone on their toes," he said

Nationwide applies for winding up

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CHARLOTTE MATHEWS

A MAJOR dispute between ordinary and preference shareholders of Nationwide Real Estate Group Limited has culminated in the mass resignation of the board of directors and an application for the winding up of the company

Nationwide, launched in June 1987 by Johannesburg estate agents Mannie Osband and Scott McRae, is a referral network organisation consisting of about 120 estate agents in SA

The association offers a relocation service controlled by a central computer databank and benefits to members include training, volume purchasing and national advertising strength

Nationwide is jointly owned by Osband and McRae's company Osrae, which holds 80% of the equity ,and by MD Lourens Badenhorst, who holds 20% In addition, 250 000 preference shares of R3 each are held by estate agencies

According to Badenhorst, Nationwide was not in serious financial trouble

"I lodged an interdict because I am one of the biggest creditors of the company and also a shareholder If the company goes down preference shareholders stand to lose about R300 000," he said

"One of the major areas of dispute arose where members wished to standardise the corporate identity but the majority ordinary shareholders were not prepared to commit themselves There was a conflict of interests

"I believe the ordinary shareholders wanted to change the philosophy of the company and go the franchise route "

McRae and Osband could not be reached for comment yesterday

3/10/85/5/89

Louw warning to workers

ALAN FINE

FREE Market Foundation director Leon Louw has warned workers against oposing the privatisation process

His alert came at a seminar on Wednesday at Sandton when unionists said privatisation would lead to lay-offs and greater monopolisation of the economy by big business

NUM national organiser Gwede Mantashi said privatisation would destroy prospects of "self-determination among the oppressed" by encouraging the swallowing up of small businesses by large ones

He added it would also discourage the building of workers' co-operatives and strong hawkers' organisations

Louw said research for his organisation showed SA had R300bn worth of public assets capable of being sold to the private sector

He added the entire shareholdings of privatised assets should be distributed among employees or the population

This would prevent large corporations from increasing their stake in the economy and substantially increase the stake of blacks

Louw said ownership of state-owned houses should be handed over to thier occupants

The seminar on privatisation and deregulation was organised by the hawkers' organisation Achib

Achib president Laurence Mavundla said his organisation was fighting for the right of traders to earn a living Members would simply ignore the laws and regulations standing in their way until these were scrapped

Federale Volksbeleggings GM Anton Roodt, seconded to the Department of Administration and Privatisation, said privatisation and deregulation could represent a fundamental break with apartheid

● See Page 6

LABOUR LETTER/Alan Fine

The pros and cons of P & D

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AN EXTRAORDINARY seminar was held in Sandton on Wednesday when representatives of small business and big business, trade unionists, government specialists and lobbyists came together to discuss privatisation and deregulation (P & D)

The seminar was held under the auspices of the hawkers' organisation Achib Given the respective enthusiastic and hostile attitudes to these critical developing policies, the question was why such a gathering has been so long in coming

Not that there was much sign of any consensus emerging, other than general agreement that all apartheid laws and regulations should be scrapped Indeed, proponents and opponents of P & D spent most of the time talking past each other

□ □ □ □

SPEAKERS like the Free Market Foundation's Leon Louw, SAB's Gary May, Anton Roodt of Federale Volksbeleggings (and presently seconded to the Department of Administration and Privatisation) and Professor Louise Tager of the Law Review Project all gave enthusiatic support to P & D

They frequently cited the trend towards, and success of, such policies elsewhere in the world — from the communist East to the conservative and social democratic West and the right-wing Third World and newly developed countries

Unionists, including the NUM's Gwede Mantashi and former Nactu leader and now labour specialist at Wilgespruit Pandelani Nefholovhodwe, expressed total hostility to these views

For Mantashi, P & D meant retrenchments — as the NUM has experienced at Eskom (Louw, who has ready answers to most criticisms of privatisation, had a seemingly simple one to this In informal discussions later he said employees of firms to be privatised should be given a blanket guarantee of job security for a generous period, and this should be a condition of sale to the new shareholders)

P & D would also, Mantashi believed, lead to greater monopolisation of the economy as any successful small black businesses would inevitably be swallowed by large corporations It would also mean lower wages for not necessarily more people, and a further blow to the majority's aspirations for co-operative forms of production.

□ □ □ □

NEFHOLOVHODWE based his suspicions of the P & D process on the fact that it is being championed and carried out by business and government, using and eliminating laws the majority had no say in formulating Their interests, he implied, must be contrary to those of the "working class"

Speakers both for and against P & D said a satisfactory economic system was dependent on equal political rights However, opponents of P & D tended to see political rights as a precondition for any economic restructuring

The seminar also threw up an interesting conflict between unions and hawkers.

Nactu president James Mndaweni proclaimed hawkers fully fledged members of the working class and, hence, they should play their rightful role in the struggle for socialism.

Achib president Laurence Mavundla, in his talk in support of deregulation, responded that hawkers did not want to be considered "workers" Their own struggle would be carried forward in concert with the labour movement only if they were accepted as the businessmen they were, he said

□ □ □ □

IT IS not surprising that this first face-to-face debate between antagonists on P & D should produce little in the way of consensus The same occurs, on another level, in every set of union/management negotiations. There are many areas where conflicting interests make consensus highly unlikely

But if SA's future economic structure is to be negotiated, perhaps Achib provided society a service by hosting the opening round

REVIEW

Picture DICK USHER, Weekend Argus

Members of the Chemical Workers' Industrial Union demonstrate outside Mobil House in central Cape Town at lunchtime yesterday in protest at the company's decision to withdraw from South Africa without first negotiating with the union.

W/ E ARGUS 6/5/89

Mobil's not No 1 with union

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By DICK USHER
Weekend Argus Labour Reporter

MOBIL employees have started a series of actions against the company in protest against its decision to withdraw from South Africa.

Members of the Chemical Workers' Industrial Union in Cape Town, Durban and Johannesburg have taken part in the protests aimed at pressurising the company to negotiate conditions of withdrawal with employees.

In Cape Town yesterday, about 30 shop stewards from the union held a 30-minute placard demonstration outside Mobil's South African headquarters in the city. In Johannesburg there was a similar demonstration

A union spokesman said that further actions were contemplated depending on the outcome of a meeting scheduled for Monday between the union and management.

The union said workers at the refinery in Durban had instituted an overtime ban.

A Mobil spokesman there said no action had taken place, but a workers' meeting was to be held soon

On Monday, the union and Mobil are to discuss union demands on disinvestment, including guarantees of job security and severance pay

The union has also entered an urgent court application to halt Mobil's sale to Gencor, pending negotiation of disinvestment demands

Privatisation of 2 more public services announced

Cape Times 6/5/89 (232)

THE privatisation of two state functions was announced by the Minister of Administration and Privatisation, Dr Dawie de Villiers, yesterday, as part of a plan to create a smaller, streamlined and more effective public service

Replying to debate on his vote of the Budget, he said the construction and maintenance of roads and the catering, horticultural and cleansing services would be privatised

Seventy-five percent of road construction and maintenance would be given to private undertakings by the 1994/5 financial year At present there were 32 000 staff members involved in these activities, and the phasing in of this policy would result in a reduction of staff

The catering, horticultural and cleansing services would be privatised over a period of three years, and amounted to the single largest privatisation in the public service to date At present there were 38 000 people employed in these services

"I wish to assure all employees that their interests will be taken care of and the changeover will take place over three years, so workers will not have to be discharged "

He said various investigations into the privatisation of services were under way, and about 80 activities had already been identified — Sapa

Privatisation 'could lead to hardship' — MP

PRIVATISATION of certain key state departments could lead to hardship for a large percentage of the population, which was struggling to improve itself from Third World conditions to First World standards, Mr Desmond Lockey (LP Nominated) said yesterday

Speaking in the Administration and Privatisation vote of the Budget, he said companies which were privately operated would be less likely to be sympathetic to the needs of the developing population, and would be interested in making profits

Health services was one area in which large numbers of people were battling to maintain pace with rising medical costs If these state services became privatised, it would mean that many people would be unable to afford health care

Mr Jasper Walsh (DP Pinelands) also expressed concern at the privatisation of health services, which could add to the crisis which already existed among large sections of the population — Sapa

MP: Councils 'should privatise'

Political Staff

LOCAL authorities should look seriously at privatising sections of their operations such as abattoirs, street cleaning and waste disposal, the MP for King William's Town, Mr Ray Radue, said yesterday

Speaking during the debate on the Privatisation budget, Mr Radue added that privatisation in Britain had started at third-tier level in city institutions

Regulation, Mr Radue said, had the effect of "throttling enterprise" and limiting the informal business sector.

After Mobil withdraws from SA . . .

W/E ARGUS 6/5/89

MOBIL'S sudden decision to withdraw from South Africa will have widespread repercussions.

It immediately increases the pressure against the continued presence of Caltex and Shell. Caltex is now the only US-owned oil company remaining in South Africa, while Shell is under quite serious pressure in the Netherlands.

Will they be forced to the decision that returns from doing business in South Africa aren't worth the hassle?

LABOUR AFFAIRS

DICK USHER

Beyond this, with Gencor snapping up the assets, it's another step in the accumulation of the nation's wealth in fewer and fewer hands

The Chemical Workers' Industrial Union (CWIU) is somewhat suspicious of the Mobil move and will be meeting management on Monday to discuss the withdrawal, followed by a court action on Tuesday which will seek to halt it.

The union has been pressing multinationals for national negotiations on disinvestment, with not much success.

Companies refused to consider one bargaining forum and when the CWIU sought to declare dispute the Minister of Manpower refused to appoint a conciliation board to hear them.

Since then they've had agreements with several companies to negotiate individually, but a union spokesman said progress had been slow.

Meanwhile, spokesmen for the union movement point out that the Mobil withdrawal, a result of international pressure against doing business with South Africa, must raise questions about how the South African economy will cope with any further withdrawals.

While the effects of disinvestment might not yet be severe, an already struggling economy needs all the help it can get — which doesn't include disinvestment and non-investment.

Leaving aside any questions of morality, one can't help suspecting that the Botha government learnt the same lesson in Namibia as the Johnson administration learnt in Vietnam — you can't run a foreign war and a reform at home simultaneously.

You simply don't have the money.

Union spokesmen argue that, as the economic crisis deepens, it is increasingly clear that the "reform" programme seeks merely to deracialise the economy and cannot resolve the crisis because it does not address the basic structural problems.

In the end reform addresses only the material needs of about 30 percent of the population in the industrialised sector, leaving the other 70 percent to struggle along as best they can.

In which case the state's repression, engendered by the fight against its policies, and the state's reform programme are not competing strategies but the same strategy, they argue.

Leaving the question still hanging: Is doing business with South Africa worth the hassle?

Differing views on privatisation

Crown 7/5/89 332

By CONNIE MOLUSI

ECONOMIC growth is recognised as the basis for the creation of employment and wealth to bring about a prosperous South Africa, but there is disagreement on how to achieve it

The African Council of Hawkers and Informal Businesses (Achib) this week hosted a conference for businessmen and trade unions on deregulation and privatisation

The divergence of views on measures proposed to salvage the ailing South African economy were so sharp they seemed irreconciliable

Privatisation and deregulation are policies that have gained currency in South Africa with businessmen and the government

Protagonists claim they will revitalise the ailing South African economy

What they seek to do is to transfer some public sector services such as hospitals, Escom, postal and transport services to the private sector, which it is believed, will manage them more efficiently

Privatisation and deregulation encourages the growth of small businesses and the informal sector, which are seen as labour intensive and likely to create new jobs

Trade unions argue that privatisation will lead to retrenchment, which will affect wage levels and social benefits

SA Breweries' Gary May argued that the need to free the economy from government intervention was shown in Soweto where there are luxury cars, big houses and decent food, but no good public schools

This discrepancy was because the distribution of cars, houses and food is decided by market forces, while schools were the responsibility of government bureaucrats, he said

National organiser of the National Union of Mineworkers, Gwede Mantashi, said the first thing employers think about when rationalising costs is to reduce labour costs, which leads to retrenchment and eventual loss of jobs

Mantashi said "Privatisation does not create employment, but rather leads to workers losing their jobs " He quoted statistics at Escom, which is being primed for privatisation

Between 1985 and 1986 Escom reduced its work force from 66 000 to 60 000 and in 1988 6 700 workers lost their jobs. In the view of workers, privatisation was a real threat to job security

Mantashi said parastatals had been established to render services to the community – such as electricity and transport – without necessarily aiming for profits He said the basis of privatising State-owned concerns was to transform them into profit establishments

CNA Gallo acquires 31% stake in Mast

SYLVIA DU PLESSIS

RETAIL and entertainment group CNA Gallo has acquired a 31% stake in management training company Mast Holdings for R3,6m, Mast announced on Friday

The deal, effective from April 1, includes the 26% stake previously held by Mercedes Datakor, and includes Mast's 100% acquisition of Gallo Vision, the education and training division jointly owned by PA Gallo and Co and the CNA Gallo group

The Gallo Vision deal — also effective from April 1 — was concluded through the issue of an additional 2,4-million shares for a purchase consideration of R1,1m

Revenue

Mast CE Stephen Dallamore said the deal with Gallo Vision was in line with Mast's strategy of acquiring complementary businesses with cross-selling opportunities

"Part of Mast Holdings objective is to be leaders in the field of hi-tech educational products which will reduce our reliance on revenue earned from time-charging," he said

CNA Gallo paid 53,9c a share for the 4,5-million shares previously held by Datakor

● BAND

"CNA Gallo has partnerships in many people-intensive businesses and it understands the requirements of a business like ours

"We are confident the association will bring many benefits to Mast as CNA has a number of ventures in the education area," Dallamore said

CNA Gallo MD Doug Band said the it had long been the group's stated strategy to expand into the education and training business (232)

Mast was identified as a partner with whom CNA Gallo would like to be associated, he added

CNA Gallo's association with Datakor — which at the time of its listing took a stake in Mast — had been beneficial in many ways

However, it became apparent Mast and Datakor were pursuing different strategies, he said

Desirable

"Accordingly, we have moved out of the Datakor orbit — this was done in two stages," said Dallamore

"Earlier this year Mast management purchased 8% of the Datakor shareholding Following this the acquisition of Gallo Vision brought with it the opportunity for CNA Gallo to take up Datakor's 26% stake," he said

Gallo Africa director Geoff Engel said on Friday the group saw it as "desirable" to increase its 31% stake in Mast in the long term

Plan to slash salary bill by R563m

Govt to scrap 60 000 jobs

Cit Times 8/5/89

232

Political Staff

GOVERNMENT plans to slash R563m off its annual salary bill by scrapping 60 000 public sector jobs in the next three years

First details of plans to hand over the running of gardening, catering, cleaning and nursery services to the private sector were released by Administration and Privatisation Minister Dawie de Villiers in his budget vote on Friday

De Villiers said the privatisation of these services would take place over three years and would affect 38 000 jobs

A spokesman for his department said that a total of R360m had been budgeted for these services this year

De Villiers said the Commission for Administration had also identified 1 617 posts in 22 government departments that would be scrapped

A further 19 905 posts had been identified for possible abolition in the near future The total expenditure attached to these posts amounted to R203m Besides the saving from the scrapping of posts an additional income of R26,3m would also be realized, De Villiers said.

The actual saving achieved by government by doing away with these posts will amount to less than R563m a year, but with the services being contracted out to the more efficient private sector, it is expected to be substantial

Among the departments where jobs are to be abolished are Trade and Industries, Agriculture, Agricultural Economics and Marketing, Public Works, Home Affairs, Foreign Affairs, the own affairs administrations and the provinces

An Administration and Privatisation spokesman said public servants whose jobs were done away with would either fill vacant posts in other departments or be retrained for new jobs

Government would also assist them in finding jobs in the private sector Only as a last resort would the public servants be fired

With regard to the privatisation of cleansing and other services, the spokesman it was anticipated that natural erosion would result in 25% of employees leaving in the next three years

Negotiations had already been held with private sector companies and i was anticipated that they would take on up to 60% of the employees or receiving contracts to provide the ser vices for government

Government had also held discussions with the SBDC, which would play a role in motivating some State employees to start their own enterprises to provide services to the State

The remainder would be retrained for new jobs in the civil service or be transferred to fill vacancies in departments like defence, which would continue to provide their own catering and other services

The spokesman said some departments were already set to privatise various functions.

The Cape Province would soon privatise nurseries, the House of Representatives was ready to privatise gardening services, while the Transvaal Provincial Administration would soon start a pilot scheme for private companies to provide meals to between six and eight hospitals

De Villiers said progress was also being achieved in improving productivity in the public service A total of 130 quality circles were in operation and had already realized savings of R140 000

Privatisation – good or bad for SA?

By Jovial Rantao and Matshube Mfoloe

At a seminar held last week under the auspices of the African Council of Hawkers and Informal Businesses at Helderfontein, outside Johannesburg, sharp differences emerged between trade unionists and members of the private sector on whether privatisation and deregulation were a solution to the country's economic and political woes

Speaking on "An exchange of views on deregulation and privatisation — trade unions and the private sector", unions expressed hostility towards privatisation and deregulation while the private sector was enthusiastic about these

The trade union's view:

National Union of Mineworkers national organiser Mr Gwende Mantashi said privatisation was a remedy to capitalist ills and was aimed at improving the quality of life for only 40 percent of the population to the exclusion of the majority of South African society

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He said profit maximisation was the primary motive for privatisation

"Profits knows no safety, profits have no regard for the welfare of the workers or job security Those interested in profits do not care whether people have jobs or not

"South Africa is today in the process of privatising national roads, hospitals, education etc One does not require any intelligence to realise that this will have serious social effects on us

"What happens to the taxes that the workers pay? Shouldn't they be utilised to build infrastructures or developing our houses, subsidising education for our children or the supply of electricity? Shouldn't the State subsidise medical care and hospitals?" Mr Mantashi asked

It was because of the greed for profit that the Government chose to privatise its assets

Mr Mantashi said that, to the workers, privatisation meant retrenchments and no pay increases for those retained

National Council of Trade Unions president Mr James Mndaweni told delegates that hawkers were part and parcel of the working-class movement But hawkers needed a proper organisational expression to be able to fit in to the working-class movement

Mr Mndaweni said such a hawker organisation should encourage co-operation rather than individualism and had to put to the hawkers that their state of affairs was a result of capitalism, which had to be eradicated in the long term

"A hawker organisation is very useful for the trade union movement in that it assists in curbing scabbing by the unemployed during strikes and other forms of industrial action

"A hawker organisation can also develop other economic projects like co-operatives for the unemployed and create a socialist embryo within the capitalist system," Mr Mndaweni said

The private sector says:

Free Market Foundation executive director Mr Leon Louw said trade unions should support deregulation and privatisation He told delegates that apartheid was an exercise in "ethnic socialism" involving huge deployment of State resources and massive Government bureaucracy with high public spending aimed at advancing the interest of a particular section of the population

Mr Louw said "Privatisation and deregulation are building blocks of greater individual freedom towards economic and political democracy"

Ms Louise Tager, a professor of law at the University of the Witwatersrand, said State control through regulations stifled economic development and growth She said new jobs could not be created and existing ones were put in jeopardy

Professor Tager said she viewed small businesses as the real source of job creation Deregulation would open doors for those who were previously excluded by discriminatory legislation

Federale Volksbeleggings general manager Mr A Roodt said privatisation and deregulation could be what the workers needed to break apartheid

Workers take Mobil to court

Cit Times 9/5/89

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DURBAN. — The Chemical Workers' Industrial Union (CWIU) "will be exercising its rights" in the Industrial Courts today when its application for an interdict against Mobil SA is set down for a hearing, it said after a meeting here yesterday to discuss the oil company's disinvestment plans.

A statement by CWIU said the only undertaking that Mobil would give was that the union could exercise its rights under the law if Mobil attempts to change workers' conditions of employment.

The union claimed that Mobil negotiators denied they had any prior knowledge of the disinvestment plans.

It said Mobil refused to disclose information about the disinvestment. — Sapa

Focus on Takeover Panel decision in Minorco bid

CAL. Times 9/5/89

From ROBERT GENTLE

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

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

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

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

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

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

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

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

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

He said that if the panel ruled in ConsGold's favour, it would be setting a dangerous precedent

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

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

Cost benefits of mergers

9/5/84 232

Financial Editor

SUGGESTIONS that SA has too many financial institutions, that it is over-banked or that there are too many life assurers and building societies, should not dismay members of the Institute of Life and Pension Advisers (Ilpa), Southern Life executive chairman Neal Chapman said yesterday.

Opening the three-day Ilpa convention in Cape Town, he said. "These calls address the cost benefits which should flow from mergers and acquisitions which are expected to reduce the number of institutions in the marketplace to a precious and prosperous few

"I think we should be quite clear that rationalization will not of itself improve the quality of financial advice being given in the marketplace

"There will always be both room and demand for the truly professional financial consultant and an equally great demand for personal attention to the client's needs"

Chapman said that in recent years "there have been those in authority who spoke and behaved as though they had forgotten the enormously important role which our industry plays in offering an avenue of savings for even the lowest income levels.

"We have all become familiar with the term 'level playing fields' and there are leaders of institutions other than life offices who misuse the phrase to suggest that either our industry performance should be reduced or the quality of returns which we offer the small saver as well as the larger investor are too high — a logic which I find totally confused.

"We are a nation in transition — a nation where savings per capita have fallen dangerously low

"We are also a nation which needs to demonstrate to the potentially millions of new savers just how our industry goes about its business of creating and protecting wealth"

Platinum	$533,10
Palladium	$160600
Raw Sugar	£182,60

Govt to investigate Eskom privatisation

Cit Times 9/5/89

232

By MIKE ROBERTSON

GOVERNMENT has ordered further investigations into the privatisation of Eskom and hopes to be in a position soon to clarify the fate of the utility.

Administration and Privatisation Minister Dawie de Villiers has ordered a series of probes to determine:

- The consequences if Eskom were to become a taxable entity at the moment.

- The most advisable corporate structure for Eskom as well as the creation of shares in such a structure.

De Villiers has also instructed that a consultant be appointed to evaluate the financial model put forward in an internal document on possible privatisation prepared by Eskom.

That report had said Eskom could be privatised.

De Villiers said arguments that tariffs would rise to unacceptably high levels when Eskom became a taxpayer and distributor of dividends were superficial.

They did not take into account commercial efficiencies that would flow from privatisation. Nor did they address the current situation where low tariffs were being subsidized by the taxpayers and nobody knew the real cost of the subsidy.

"The fact is, when an enterprise is not a taxpaying entity and renders an important product or service to the community, somebody else is having to pay for the perceived low tariff of that service," he said.

At the moment an unfair burden rested on taxpayers who were not major consumers of electricty.

In future the users of electricity would have to pay market-related prices.

TAKEOVERS

MGWS 9/5/89 232

Takeover Panel backs Minorco

Business Staff

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

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

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

LITIGATION

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

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

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

FRUSTRATE BID

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

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

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

Minorco has obtained acceptances for its offer from shareholders representing 54,9 percent of Cons Gold's shares.

PREVENTED

Minorco is prevented by the injunction from taking control of Cons Gold

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

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

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

CONDITIONAL

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

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

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

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

LEGAL SENSE

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

Cons Gold controls 40 percent of Newmont's voting rights

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

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

Takeover body rules for Minorco

M6aJ 9/5/89

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By TOM HOOD
Business Editor

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

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

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

BIGGEST BATTLE

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

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

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

● See page 16.

Govt to investigate Eskom privatisation

B/Day 9/5/84 (232)

MIKE ROBERTSON

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● DE VILLIERS

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Nor did they address the current situation where low tariffs were being subsidised by the taxpayers and nobody knew the real cost of the subsidy.

"The fact is, when an enterprise is not a tax paying entity and renders an important product or service to the community, somebody else is having to pay for the perceived low tariff of that service."

At the moment an unfair burden rested on taxpayers who were not major consumers of electricty, De Villiers said.

In future the users of electricity would have to pay market-related prices.

Counter bid for Mobil

CMt 1/4 B 10/5/89 232

Own Correspondent

DURBAN. — A syndicate of black businessmen from Natal has made a counter bid to take over the giant Mobil Oil company in SA by offering 5% more than the Gencor offer.

Hariram, of Libra Finance Trust Co, of Durban, said yesterday that he had been appointed to act as negotiator on behalf of a syndicate of black and Indian businessmen.

"If American companies are sincere in their motive for pulling out of SA, they should also consider selling their interests to blacks who have the financial resources to enter into big business undertakings.

"Disinvestment must not be a one-sided issue," he said.

In a letter to the MD of the Mobil Oil Corporation in New York, Hariram said: "We act for a syndicate of black businessmen who have instructed us to address you on the proposed sale of Mobil Oil (SA) to Gencor.

Hariram said he would be flying to New York on May 19 to discuss the offer with Mobil.

By last night, there was still no response from Mobil's management in New York to a fax sent by the Mercury inquiring about the counter offer made by Hariram.

Minorco boardroom battle-spearheaded by locals

10/5/89

Argus

232

By TOM HOOD,
Business Editor

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

TAKEOVER

Mr Parker, a former managing director of O'Okiep Copper, now hold oneof the top mining jobs in the United states as chairman of Newmont Mining Corporation

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

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

□□□

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

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

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

The bid is the biggest in British business history and the battle has become the one of the most expensive and viciously fought

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

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

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

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

□□□

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

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

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

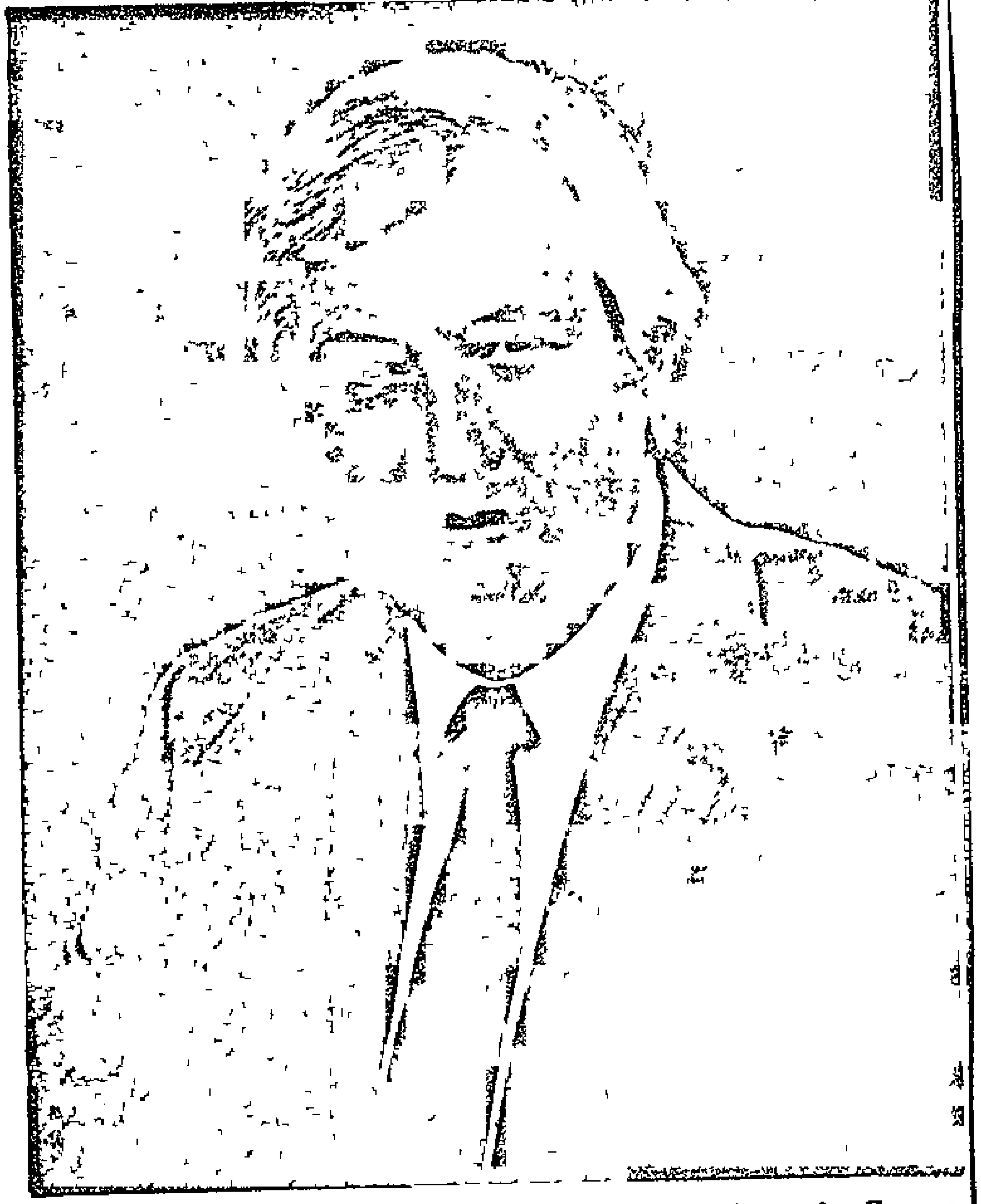
But Minorco claims a monopoly is impossible because Newmont is independent of Con Gold Also Minorco is committed to selling Newmont

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

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

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

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



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

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

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

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

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

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

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

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

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

R1 bn sell-off of Iscor starts in November

STAR 10/5/89

232

CAPE TOWN — The billion-rand sell-off of Iscor to the private sector is due to start early in November, with Government restraining big business and foreigners.

Sources said yesterday the Government had established "guidelines" limiting Iscor stock bought by any group of shareholders to no more than 20 percent.

It also intended pegging total foreign investment to 20 percent with any foreigner allowed a maximum of 10 percent.

This emerged as the Minister piloting the Government's privatisation programme, Dr Dawie de Villiers, was about to speak on a Bill set down for debate in Parliament yesterday, preparing the way for Iscor's conversion to private enterprise.

The State expects at this stage to realise more than R1 billion from the phased sale, starting on the Johannesburg Stock Exchange six months from now.

Iscor slices limited to 20%

232 Star 10/5/87

Political Staff

CAPE TOWN — The billion-rand sell-off of Iscor to the private sector is due to start early in November, with Government restraining big business and foreigners from being too greedy.

Sources said today the Government had established "guidelines" limiting Iscor stock bought by any group of shareholders to no more than 20 percent.

It also intended pegging total foreign investment to 20 percent at most, with any single foreign investor allowed a maximum of 10 percent.

Speaking on the details of Iscor's gradual switch in Parliament — conducted in stages because of the sheer size of the steel giant — Minister of Privatisation, Dr Dawie de Villiers, said the state expects at this stage to realise more than R1 billion from the phased sale, starting on the JSE six months from now

Government sources said Dr De Villiers wanted State intervention in Iscor to be "absolutely minimal".

It is the first major South African privatisation project so far undertaken

Sources said one of the State's principal aims was to promote wide share ownership.

Top officials thought there was an "over-concentration of economic power in too few hands", hence the introduction of the 20 percent ceiling

Acquisition ups group's turnover 69%

B/Day 10/5/89

CHARLOTTE MATHEWS 232

THE well-considered acquisition of Quiltex, together with internal reorganisation, boosted the Debonair Group's turnover by 69% and earnings a share by 48% for the year to February

Turnover rose to R25 7m (R15m) and earnings of 12,7c (8 6c) a share were posted on an increase in shares to 15,8m (13,1m)

A dividend of 4,2c (3 5c) a share will be paid, increasing cover to 3 times (2,5)

Debonair which manufactures linen and quilted products, was listed on the DCM in 1987 as a Cape-based operation

It has since moved to the Clothing and Textiles sector of the JSE and established a footing in the Transvaal through buying Dreyer and Statham and three Quiltex companies, Polybond, Duvet Lin and Whittles Interiors

● FOSTER

Since listing, the compound increase on earnings a share has been 96%

The Quiltex acquisition was effective from August, so only 50% of its annual turnover — about R7m, according to Debonair chairman Ian Foster — contributed to Debonair's sales figures

The tax rate dropped significantly from 42% to 29% because of investment in export promotion and plant and machinery allowances Foster said the rate should rise to around 35% in the current year

"Our objectives for the year to February 1990 will be consolidation of our existing operation We hope to achieve optimum synergy among our various companies in group deals, purchases of raw materials and asset management

"We want to concentrate on our balance sheet and get our debt equity ratio, now about 57%, into an even healthier position," he said

Debonair's operating margins declined to 11% from 13% because Quiltex had slightly lower margins on sales than the group Foster said management would work on improving margins this year

Govt to put limit on Iscor shareholders

BDay 10/5/89 (232)

MIKE ROBERTSON

CAPE TOWN — Government will restrict shareholdings of individual institutions to a maximum of 20% when it privatises Iscor in the first half of November, Administration and Privatisation Minister Dawie de Villiers said yesterday

De Villiers said the pricing of Iscor shares would be determined by market conditions At this stage it seemed that more than one flotation would be necessary, but government and the IDC committed themselves not to vote any shares that could not be sold at the first flotation

Earlier this year De Villiers said government hoped to float off more than half of Iscor's shares This would make it the largest flotation ever, far exceeding the R525m Sasol issue

He said yesterday during debate on the Conversion of Iscor Bill that further flotations would be carefully planned so as not to adversely affect the Iscor share price

The proceeds of the Iscor privatisation would be used to reduce government debt, fund capital projects, but under no circumstances would they be used to fund current expenditure

The minister said unless market conditions changed materially, government was intent on offering Iscor shares to the public in the first half of November

After the first flotation it was the state's intention not to exercise any future control in Iscor

Government intended encouraging small investors to take up shares in Iscor, and they would be given first preference in the flotation However, because of the sum involved it was necessary to allow major institutions to take up stakes

To prevent Iscor falling into the hands of a large institution, government would impose a restriction preventing any single shareholder and its associated companies from holding more than 20% of Iscor.

De Villiers said the restriction could not be changed without consultation with the minister and would function in much the same way as a "golden share"

Foreign shareholding would be restricted to 15% by any single company Cumulative foreign shareholding would be limited to a total of 20%

De Villiers said his advisers had investigated the possibility of divorcing Iscor's mining and steel-making activities, or selling the comapny off as three separate concerns to prevent a private sector monopoly emerging But consultants had concluded neither of these measures would promote

● To Page 2

Govt is to restrict Iscor shareholders

BDay 10/5/89

● From Page 1

further competition in the steel industry

They had recommended that the present structure be maintained to ensure the most economic production of steel

The privatisation of Iscor had also been referred to the Competition Board, which had said there was sufficient competition in steel as well as from substitute products for Iscor to be privatised as a single entity

Government was negotiating with Iscor employees, and would be in a position to announce an attractive package to encourage them to take up shares in the company

De Villiers said it had been suggested government would continue to control Iscor via the shares it sold for R600m to the IDC last year He ga e an assurance that any shares held by either government or the IDC after the first flotation would not be voted

As regards pricing of the shares De Villiers said government would attempt to get the maximum realisable amount, but the return on investment of investors would also be an important yardstick

Earlier DP Finance spokesman Harry Schwarz said after analysing past profits of the company, it was clear Iscor shares would have to be sold at a substantial discount to net asset value if they were going to be in line with other companies on the JSE

Rather than selling the shares off at one go, government should instead float off certain operations on a piecemeal basis, he said This would ensure that in selling off an important national asset, the state would be getting the maximum amount

Cape Times 11/5/89

Minorco, Newmont set for 'head-on clash'

From ROBERT GENTLE

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

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

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

Minorco dismissed the allegations, which according to its lawyers are groundless

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

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

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

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

Newmont's senior spokesman on the affair in Denver, Colorado, was unavailable for comment at the time of going to press.

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

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

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

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

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

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

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

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

Newmont head faces dilemma

By BRUCE WILLAN

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

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

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

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

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

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

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

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

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

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

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

Sats sells off its Swazi assets

232

South African Transport Services is to sell all its assets in Swaziland to the Swazi government, it has announced. Star 11/5/84

The Minister of Transport Mr Eli Louw, will fly to Swaziland tomorrow to sign an agreement to sellthe assets. — The Star's Africa News Service.

Qualtyre does well out of acquisitions

SW 12/5/87 (232)

By Ann Crotty

The first set of results from the enlarged Quality Tyres reflect significant benefits from last year's deal which saw Quality Tyres acquire Thomas Bande and Malbak's Supertreads in exchange for shares.

For the the 12 months to end-February (which includes about 6 months' contributions from the two acquisitions), earnings were up 33 percent to 25,9c (19,5c) a share on the weighted increase in the number of shares in issue.

At the time that the deal was announced, management had indicated that the short-term benefits — in terms of net asset value and earnings — was expected to be only marginal but that good long-term benefits were hoped for.

Turnover for the 12 months was up 142 percent to R119,4 million (R49,4 million) with operating income up 177 percent to R12,8 million due to an increase in operating margins from 9,4 percent to 10,8 percent.

Tax was up sharply to R5,6 million (R1,5 million)- the increased rate reflected the full utilisation of previous tax allowances.

A dividend of 3c a share has been declared.

The group's year-end has been changed from end-February to end-August.

CAP TIMES 12/5/89

US judge shakes finger at Minorco

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

Judge Michael Mukasey said he would consider holding Minorco in contempt of court if it tried to freeze Consgold's 49,3% stake in Newmont Mining Corp The Newmont stake is the only thread keeping Consgold out of hostile hands.

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

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

Tollgate Holdings to control Gants

CAPE TIMES 12/5/89 232

By BRUCE WILLAN

THE Gant's Holdings (Gants) AGM is expected to be a fiery one today It will be announced that Tollgate Holdings (TGH) is to take control of the group, ending the Gant family control of the company started in 1955

In a statement issued by Tollgate, which already owns a 25% stake in Gants and had first right of refusal on any other shares held by the Gant family, the company announced the deal would be a straightforward share swop of one Tollgate share for every 2,5 Gants shares held

This will give TGH control of 56% of the 60m authorised issued Gants shares

Gant's executive chairman, David Gant, is to resign from his position and will be replaced by Hennie Diedericks, the present MD of TGH

Robin Merry, MD of Gants will remain but TGH have indicated that management will be strengthened

The acquisition is part of TGH's policy of concentrating its expansion efforts in the consumer sector

Diedericks says "The acquisition fits ideally, the TGH philosophy of gaining control of growth orientated, recession proof, soundly managed companies with a direct focus on consumer markets"

Last year Gants bought the Delport Group of canning factories for R28m giving it a stronger foothold in the Transvaal and Natal markets

David Gant says, "Growth of Gants has been excellent and the time has come for it to receive the management and financial input of a large industrial holdings group"

Gant is to pursue other family farming interests and his political career as vice chairman of the Democratic Party (DP)

It is believed he will be nominated to stand for the DP in the Helderberg constituency if Denis Worrall does not

TGH are expected to further Gants interests in its field

Diedericks says that TGH would like to see Gants broaden within its own sector but that it will agressively seek additional avenues in export markets

Gants already has an export operation via Swaziland which contributes about R80m a year in turnover

This could be increased if use was made of Gants's 26% holding in UK marking company, Peaty Mills

Gants recently bought Case Agricultural Machinery when the American company decided to disinvest from SA and it is expected that TGH will sell this division as it wants to concentrate on the consumer sector

Although Gant will be leaving the company started by his grandfather, he will still have an interest in the group via the TGH shares

Should he at any time want to sell these, Duros — the holding company of TGH — will have first right of refusal to his holding in TGH

BUSINESS

DISINVESTMENT

MNews 12/5/89 232

Mobil SA sells out to Gencor for R490-m

By TOM HOOD, Business Editor

MOBIL sold its South African business to General Mining, Mining Union Corporation (Gencor) for a mere $150-million — R490-million at current exchange rates.

The figure was disclosed for the first time yesterday by Mobil Corporation's chairman, Mr Allen Murray, at the company's annual meeting in Orlando.

He said a punitive United States tax law aimed at discouraging investment resulted in an effective tax rate of 72 percent, "making it too burdensome to operate in South Africa," reports Reuter.

The sale will result in a book loss of $140-million (about R364-million), he said.

Mobil's trademark could be used by Gencor for up to five years, he said in reply to questions by activists.

Gencor had also promised not to lay off any workers for at least one year, he added.

Activists claimed Mobil had broken a promise to consult with its local workers before a sale of the South African company was arranged.

But Mr Murray stressed that workers would be treated to the same benefits Mobil had provided.

Anti-apartheid shareholders at the meeting claimed Mobil had not done enough to sever its ties with South Africa.

While they applauded the sale, religious groups and an official for New York city's pension fund submitted proposals that would end all indirect economic ties and petroleum product sales to South Africa.

Mr Murray said Mobil had believed its presence in South Africa would do more to combat apartheid than if it left.

"We remain proud of what Mobil people have accomplished in South Africa for their contributions to economic and social programmes for non-whites," he said.

Mr Murray urged shareholders to vote against resolutions proposed by the activists.

Only 14,3 percent of Mobil's voted shares were in support of a resolution to sever all economic ties, while 15,5 percent were voted to end all petroleum sales to the South African government.

Mr Murray said Mobil has a staff of about 2 800 workers in South Africa, all but two of whom would srtay there after the sale in completed in June.

The Rev Andy Smith, who recently visited South Africa, said the issue of worker consultation was so important there that Mobil's unionised South African workers were deciding whether to strike to protest against the way Mobil consulted the sale.

● Caltex, a joint venture of Chevron Corporation and Texaco Inc, is the sole remaining American oil company in South Africa.

Since 1985, more than 170 American companies have left South Africa under pressure from anti-apartheid groups back home, reports Reuter.

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'Measures will back up JSE'

B/Day 12/5/89 (232)

LESLEY LAMBERT

TOUGH new measures against insider trading tabled this week could have been used in the prosecution of cases the JSE lost through inadequate legislation, JSE president Tony Norton said yesterday.

The measures, in an amendment to the Companies Act, will regulate mergers and acquisitions, and penalise insider trading in the securities market. The amendments also provide for the establishment of a Securities Regulation Panel, incorporating the private sector, with statutory backing.

Norton, who has been doing battle in an environment where none of the insider trading cases handled by the JSE has succeeded because of inadequate existing legislation, believes the new legislation will encourage morality in the markets.

"Up to now the JSE has been a watchdog with rubber teeth. It has had neither contractual nor statutory power to back it up. The market needs the credibility of the private sector clothed with statutory power. The panel will make the rules and enforce them statutorily," he said in an interview yesterday.

The self-regulating panel will consist of a chairman, the Registrar of Companies, three JSE nominees and one nominee each from various other market associations who will be elected for a five-year period.

On one hand, the panel will make rules governing takeovers and mergers and will have the power to investigate these corporate activities. On the other, it will exercise strict control over insider trading, investigating suspected cases and handing them over to the police or the Attorney-General for prosecution.

The combination of self-regulation with a statutory sanction has been adapted largely from the UK system, which is purely self-regulatory, but without statutory sanction for the breach of self-regulation.

The insider trading rules have followed the US pattern, which has benefitted from 40 years of legal interpretation and is considered to be the most advanced.

□ Comment: Page 8

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12-18/5/89

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Privatisation yielded billions in 1988

TOTAL proceeds from privatisation sales by governments around the world amounted to more than $40-billion (about R100-million) last year, according to the newsletter *Privatisation International*.

In a league table of the leading merchant banks, the newsletter says that N M Rothschild led the field for advice on privatistion by a short head last year. The number of privatisation jobs handled by the bank totalled nearly 90 in 21 countries.

In the course of 1988, Rothschild completed 11 different projects in eight countries. It was closely followed by Schroders and Morgan Grenfell who each worked in six different countries. The major American players are said to be Credit Suisse First Boston and Goldman Sachs.

Accountants and consultants tended to work on smaller projects, with the total of more than 140 different jobs in 15 countries. Price Waterhouse led the field with 46 jobs in 13 countries.

The study says that privatisation is now an important and distinct business for investment banks in several countries The bank is normally needed to advise on the feasibility of privatisation, the form it should take, the price and the state of the market — The Guardian, London

Wmail

National Welfare

Process of commercialisation starts — MD

232. (253) B/Day 14/5/87

'Privatised Sats no threat'


● MOOLMAN

GERALD REILLY

PRETORIA — Sats GM Anton Moolman assured unions this week they had no need to fear commercialisation and the eventual privatisation of Sats services

Speaking at the annual congress of the Salaried Staff Association (Salstaf), Moolman said Sats was in the process of commercialisation

Only after this process had been successfully completed would the privatisation phase begin

He said it was not possible to privatise an enterprise which was not commercially viable

Viability would have to be demonstrated before Sats operations were taken over by private sector interests

Moolman said the current commercialisation stage was the most difficult

Public sector attitudes had to be adjusted to slot into a private sector commercial structure

The staff's approach to changes was positive and and he did not expect a traumatic reaction to staff re orientation

Certain practical adjustments would have to be made, including a revaluation of assets

On staff relations Moolman said conflict situations had to be avoided

Staff and management should speak to each other directly and not through the media

"We ve got to get everything up and running and demonstrate that services can be run profitably,' he added

232 B/Day 12/5/89

BURHOSE WINS GOLDEN GIRL

CHARLOTTE MATHEWS

BURHOSE SA has acquired a controlling interest in Cape-based pantihose manufacturer Golden Girl Hosiery, chairman Ivan Posniak announced yesterday

He said, "Golden Girl will continue to be managed by its existing team.

"Although it will operate autonomously and trade independently, it will enjoy a variety of benefits through its association with Burhose SA."

Burhose is a division of Hunts Limited, which manufactures and exports pantihose Brand names include Cameo, Escort, Activ Alive and Christian Dior

Mobil: 'No negotiation'

(232) CAPE TIMES 13/5/87

WASHINGTON — Mobil Oil Corporation had no plans to negotiate with the Chemical Worker's Industrial Union about the sale of its Southern African assets to Gencor, chairman Mr Allen Murray told the company's annual shareholder meeting this week

Pressed by a representative of the pro-disinvestment Interfaith Centre on Corporate Responsibility (ICCR), Mr Murray replied "you ask us whether we intend to negotiate the terms of this agreement (with the CWIU) Not that I know of"

ICCR's Ms Donna Katzin called this "an inadequate and paternalistic approach" and accused the company of "stonewalling with its own workers".

Ironically, shareholders overwhelmingly defeated two church-backed resolutions, one calling on the company to withdraw from South Africa, the other asking its to cease sales to the SAP and the SADF

● The CWIU yesterday briefed the representatives of the syndicate which has made a counter offer to buy Mobil SA, CWIU general secretary Mr Rod Crompton said

Mr Mangalpersaid Hariram, who represents the syndicate, is expected to leave for the US tomorrow to seek a meeting with the Mobil

Mr Compton informed Mr Hariram that the union was still trying to negotiate a fair disinvestment procedure with Mobil

Health care the US way

232

Star 13/5/89

RESPONSIBILITY for the provision and financing of the bulk of health services should be returned to the State to solve the crisis in private sector health care, Dr Jonathan Broomberg, of the Centre for the Study of Health Policy, said today

In a paper presented to the National Medical and Dental Association conference in Johannesburg, Dr Broomberg said the trend was however increasingly moving towards privatising health services and it was therefore necessary to look for alternatives within the present medical aid schemes.

Rising costs

The cost of private sector health care services has escalated rapidly in recent years, far outstripping wage increases over the same period.

The average monthly contributions of all members to medical aid schemes (black and white South Africans), showed an increase from R17,72 in 1977 to R112 43 in 1987 "A recent projection suggests that by the year 2 000 the monthly contribution will vary from R849 to R2 200"

Dr Broomberg said an increasing number of black South Africans were using private medical aid schemes, partly because of the deterioration in standards of care at public facilities, and the rising costs of using such facilities

JANET HEARD

In 1977, 0,9 percent of blacks were covered by schemes whereas in 1987, the figure increased five-fold to five percent

Outlining the shortcomings of the present private health care service, he said all providers were reimbursed on a fee-for-service basis, which encouraged providers to increase the supply of services 'In health consumers are not able to 'shop around', and this results in the excessive use of health care services."

Dr Broomberg said rising costs would soon mean only the wealthiest of workers would be able to afford medical aid In the light of this, he proposed an alternative scheme based on one in the United States called "managed care"

He stressed that because of the inevitability of privatisation it was necessary for the progressive movement, and the labour movement in particular, to intervene to ensure some form of control over its operation

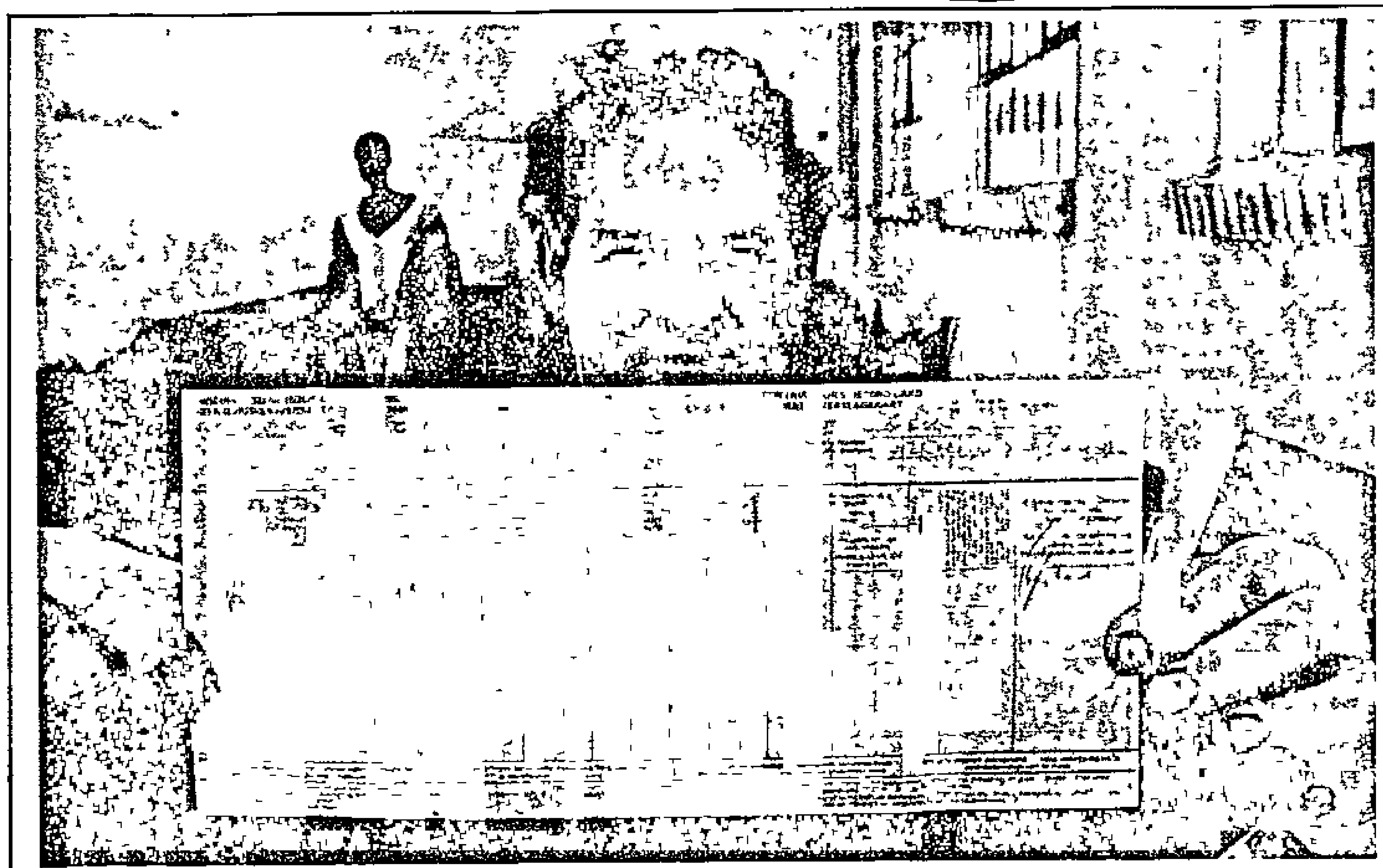
Managed care, he said, differed from the existing scheme because the functions of financing and providing health care services were integrated under one body

'Once it is fully developed, the scheme will collect monthly contributions from members and employers, and in return, will offer members and their dependents, a wide range of health services. It will do this by employing its own doctors and other professionals, and by contracting with clinic and hospitals to provide services to its members'

The GP's, specialists, and other professionals employed would operate out of health centres, at which members would be able to obtain a comprehensive range of preventive and primary curative services

The scheme had to provide services to each member at a pre-determined, fixed rate, which would be a strong incentive to ensure that its costs per member did not overrun its income from contributions. Doctors and other providers would be paid a salary, removing the fee-for-service incentive

The cost savings would be passed on to members in the form of lower contribution rates, said Dr Broomberg.



'BLACK' CP MEMBER Staunch Conservative Party member Mr Robert Sargent is fed up with the jokes being made by his wife and black colleagues ● Photograph Stephen Davimes

Storm over R100 000 win by SABC worker

Star 13/5/89

STAFF REPORTER

A R100 000 HOME offered as a prize in a competition run on SABC-TV has been won by an employee of the corporation which now insists he forfeit the prize.

The dream-in-a lifetime win by Mr Elias Molane who works in the record library of the corporation, has sparked a row between the sponsors, the Maize Board and Wimpey Homes and the SABC.

The SABC says that according to its regulations staff were not eligible to enter the competition

But a spokesman for the promoters, Mrs M Rowland said Mr Molane was the legitimate winner

Mrs Rowland refused to comment about the SABC s decision to disqualify Mr Molane, saying she would not like to 'cross swords' with the corporation

The R100 000 house, donated by Wimpey Homes will be built in Spruitview on the East Rand

Wimpey spokesman Mr Bob Gregory, said the SABC had no right to disqualify Mr Molane

The corporation had not run the competition

d rvisel The chairman of the Maize Board, Mr H P de Lange said As far as we are concerned, Mr Molane still remains the winner with or without their approval He is their employee not ours."

Mr Molane said yesterday he was hopeful the matter had been resolved and said he had already consulted legal advisers on the matter

Black day for a CP supporter

JANET HEARD

BLACK colleagues have been taking the micky out of an ardent Conservative Party member after discovering he was mistakenly registered black.

Mr Robert Sargent, (43) a mechanic who lives in Marister, received his unemployment insurance card from his former employers from Halfway House last week. His wife, Marie, was shocked to see the word "black" on the card, and then he saw the identification number '006" Whites are '008"

Mr Sargent said black workers at the construction firm where he is presently employed have been laughing at him and calling him "brother"

"It's a joke, but I am starting to get annoyed at the cracks coming my way My wife also rocks me sometimes and I don't appreciate it"

He said his former employers requested he return the card to them to rectify the error, but he is first seeking legal advice

Change means one man one vote, Gandhi tells SA group

Star 13/5/89

SALLY SEALEY

NOTHING short of universal adult suffrage in a single parliament for all South Africans would satisfy India that South Africa had changed, Indian Prime Minister Rajiv Gandhi told a visiting South African delegation yesterday

Representatives of the Transvaal Indian Congress, the Natal Indian Congress and the Congress of South African Trade Unions (Cosatu) met the Mr Gandhi yesterday to discuss a wide range of issues relating to the struggle against apartheid

International campaign

The delegation which included TIC president Mr Cassim Saloojee, Mr Reggie Vandeyar Mr Charm Govender Mr Yunus Carrim and Mr Fred Gona of Cosatu, have been in India for the past seven days

Mr Gandhi reaffirmed India s commitment to the international campaign against South Africa and said the country was prepared to do everything possible to bring about a peaceful resolution to South Africa s problems

He said 'The struggle for independence in India was born in South Africa Who knows if Mahatma Gandhi had not been exposed to the shock of apartheid Indian history might have taken a very different course

Mr Gandhi expressed concern over the continuing state of emergency in South Africa and the plight of detainees on hunger strike

The delegation told him of the harsh restrictions imposed on many of the ex detainees

He said he was disturbed to learn that some ex detainees were restricted to their homes for up to 20 hours day to their homes and were expected to call at the police station twice daily in the four hours they were allowed outside

Mr Gandhi said he would raise the issue in international forums

The talks are expected to end early next week with the issuing of a joint statement covering the major issues discussed

Health care the US way

Star 13/5/89

232

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The cost savings would be passed on to members in the form of lower contribution rates, said Dr Broomberg

Tollgate takes over Gants

(232)

Tollgate Holdings has acquired the Gant family interests in Gant's Holdings Limited in a share swop deal.

The consideration was 2,5 Gant's ordinary shares for one TGH ordinary share, giving TGH 56 percent of the 60 million authorised issued Gant's shares.

The executive chairman of Gant's Holdings, David Gant, resigns to be replaced by Hennie Diedericks, managing director of TGH.

Mr Diedericks says the acquisition fits ideally the TGH philosophy of gaining control of growth oriented, recession proof, soundly managed companies with a direct focus on consumer markets.

The board of Gant's may be restructured and strengthened.

"We would like to see Gant's broadened within its own sector, focusing on its prime business and building on existing brands with allied products. We will also aggressively seek additional avenues in export markets" — Sapa.

Qualtyre gets acquisition lift

(232)

By Don Robertson

THE acquisition of Thomas Bande and Supertreads in September and August last year boosted the fortunes of Quality Tyres in the 12 months to February.

Turnover rose by 142% from R49,4-million to R119,4-million and attributable profits by 112% to R6,1-million from R2,9-million

On the earnings side, however, the increase was 33% from 19,5c a share to 25,9c because of the issue of 18-million shares for the two acquisitions

Margins

The group's increased size helped margins to rise to 10,8% from 9,4% They are expected to improve as rationalisation of the company continues

However, the tax rate will increase because all allowances have been used

Financial director Ed Phillip says the original 11 factories have been reduced to nine and because of the increased buying power of the enlarged group additional rebates can be won from manufacturers

The company has refurbished its equipment and built, for R30 000, a buffing machine which would have cost R300 000 had it been imported

Had the acquisitions not taken place, Quality would still have produced a good set of results

ST Times 14/5/87

Shortage

Mr Phillip says turnover would have risen to about R80-million from the R49,4-million in the previous year The higher combined turnover was helped by a R25-million contribution from Thomas Bande and R15-million from Supertreads

Mr Phillip says there is a severe shortage of new and retreaded tyres, particularly for tractors Low-profile tyres are also in short supply He blames tyre manufacturers for failing to plan forward

The company's yearend has been changed to August and a maiden interim dividend of 3c has been declared This, together with a special dividend of 4c declared last year, takes the total to 7c compared with 8c previously

5/Times 14/5/89

R21m Jordan for Conshu

232

By Don Robertson

CONSHU Holdings has bought Jordan Shoes from Safren for R21-million and plans to list its subsidiary, Wayne Rubber.

Jordan, one of the largest footwear manufacturers, will be bought for R11-million in cash and 2,5-million Conshu shares.

Subject to shareholder approval, Wayne Rubber will be listed through a reverse takeover of Phoenix Rubber in a deal worth almost R50-million.

Conshu will get 48,2-million Phoenix shares in exchange for Wayne. Phoenix is trading at 95c, which will put a value on the combined company of about R60-million When listed, Conshu will control 82% of the new company

Phoenix will change its name to Wayne Rubber and will have a turnover of about R130-million and forecast pre-taxed profits of about R15-million

The Wayne listing is intended to separate the industrial activities of Conshu from its core business of footwear manufacture, says chief executive Robert Feinblum. The listing will open the way for expansion by both sides of the group and will pave the way for growth of Conshu's footwear operations.

Wayne is a leading processor of rubber and PVC, providing products for all sectors of the industry. Phoenix evolved from Sarmcol and makes products for more specific divisions of the market. Mr Feinblum will be chairman of the new group and existing executives of Phoenix and Wayne will remain on board

Expansion

The hiving off of Wayne will strengthen Conshu's balance sheet. Wayne's gearing has risen in past years after major expansion and refurbishing of plant. This position is expected to be rectified.

The two deals would have had little effect on results of Conshu, Safren or Wayne had they been in place for the year to June. However, there are expected to be benefits in future. New tariffs imposed on the import of footwear have strengthened the position of SA manufacturers.

More and more getting together

232

THE trend for computer companies to merge with larger corporations is also being followed by many UPS suppliers.

Engineering Data Systems managing director Kirk Mallett says tremendous benefits can be reaped from amlgamations

EDS, which recently joined the Cortech Group, not only has financial security, but can offer improved service to clients, says Mr Mallett

S Times 14/5/89

Turnkey

"Obviously the financial backing is an important aspect, but we can now offer clients complete turnkey solutions — from components and UPS systems through to air-conditioning and flooring

"This is a trend that most UPS companies seem to be following"

Although involved in the small end of the market, the main thrust of EDS business is in large UPS systems, which it sources from Piller in West Germany

"Another benefit of our merger with Cortech is that we can now offer terms on Piller equipment over either five or 10 years," Mr Mallett says

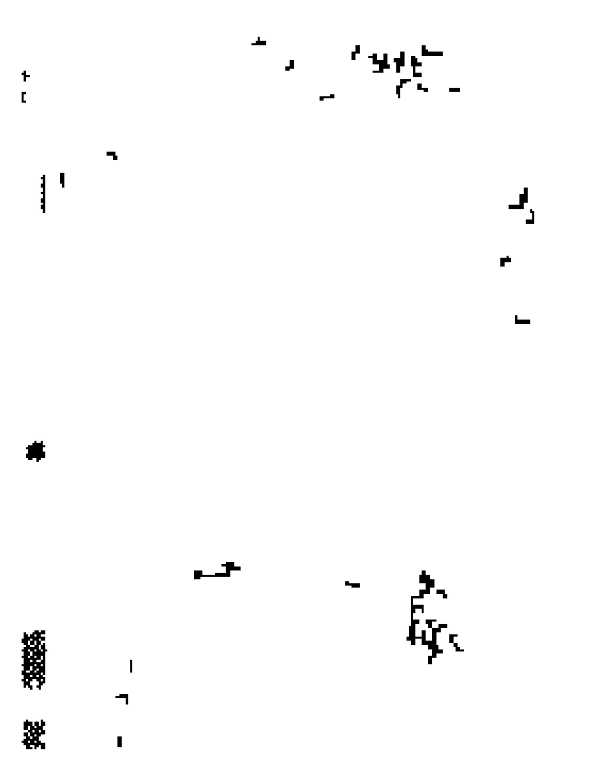
"We also have buy-back schemes on our equipment where customers want to upgrade We have had instances where the client received up to 20% more than he paid for his equipment"

In the large UPS market, there are three main technologies — static, rotary and hybrid machines

Mr Mallett says there seems to be a trend to rotary technology

"Increased competition is emerging in the rotary sector of the market and we welcome it We have been in the rotary business for years and this new competition means that the technology is at last being recognised as a good solution

"In our machines we have combined the best points of static technology with the best of rotary to come up with hybrid units which have a low component count and as a result are reliable and cost-effective over a long time"



KIRK MALLETT

Mr Mallett says Piller has announced its fourth-generation UPS systems

"These machines include a conventional diesel machine coupled to the Piller Uniblock unit Because its power has been doubled, it is suitable for running non-crucial loads"

Sunday Times
BUSINESS TIMES

Power protection big shots merge

ST Times 14/5/89 232

By Mark Davison

ONE of the largest power protection companies in South Africa has been formed through the merger of Omnitec and Miltek Electrical Industries

The new company, United Power Corporation (UPC), will be SA's largest manufacturer of uninterruptable power supply (UPS) systems and expects turnover of about R18-million in the current year

It will be headed by former Omnitec directors Herbert Teubner and Roger Bulgin and Miltek director Dennis Smit

UPC directors Herbert Teubner, Dennis Smit and Roger Bulgin

Logical

Mr Bulgin says "In terms of local manufacture, the new company is No 1 in South Africa, producing between 300 and 400 large and small machines a month Our expenditure on development for 1989 has already reached R200 000 "

Mr Teubner says the merger was a logical step for both companies

"We have operated together in the past and the cultures of the two companies are similar The merger makes a lot of sense and has given us more buying and engineering power as well as a larger market to attack

"We found that there was a lot of competition emerging in the UPS market, other companies allying themselves with large corporations So we decided to unite our interests to compete with them

"The combination of commercial experience and technical expertise in the new company will help us to tackle both the commercial and industrial markets

"We are probably the last independent company solely dedicated to power protection Although power electronics is our ultimate aim, power protection, or UPS systems, is still our major thrust"

Geared

The new company is geared for manufacture of UPS systems and one of its first new products — the 3000 Series — will be on display at Computer Faire

Mr Smit says "Our 3000 range indicates the synergy that existed between Miltek and Omnitec We had a working prototype of this machine in six months

"This was made possible by combining the expertise of both companies The technical skill involved was of such a high standard that not one output transistor was blown throughout the development"

Bigger things may be in the pipeline, says Mr Teubner.

"With the technical expertise UPC has available, and the new manufacturing equipment we have installed, such as an automatic PC board tester, we could become involved in the manufacture of machines of up to 250 Kva — something that has not been done in this country

"A development like this would obviously hinge on a client coming in on it with us, but we have the expertise and capabilities to carry it through"

Emphasis switches to small

ST Times 14/5/89

Standby power system advances

ST Times 14/5/89

TO complement its range of standby power equipment, Siemens has introduced the Microline series of UPS systems which range in size from 250va to 5Kva

The new range will be completed soon with the addition of 8Kva and 10Kva machines

The Microline generation is designed and produced in SA to stringent specifications and comprises on-line, solid state UPS systems

Efficient

The advanced power conversion technology employed by the machines ensures a quiet, efficient and compact unit, providing a closely regulated output voltage and frequency

According to a Siemens spokesman, numerous load requirements have been satisfied and include PCs, telex/teletex machines, PABX systems, cash registers and small networks

efficiency

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KIRK MALLETT

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Cut price offered

GRODATA will offer a special price of R1 495 on its 300Va GRO-UPS system for the duration of Computer Faire

"This price includes installation and a one-year warranty," says Grodata managing director Robin Grosberg

"It is a compact, aesthetically designed product suited for the office.

"It has a built-in battery backup which will provide support for 30 minutes in the event of a power failure."

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Shy MD sets Iscor on course for listing

By Don Robertson

MANAGING director Willem van Wyk is looking forward to Iscor's listing on the JSE in November. It is expected to value the steel giant at R3-billion

With 50% of the corporation on offer, it is estimated that Iscor will seek R1,5-billion of public money Its listing will be by far the largest in JSE history

Sasol, previously the largest issue, was capitalised at R1 billion. The issue raised R750-million in 1979 being oversubscribed 30 times — or by R1-billion.

At the time, there were complaints that small investors were not given a proper chance to share in the offer

Iscor intends to give the ordinary man an equal opportunity to invest in the company Staff members will be given an incentive to acquire a stake.

Provided the stock market holds and the shares are offered on a reasonable PE, the Iscor issue could be as well received as Sasol's was.

Willem van Wyk stake in a giant for the small investor

Mr Van Wyk is a shy retiring man who does not relish the glare of publicity that the privatisation involves He believes that not much will change as the corporation bares itself to national scrutiny

The board will remain unchanged, although it is possible that new members will be admitted

Iscor's plan is for the widest possible public participation, so the issue price must be kept at "affordable levels"

A figure of R1 a share might be a good guess for the issue price while the two merchant banks, four stockbroking firms, two public relations companies and an advertising agency shape their strategies for the listing.

[redacted]

Mr Van Wyk says: "Apart from the State, 500 000 A shares, 341-million B shares plus 90,2-million preference shares have been issued to financial institutions and individuals. So we have always had to report to shareholders."

This almost unkown shareholding results from the fact that when the corporation was floated many years ago, individuals were offered shares.

Lack of demand from the public forced the State to underwrite the issue and it became the largest shareholder

Mr Van Wyk believes there will be no change "in our approach to running the company We intend to carry on the same way as before.

"Our policy has been that our results today must be better than yesterday and that they must be beaten by tomorrow's results."

Reluctant as he is to face the limelight, Mr Van Wyk will become a major figure in the business world. He will carry on operating a company with a turnover of R4,8-billion and profits of R249-million in the year to June last.

With two months to go before the end of the current year, Mr Van Wyk says profits will be better than in 1988.

Mr Van Wyk is convinced that Iscor will come to the market with steel demand high.

"For the first time in 15 years there is a reasonable relationship between supply and demand on the international market. But a few more years of higher demand will be needed before realistic returns can be expected.

"Although demand is improving, there are indications that it will flatten towards the end of the year Worldwide steel sales are not expected to be much above the record 783-million tons of crude steel sold last year

"There are also indications that the economy is slowing in SA and demand could falter late in 1989"

With its strong international trade links, Iscor will be able to maintain foreign sales.

[redacted]

"About a third of our production is sold overseas, although this represents only 1,3% of world sales. However, we could sell more steel without any difficulty if we had it and in spite of sanctions imposed on SA by several countries."

Mr Van Wyk is proud of the improvement in productivity at the various plants — 55% since 1977 The workforce has been cut from 79 000 in 1981 to 54 000. Production has declined marginally, but this was because several less-efficient and more costly plants were taken out of operation.

Production in 1981 was 7,3-million tons of steel, but has fallen to 6 8-million tons. It is expected that the previous record will be reached in the next few years using existing plant.

Iscor has pioneered the manufacture of special steels in SA, mainly for use in the Mossgas offshore project.

Mr Van Wyk believes that because Iscor is one of only a few companies which can make this steel, it could open up interesting export orders.

Iscor will soon manufacture electro-galvanised plate for the motor industry and will establish a tin-plating plant for the canning industry

Running Africa's largest steel company is a full-time job for grandfather of three Mr Van Wyk and it leaves him little time to himself. However he plays a "bad game of golf on occasions and I enjoy hunting small game"

Two of his three daughters are married and one is at university

He is president of the Steel Engineering Industries Federation of SA (Seifsa), is on the boards of Dorbyl, Usco and Metkor chairman of the SA Rolled Steel Producers Association, on the board of Potchefstroom University and the International Iron and Steel Institute.

Mr Van Wyk started at the bottom at Iscor and worked his way up the corporate ladder His first job after leaving school in 1953 was as an apprentice fitter and turner at Iscor

After completing his apprenticeship in three years, Mr Van Wyk was granted a scholarship to study at the University of Natal. After graduating with a BSc (mechanical engineering), he joined the Vanderbijlpark works as an engineer in the maintenance and project engineering departments. He became maintenance manager of the steel-melting plant in 1968.

[redacted]

In 1970, he was transferred to Newcastle as project manager during construction of the plant and four years later he moved to headquarters in Pretoria as planning manager A position as general works manager at Pretoria works followed.

In 1980, he returned to head office as general manager of steel operations and on June 1, 1984, he was made managing director months were abolished ... Dr De Villiers said these results ...

Social cost of sell-off

DISINVESTMENT, sanctions, privatisation and deregulation are probably four of the most difficult issues facing trade unions

A seminar, attended by unionists and members of the private sector, addressed two of the problems The seminar was on an exchange of views on deregulation and privatisation — trade unions and private sector

Black trade unions are generally opposed to privatisation and deregulation Their rationale is that taxes paid by workers should go to health care, housing and education. They also fear retrenchments as a result of privatisation and distrust employee share schemes

National Union of Mineworkers national organiser Gwede Mantashi said "Profit maximisation is the primary motive for capitalist production.

"SA is today in the process of privatising national roads, hospitals, Eskom, education and so on. It does not require extraordinary intelligence to realise that this will have serious social effects.

"It will result in an increase in the rate of unemployment which is already too high "

Mr Mantashi used Eskom as an example of what happened when a quasi-government organisation geared up for privatisation.

"When Eskom started on the privatisation route in 1985-86, its first move was to reduce its workforce from 66 000 to 60 000. In 1988 it came up with a retrenchment programme affecting 6 700 jobs."

Giving the view of the private sector, Federale Volksbeleggings general manager Anton Roodt suggested that a middle ground of common interest could be found if one considered

"The problem with the Government is that it insists on sticking its fingers into the lives of everyone The Government wants to provide housing for blacks, it wants to run their transport, it wants to regulate where I work, it wants to determine where I live and what I eat.

"Privatisation and deregulation could, in my view, be a fundamental break with apartheid They are the building blocks of greater individual freedom towards an economic and political ideology."

PEOPLE ARE ON THE MOVE — SEE PAGE 15 FOR ALL THE DETAILS

SUNDAY TIMES

APPOINTMENTS

PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA

MANPOWER MIRROR by ROBYN CHALMERS

Mystery of the 60 000 jobless in jobs

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THE Government's announcement that 60 000 jobs will be scrapped over three years has raised many eyebrows.

The most surprising, and possibly illuminating, reaction to the announcement is that of the Public Servants Association (PSA). President Colin Cameron says no problem, it's all under control.

Administration and Privatisation Minister Dawie de Villiers told Parliament last Friday that the Government intended to reduce the size and shape of the public service.

Dawie de Villiers: assurance that nobody will be fired

The first step to reduce growth of the public sector was to implement standstill measures, whereby all posts which had been vacant for more than six months were abolished.

A total of 6 263 posts had been discarded by January 31, 1989 — a reduction of 2,56% to 238 270.

Dr De Villiers said: "These results are very encouraging and are even more significant if one considers that the annual growth of approximately 3,5% has not only been arrested, but that there has been a reduction of 3% (a net effect of 6%).

"The total effect of this reduction in the public sector has been offset by a necessary increase of 24 078 employees (4,8%) in those departments outside the net."

[redacted]

The second step was the function evaluation programme. Under it, all functions in the public service were analysed to see whether they could be terminated, privatised, scaled down or other arrangements made.

Dr De Villiers said: "So far, 1 617 posts in 22 departments have been identified for abolition and a further 19 905 have been earmarked for possible abolition in the near future. The total expenditure attached to these posts amounts to R203,1-million."

The other 38 000 jobs would be affected in a widespread privatisation process, for which 80 activities had been identified. These included services, such as cleaning, catering, gardening and nursery, which would be handed to the private sector

With such a drastic cut-back in the public sector, one begins to feel a little uneasy when Dr Cameron calmly sits back and says no sweat. Why is the PSA not jumping up and down and tearing its hair out?

The PSA's line of thought is that the jobs singled out for privatisation are supportive services, and that they are not the primary objective of the State departments.

More important, however, is a document which has been issued by the Department of Administration and Privatisation. Although Dr Cameron cannot disclose the details of the document, he says it outlines how people affected by privatisation should be dealt with.

[redacted]

"The measures contained in the document safeguard the interests of current public servants. It is very unlikely that they will be fired under these measures.

"If they are not offered employment by the organisation to which these services are contracted out, they will be absorbed by other departments."

That the Government can abolish almost 22 000 jobs and privatise a further 38 000 in the public service without firing a single person boggles the mind.

It is obvious that the huge growth in the public sector in the past 10 years of President Botha's reign has been the result of the creation of numerous superflous jobs.

In spite of repeated assurances that the Government was cutting back on the size of the public sector, the opposite happened.

The public sector, in its broadest sense, increased from 1,3-million servants in 1978 to 1,7-million last year — 16% of SA's economically active population.

The killer, however, is what it has cost the nation. In 1983, public sector salaries and service benefits cost R5,3-billion quickly rising to R13,4-billion in 1988. In five years, the cost of this sector rose 151%

From 1980 to 1988, supposedly the time of greatest rationalisation, the percentage public sector share of the national wage bill rose from 20,8% to 33,5%

[redacted]

This represented an increase in percentage of gross national product from 6,5% to 7,6%, according to figures released by Finance Minister Barend du Plessis in 1988.

The Government is to be commended for trying to reduce the size of the public sector. How it is going to do this without retrenching or firing anyone remains to be seen.

Sats' Swaziland assets are sold

Star 15/5/89

By Joao Santa Rita, The Star's Africa News Service

232

MBABANE — The South African Minister of Transport, Mr Eli Louw, has signed an agreement selling Sats' assets in Swaziland to the Swazi government

The agreement was signed at a ceremony in Mbabane. Prime Minister Mr Sotja Dlamini signed for Swaziland.

Mr Louw said that at the request of the Swazi government Sats had agreed to continue to run the road transport services between South Africa ~~and~~ Swaziland.

The assets sold include three road transport depots, an office block, workshops, 43 stands and 26 houses

The price paid by the Swaziland government was not disclosed but is understood to be less than R1 million.

Austerity poses threat to the small business

Star 15/5/89

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By Sven Lunsche

A repeat of the 1984/85 collapse of small businesses is looming in the wake of the Government's austerity package

The restrictions placed on hire-purchase financing, higher interest rates and the forced company tax levy could see the financial position of a number of smaller companies deteriorate dramatically once the measures impact on the economy

All official indicators to this effect — statistics on liquidations and insolvencies, sequestrations and civil cases for debt — were still showing a downward trend in the first few months of this year

But analysts confirm that first signs of a depression are already emerging

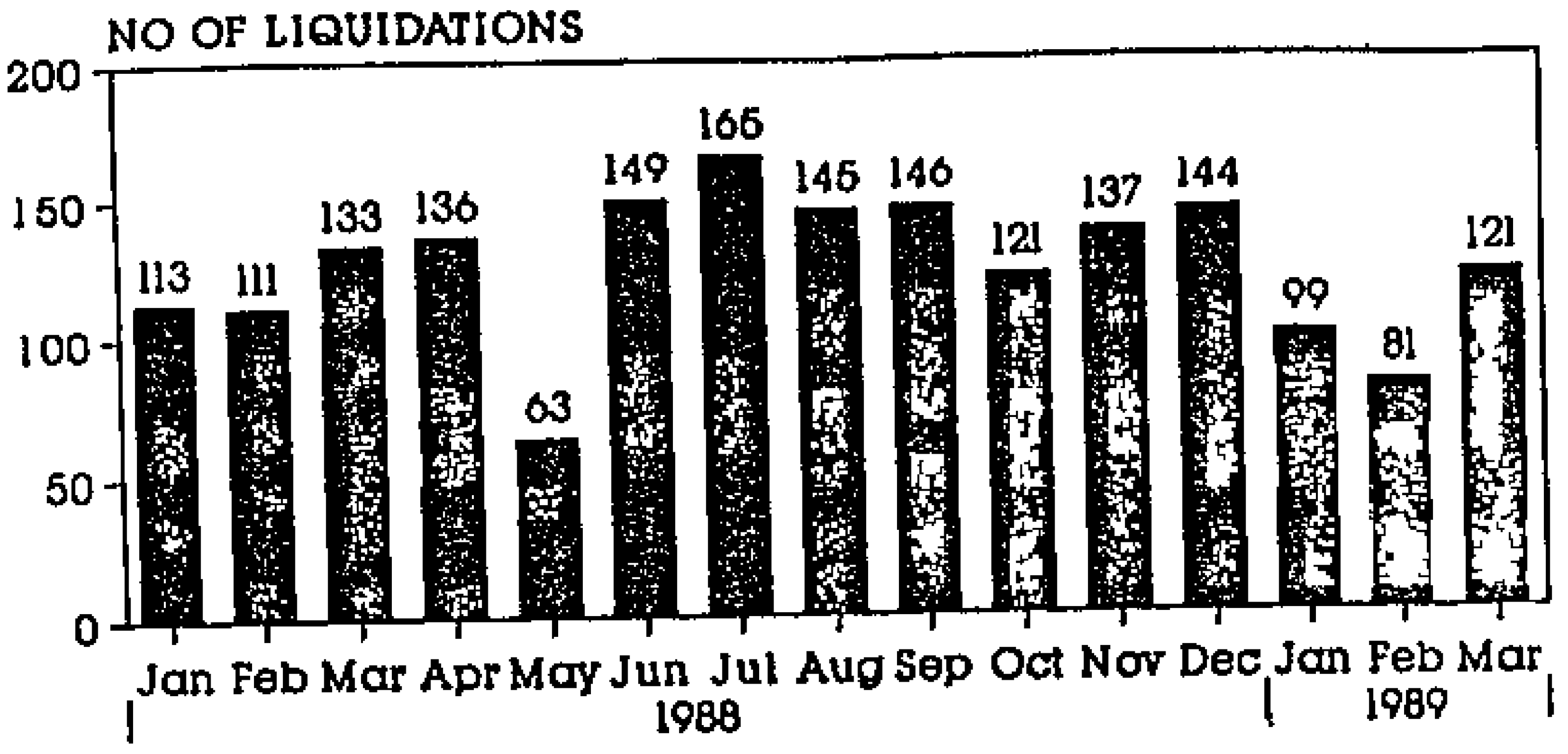
Paul Edwards, chairman of Information Trust Corporation (ITC), says bankruptcies are likely to increase substantially as consumers and small businesses are forced to the wall.

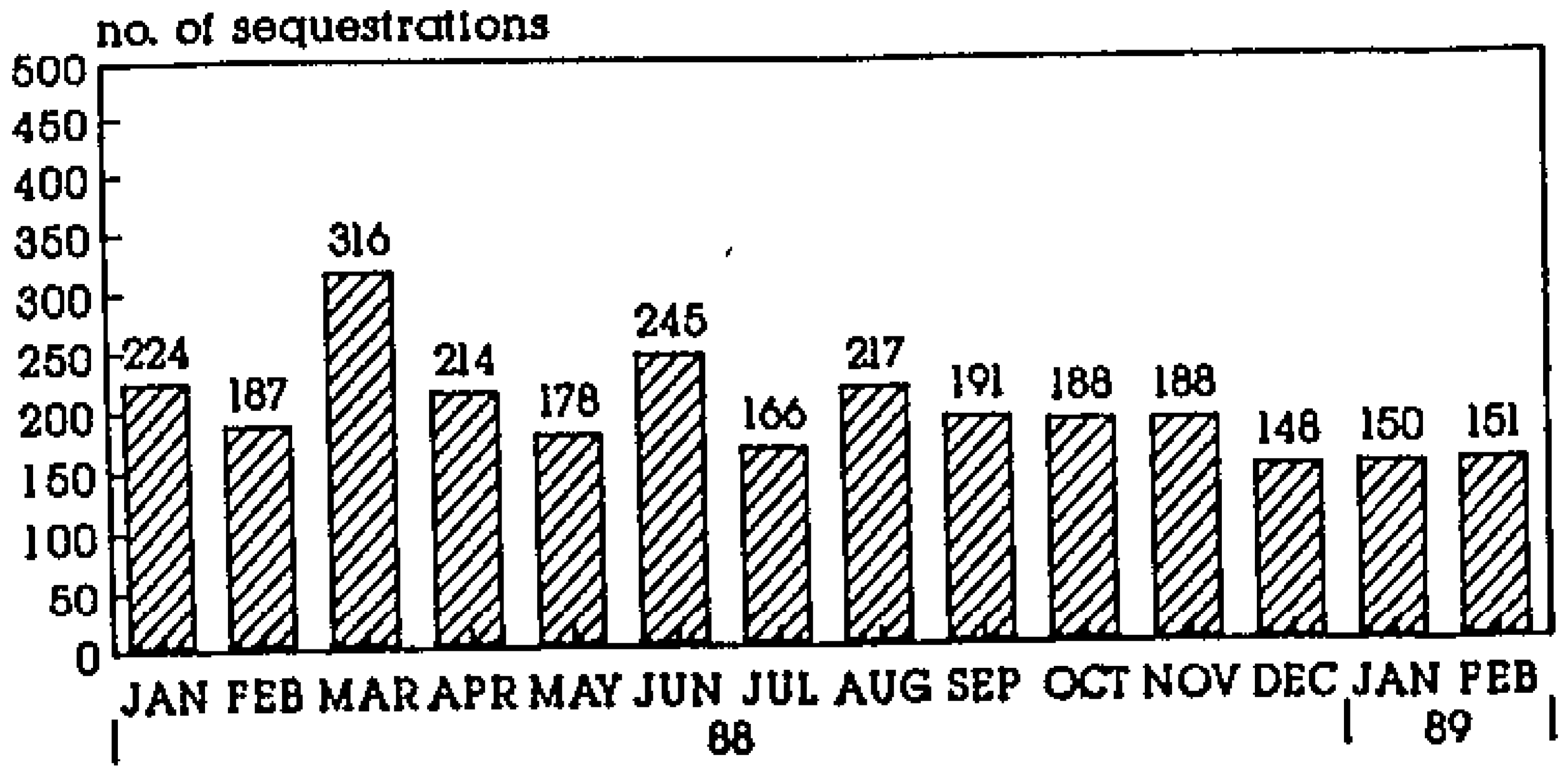
Due to the usual time lag, these will only become apparent by July or August in recorded statistics, although on a monthly basis a small upward trend is already evident

Central Statistical Services figures show the number of summonses for debt for the last three months up to January this year increased by 3,3 percent, compared with the previous three months after seasonal adjustment

This was an increase of 11,1 percent, compared with the corresponding months of the previous year

The number of liquidations in March soared to 121 from February's 81 and the 99 liquidations recorded in January





Individual sequestrations held steady at 150 in the first two months of this year, after declining rapidly from a peak of 316 in March last year

For the first quarter as a whole, business liquidations, however, fell by 15 percent over the same period last year, while the number of individual sequestrations fell by 25 percent, which Mr Edwards attributes to the strong position of consumers and businesses for most of 1988

His concern for small businesses is based on the fact that they tend to rely more heavily on bank overdrafts, which may be two or three percentage points above the new prime rate of 20 percent because of their higher risk profile

They also have lower cash reserves than larger companies, which are better able to weather downturns in demand

Criticising the latest move by the Minister of Finance as "knee jerk" and possibly "overkill", Mr Edwards warns that consumers are being pushed to the limit

"The tremendeous increase in bank advances and reduced savings levels indicate that consumers are borrowing heavily in an attempt to maintain their standard of living

"There is every indication that there will be a repetition of 1984/85, when a record number of bankruptcies occurred because of the credit squeeze and sky-high interest rates"

Mr Edwards accepts that the economy must be cooled, but believes that existing restrictions are only just beginning to bite, and that the latest moves may throw the economy into reverse

He does, however, welcome the news that farmers and small businesses may be eligble for slightly lower interest rates under a subsidy scheme announced by the Reserve Bank

● The establishment of a stabilisation fund similar to that for petrol has been suggested to help ease the plight of bondholders

The suggestion has come from the Institute of Estate Agents (IEA), which next week will be holding an urgent meeting of estate agents to set up a crisis seminar on rising bond rates

There have already been reports that many bondholders are struggling to keep up with their monthly repayments and that the foreclosure of bonds and the repossession of homes is escalating because of recent rate hikes

IEA national president Keith Wakefield says the aim of the meeting is to urge the creation of some kind of stabilisation fund to protect innocent purchasers in the face of rampant rates

He says financial institutions such as banks and building societies, insurance companies and the Government could contribute to such a fund when rates go up and recover their money when they fall

Natal syndicate's bid will test Mobil

ARGUS 15/5/89

The Argus Correspondent

DURBAN. — The bona fides of Mobil Oil's disinvestment from South Africa are being tested with the annoucement that a Natal syndicate is to bid more than the reputed R600-million by Gencor.

Mr Mangalpersad Hariram, spokesman for the syndicate, has flown to New York to "beat on the company's door" for a meeting.

Mobil has indicated that it would not be appropriate to enter in negotiations with Mr Hariram because of the agreement with Gencor.

Mr Hariram claims that Mobil's deal with Gencor has a "warehousing" taint and that if the political situation in South Africa becomes more internationally accepable, Mobil will move back to South Africa.

CLEARED WITH UNION

"Our bid will prove whether the Gencor deal is genuine or if it is one of convenience," he said before flying to the US.

Last week Mr Hariram held discussions with representatives of the Chemical Workers' Industrial Union to clear the way for his bid

Mr Hariram claims to have raised R250-million in cash from two local blacks and two Indians This, he said, would be matched by R500-million from the Standard Bank.

The bid from the Natal syndicate has taken the established commercial world by surprise. Mr Hariram is managing director of Libra Finance Trust, a small estate agency and finance brokerage business with a turnover of about R3-million a year — not the usual kind of operation to negotiate deals worth hundreds of millions of rands.

WEATHER

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Army 'biggest reason for leaving'

DIANNA GAMES

THE number of medical graduates leaving SA would drop considerably if the men were given the option of alternative service to military conscription, a survey among fourth, fifth and sixth year medical students at Wits University's medical school found.

Two students at the medical school, Eli Silber and Ian Michelow, who did the survey in conjunction with Dr Max Price of Wits' Centre for the Study of Health Policy, said of 232 white males surveyed at the school, 30% were not prepared to do military service

However, half that number said they would stay if given the option of alternative service for an equivalent period, the three said in a paper at the National Medical and Dental Association (Namda) annual conference in Johannesburg yesterday

Military service was the single biggest reason given by students wanting to emigrate, followed by political instability

There was general support for rural community service as part or all of the alternative service. Half the respondents said they were prepared to do military service, which meant the army would not be short of doctors if alternative service was approved.

Privatisation boost for big corporations?

BIDay 15/3/89

(232)

MARC HASENFUSS

THERE is a danger that privatisation of state concerns could lead to greater concentration of industry in spite of uncertainty over the proportion of total shares in public entities government is prepared to sell to the private sector, says the Bank of Lisbon

Its publication Economic Focus said SA's wealth base was concentrated in fewer hands than in the UK (where privatisation in the 1980's raised the number of shareholders from two-million to nine-million), and relatively few new individual holdings were likely to be created

The article said that changes in taxation such as the scrapping of taxes on dividends, as recommended by the Margo Commission, would help to encourage ownership Preferential offers of shares in newly privatised concerns to existing employees would help here, although it might be objected that this would amount to further subsidisation of public sector workers by taxpayers

Changes in financial legislation which permitted banks and building societies to invest directly in ordinary shares might also reduce the concentration of shares held by financial institutions

Concentration

Economic Focus said it was difficult to escape the conclusion that the great majority of any privatisation issues would be bought by existing financial institutions, mining houses and other financial institutions

A further increase in the concentration of industry in SA would blunt new competitive forces in the product markets, while the capital market disciplines would similarly be moderated by the reduced danger of takeovers of any new relatively inefficient firms emerging in the private sector

"A materially wider diffusion of wealth among the population could probably be achieved only if privatisation issues do not take the form of preferential offers for workers in the nationalised concerns and other investors, but instead involve a free distribution of shares *pro rata* to every citizen"

Such a dispensation would create a much greater, even if more thinly, spread group of shareholders, strenthening the position of private enterprise, and rendering it more dificult for any future black government to elicit sufficient support for a programme of nationalisation

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Liquidator denies allegations of bribery

One of the "soft Nats" said their guiding

2 BUSINESS DAY, Monday, May 15 1989

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Focus lifts profits

CAPE TIMES 16/5/89

BY BRUCE WILLAN

FOCUS HOLDINGS (Focus) has reported an increase in turnover for the year ended February 28, 1989 of 94%, to R21,9m compared with last year.

Pre-tax profit and after-tax profit both went up by 58% to R2,08m and R1,6m, respectively.

Earnings per share increased by 35% to 8,5c, while the dividend declared was 3,25c compared with 1,75c last year.

The group is confident that the expansion undertaken in the latter half of 1988, together with the acquisition of Cashworths and other expansion plans for 1989, should enable it to achieve earnings per share growth in excess of 50% for the new financial year.

"The group is well positioned to maintain positive growth with all divisions," comments joint MD Cohen.

Cape Times 16/5/89 (89/232)

Tek Corp acquires Ocean in R20m deal

JOHANNESBURG. — Tek Corporation has concluded an agreement to acquire the issued share capital of Ocean Appliance Corporation for R20m, it was announced yesterday.

Ocean recently reported a 45% increase in pre-tax profits to R4,49m and a 38% increase in earnings per share to 56,6c for the six months to December 31.

Announcing the move, Tek CE Mike Bosworth said that both Defy and Ocean would continue to be run as separate entities within the appliance division of Tek, headed by MD Ross Heron.

Founder and MD of Ocean Bob Matthews will remain at the head of the company.

"The Defy and Ocean ranges complement each other handsomely. Defy has a leading share of the cooking and laundry appliance markets, while Ocean is strong in the chest freezer and refrigerator business."

"The two appliance businesses will produce an annual turnover in excess of R350m," Bosworth said. — Sapa

TAKEOVERS

ARGUS 10/5/89 232

Minorco needs a miracle

By TOM HOOD,
Business Editor

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

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

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

In a statement, Con Gold said in London it was withdrawing from an American court action against the Minorco bid, but its associate Newmont Mining Corporation would maintain an injunction barring Minorco from buying any more Con Gold shares

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

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

Con Gold's announcement effectively negated a decision by Britain's takeover watchdog earlier yesterday making it call off the legal action unless shareholders voted to continue it at an extraordinary general meeting to be held by May 30.

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

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

Minorco, the Luxembourg-based investment arm of De Beers and Anglo Investment Corporation owns or has acceptances for 54,9 percent of Con Gold, but the injunction held by Newmont stops it from actually buying shares from holders who have accepted its bid

Newmont is 49 percent owned by Con Gold.

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

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

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

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

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

See Page 17.

CAT Times 16/5/87

Mobil hearing postponed

JOHANNESBURG. — The urgent Industrial Court hearing in which the Chemical Workers' Industrial Union (CWIU) is asking the court to stop the sale of Mobil's South African assets was yesterday postponed to May 24.

A union spokesman said the case was postponed after Mobil lawyers undertook to secure the provision of full information to the union about the proposed pull-out.

The union has asked the court to restrain Mobil from going ahead with the sale until Mobil agrees to negotiate the union's preconditions for disinvestment.

A meeting between the union and Mobil ended unsuccessfully on Monday. — Sapa

Propects look good for new company

232 BIDAY 16/5/89.

AMSHOE

THE merger of Jaguar Holdings and Budget Investment Holdings into the single company Amalgamated Shoes (Amshoe) has been an immediate success, says Amshoe chairman Roy Ekstein

Turnover has shown an increase of 46,5%, dividends have improved by 75%, operating profit is up 58,6% and earning per share have grown 63%

The future prospects of the group indicate a conservative growth projection of more than 30% in turnover and corresponding profits for the new financial year

Nine companies of Jaguar Holdings, which was listed on the JSE in August 1987, and three companies of Budget Holdings have been brought together in the recent merger

The synergy of the two companies can be seen in their original market positionings

Jaguar, which began operations in 1965, originally manufactured and distributed ladies' and children s footwear aimed at the medium- to lower-priced sectors of the market

Budget, which began operations in 1971, has its origins in manufacturing and supplying popular ladies', men s and children s footwear to the SA consumer

The compatibility of the two companies, coupled with the depth of management expertise, has been the catalyst in ensuring an immediate synergy when developing new markets and the growth of existing markets

Amshoe now comprises the former nine divisions of Jaguar and the three divisions of Budget, which have been streamlined into three divisions shoe manufacturing, component manufacturing, and wholesale/supply

Besides further synergistic benefits this year which Ekstein forecasts, Amshoe will be expanding its footwear production from the current 40 000 pairs of shoes a day

He says all factories are running flat out with maximum permissible overtime being worked

Additions to plant and machinery currently being implemented will not only increase production but afford development of new products and improve returns on assets managed

Famous

With the experience and expertise of management at all levels Amshoe is well placed to take advantage of the expansionary phase in the SA footwear industry, the growth in supply of footwear components, import replacement exports and expansion into decentralised areas

Over and above the potential which exists in the footwear industry Amshoe through Jagsports the franchisee of the internationally famous Puma range -- will benefit from the contribution of the restructured Puma sports apparal division

Meet the management

AMSHOE boasts a strong top management team of skilled and experienced executive directors

- **Chief executive Roy Ekstein** manages the team of directors and has been in the shoe manufacturing industry for 24 years He is a commerce graduate with a diploma in footwear manufacture and design
- **Doug de Jager** is an Amshoe non-executive director and Lenco chairman He has been a leading figure in the success of Monatic and Carducci clothing ranges
- **Christo Weise**, an Amshoe non-executive director, is chairman of the highly successful and expanding Pep Stores retail chain His experience and knowledge of the retail environment ensures Amshoe is accutely aware of the market's requirements and expectations
- **Harry Spain**, an Amshoe non-executive director, is Columbia Corporate Finance chairman He is an experienced, astute and well respected financial man in the SA business environment
- **Stanley Stubbs** is also an Amshoe non-executive director He is Lenco financial director, overseeing all of the group's financial matters
- **John Ward**, Amshoe Group financial director, is a [illegible]

Merger pays off in annual results

BDay 16/5/89 (232)

TRADING results have exceeded all expectations for Amshoe in its first year of operation since the merger of Jaguar Holdings and Budget Holdings

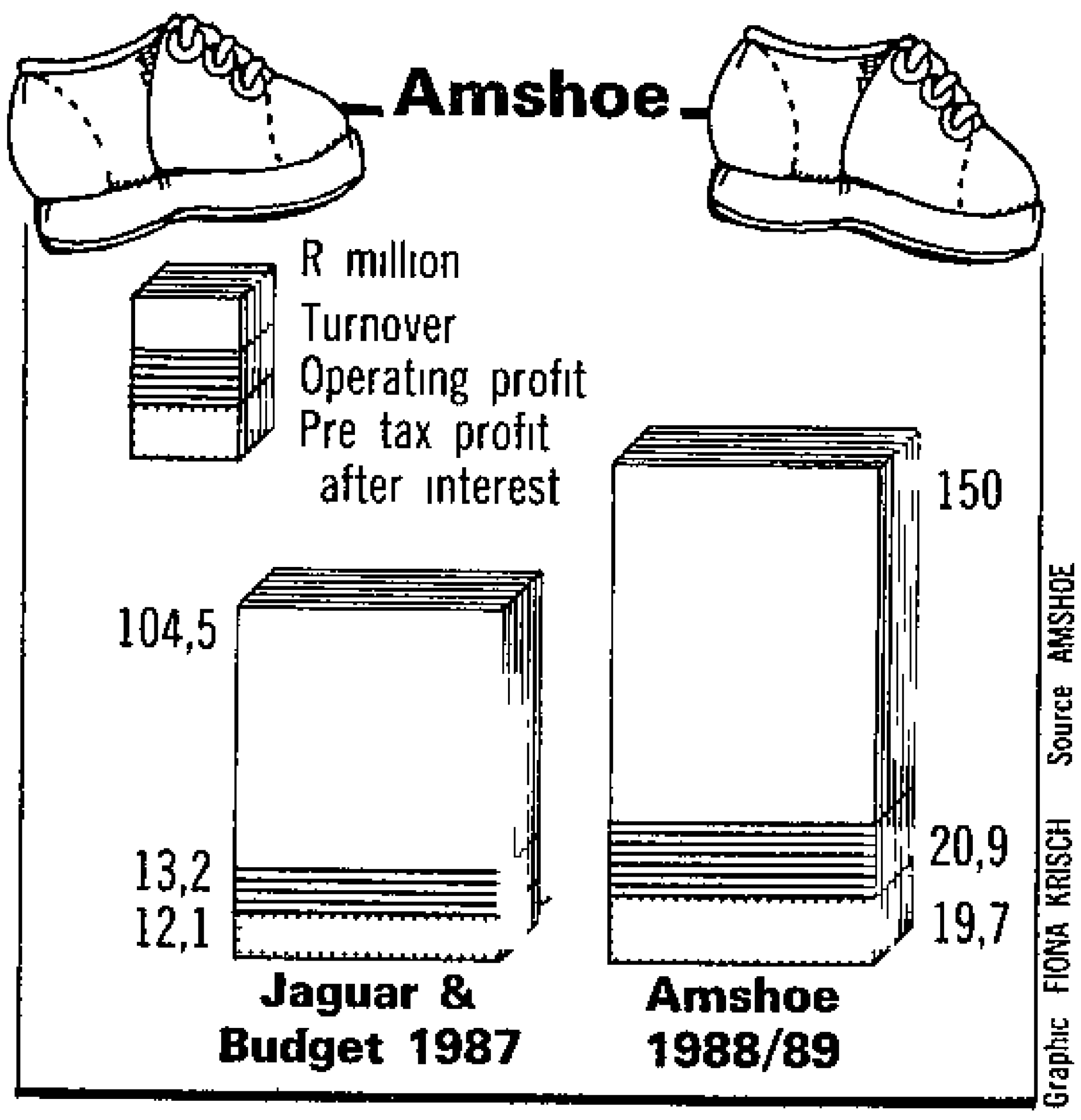
The results have also entrenched the group's position as a major player in the footwear industry

Despite the increase in the number of shares in issue to facilitate the Budget acquisition, earnings per share (eps) of Amshoe (previously Jaguar) surged 63% to 25,3c per share on an annualised basis Group earnings soared to R14,5m — considerably up from that achieved previously

Operating income has exceeded R20m, with turnover in excess of R149m

Commenting on the results, Amshoe CE Roy Ekstein says "With the protection afforded the local footwear manufacturers some time ago, significant investment was made in increasing production capacities to replace shoes previously imported into the country

"All plants within the group have run at full capacity, with current production exceeding 40 000 pairs a day, in order to fulfil the order book, and this has impacted favourably on our financial results"



Ekstein says further additions to machinery have been made since year-end and production capacities have been increased

"The benefits of synergies of the merger are only now coming into effect and will have full impact on our 1989/90 results"

Plans to locate Budget's expansion in production into low-cost decentralised areas, and to enlarge the group's factories already established there, have been approved

This expansion will assist in ensuring that low tax rates for the group will continue For the period just ended, the effective tax rate was a low 26%

An interesting feature of the Jaguar/Budget tie up is that it has enabled the group to diversify out of the footwear industry and provide contra-cyclical implications for its manufacturing facilities

Significant research and development is being invested in the footwear component plants, which provide PVC and EVA soling to the footwear industry and cross-linked foam sheeting for the manufacturing, construction and mining industries

Ekstein confirms this investment has tremendous scope for further development and will in due course become a significant contributor to group profits

A dividend of 7,0c (1987 — 4,0c) has been declared with the dividend cover increased to fund future expansion

Amshoe's balance sheet reflects a sound financial structure, with gearing levels at around 28% and group net asset value in excess of R49m

This places the group in a strong financial position to fund its capital expenditure programme, he says

Ekstein anticipates outstanding results for this financial year due to the additional production capacity, a full order book, the group's attention to rationalisation of its facilities and tight controls on cost and asset management

More provisional liquidations for Vista

8 D cy 17/5/89 · (232)

SUSAN RUSSELL

THREE more Vista Homes subsidiaries were provisionally liquidated in the Rand Supreme Court yesterday following applications by the Trust Bank, which has a R9,7m claim against the companies

The orders provisionally winding up Tobago Investments (Pty) Ltd, Grenadine Investment Holdings (Pty) Ltd and 4 K G Properties (Pty) Ltd were granted by Mr Justice Preiss

The holding company, Vista Homes (Pty) Ltd was provisionally wound up on February 28 and a final order of liquidation granted on April 11 A subsidiary, Vista Homes (Cape) (Pty) Ltd was placed in provisional liquidation on April 25

In affidavits Jurie Johannes Swart of Trust Bank said the R9,7m claim against the three companies was the aggregate amount owed to the bank by Vista Homes for which the three had guaranteed as surety and co-principal debtors

Grenadine had assets of R792 000, Swart said, and no other liabilities other than the R9,7m debt to the bank

Tobago had assets of R1 787 000 and owed a further R484 000 to the Perm Swart said 4 K G Properties had assets of about R300 000 and in addition to the R9,7m debt owed R750 223 to Vista Homes

The return date for all three applications is June 13

Ocean minorities offered R5

Finance Staff (232) Star 17/5/89

Ocean Appliance minorities are to be offered R5,00 a share by Tek Corporation which yesterday announced a R20 million acquisition of the Pinetown-based company.

Tek Appliance managing director Ross Heron said from East London that Tek already has reached agreement to buy 91 percent of Ocean's shareholding at R5 a share — a premium of about 25 percent on the JSE price

He said the existing Ocean management, including founder and MD Bob Matthews, would remain in place and there was no intention to retrench any staff

The Ocean listing would be retained as a shell vehicle for further transactions planned by Tek

The acquisition means that just over half of Tek Corporation's business now will flow from the manufacture of kitchen appliances

Mr Heron said the move will give Defy — the Tek Appliance subsidiary with a major Durban factory — a much wider range of refrigeration products to offer.

Tek, a Federale Volksbeleggings subsidiary, has a number of arms including Tek Appliances, Tek Electronics (Telefunken and Pioneer), Tek Industrials and Airco (air conditioning).

Ocean Appliance Corporation recently reported a 45 percent jump in pre-tax profits

Ocean's recent interim report disclosed that EPS increased by 38 percent to 56,6 cents Pre-tax profits were R4,49 million.

Tek Corporation chief executive Mike Bosworth said that Defy and Ocean would continue to be run as separate entities within the appliance division of Tek, under Mr Heron

Defy has a leading share of the cooking and laundry appliance markets, while Ocean is strong in the chest freezer and refrigerator business.

"The deal gives Tek a long planned entry into gas cooking and gas/paraffin refrigeration and into small kitchen appliances The two appliance businesses will produce an annual turnover in excess of R350-million," Mr Bosworth said

Twin policies run into problems

The twin policies of deregulation and privatisation are running into problems, especially where transport is concerned, according to research released by the South African Institute of Race Relations

In the latest issue of the Institute's "Social and Economic Update", it is reported that the Southern Africa Black Taxi Association (Sabta) has warned that deregulation may increase the trend to white ownership, pointing out that at least 30 percent of minibus taxis are owned by whites.

Another problem for the black taxi industry was the proposed tram system in Port Elizabeth for which it appeared a private company, Tramway Holdings, would be given the sole right to run the scheme. If tram systems became widespread, they could limit the taxi industry's growth

Deregulation was throwing up similar problems where black business was concerned Black businessmen were uneasy about the fact that the removal of controls on township business allowed white business to move in

Whites could hold up to 49 percent of such joint ventures and black business spokesmen like Dr Sam Motsuenyane, president of the National African Federated Chambers of Commerce and Industry, feared the Act could increase white penetration rather than free black business of restraints

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Star 28/5/89

Proposal to privatise electricity

Several initiatives to extend and improve electrical provision to black people have recently taken place, according to the latest SAIRR "Social and Economic Update".

The most important, it said, was a proposal that electricity services in Soweto be managed by a private utility company, possibly composed of representatives of township groups and business, in which Eskom would be the major partner.

Officials hoped this would "de-politicise" the service and allow agencies with expertise to manage distribution and tariff collection. In this way they believed the supply would be cheaper and more efficient.

A similar scheme is under way in kwaNobuhle, Uitenhage.

Star 11/5/89

Star 18/5/89 (232)

SAIRR reports on effects of growth rate

Many Government services 'suffering'

By Lloyd Coutts

Black education is not the only state service which is suffering because of the country's poor growth rate, says the South African Institute of Race Relations' (SAIRR) latest edition of "Social and Economic Update"

A report by researcher Ms Elaine Cosser said that the Government's attempts to improve black facilities were under increasing pressure, and various schemes being initiated or explored faced financial and political problems

While privatisation schemes ran up against affordability problems, attempts to ensure white subsidisation of black services via the Regional Services Councils (RSCs) faced resistance from some white municipalities which feared a backlash from their ratepayers

In the face of these problems, together with an overall lack of finance, there was evidence that the burden of funding some services was being shifted back to black communities

The report pointed out that officials had said sanctions and disinvestment were largely responsible for the Government's inability to upgrade black services adequately

Examining plans to extend and improve electricity to black areas, "Social and Economic Update" said township residents might be unable to afford partly privatised electricity

While Eskom's intervention had created some momentum for the extension of electricity to black areas, the research had found that there was no agency pressing for adequate water and sewerage, and that these services were poor in urban as well as rural areas

If such services were to be subsidised by the RSCs, white consumers would have to foot the bill and white municipalities might face a backlash from their constituents

"But if upgrading costs are passed on to black consumers, the result could be a sharp rise in defaulting, since township residents already have difficulties affording the cost of services"

"Social and Economic Update" said the amount of state money available for health care remained inadequate, while attempts to privatise existing public health facilities had made little progress

Economic and political pressure to improve health facilities was not nearly as apparent as in areas like housing and education

The publication said that because only 5 percent of expenditure could be recovered from patients at black hospitals like Baragwanath this was hardly an incentive to private enterprise to take over black health services

Only 7 percent of blacks belonged to medical aid schemes in 1987, the report added

Vista subsidiaries under winding-up orders

28/5/87
1/8/5/87

By Cathy Stagg

Three more wholly owned subsidiaries of Vista Homes were provisionally wound up in the Rand Supreme Court on Tuesday

The applications were launched by Trust Bank Africa Ltd against Grenadine Investment Holdings (Pty) Ltd, Tobago Investments (Pty) Ltd and 4 KG Properties (Pty) Ltd

Each of the three property development companies owed the bank about R9,7 million, the aggregate amount owing by Vista to the bank, for which the companies had signed as surety and co-principal debtors

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The provisional winding up orders were granted by Mr Justice Preiss and are returnable on June 13

Acquisitions quadruple Presmed turnover

BDay 18/7/89 (232)

CHARLOTTE MATHEWS

ACQUISITIONS greatly boosted President Medical Investments' (Presmed) turnover for the year to February.

It went from R5,4m to R22,1m

Attributable income rose by 27% to R677 000 (R533 000), largely reflecting a drop in operating margins to 10,9% (23,2%) and an eightfold rise in interest payments to R914 000 (R116 000).

A dividend of 2,7c (2,1c) a share has been declared, covered three times on earnings of 8,1c (6,1c) a share.

Presmed was listed on the DCM in June 1986 as a holding company operating three day clinics It now runs three private hospitals and seven day clinics

In the past year it commissioned the Bloemfontein Rosepark Hospital and bought controlling interests in the Jan S Marais private hospital and four other clinics

Directors say prospects are encouraging

b/Day 16/5/89.

Shoeshine takeover at the JSE

(232)

BRENT MELVILLE

DIAGONAL Street's fiercely competitive shoeshine industry has been shaken by the merger of two rival camps.

Nugget Shoeshine has bought out its rival shoeshine outfit, Mr Nugget, for an undisclosed sum and summarily shoeshine prices have rocketed by 50% at the revamped Mr Nugget stall.

A basic shoeshine will now cost JSE patrons R1,50, as opposed to the previous Mr Nugget cost of R1.

Conversely, Nugget prices have been reduced by 50% from R2 to R1,50.

Reactions to the move vary, with some stockbroking analysts believing the move is in the best interests of the shoeshine sector.

Skyrocket

However, one stockbroker has cried "foul" and has come out firmly against the consolidation, saying that with increased demand prices would "skyrocket".

Some disgruntled patrons view the move as monopolistic and believe there are grounds for intervention.

A Davis Borkhum & Hare analyst believes the buyout has come at a crucial juncture. "With winter approaching, the dusty build-up on shoes is immense," he said.

Analysts further consider the possibility of a bull-run in the retail shoe market, saying that the increase in shining costs could be an incentive for many in the business community to "run out and buy new shoes"

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REPOSSESSIONS 232

19/5/89

Storm clouds gather

It's a lull before the storm The number of home repossessions through failure to service bonds has remained low despite rising mortgage rates But there is a strong possibility mortgage casualties could rise — along with interest rates

Bond interest rates are already touching 20% — compared to a low of about 12,5% a little over a year ago And there is a strong possibility they could rise even further before falling (*Property* April 28)

Predictions are that repossessions could escalate to levels approaching those of 1984-1985, when societies were forced to take action against bond defaulters after interest rates on home loans rose to 23% By mid 1984, when the bond rate previously stood at 20%, it was estimated that 20 000 home owners had fallen behind with their instalments Some 5 000 of them had not met their mortgage commitments for three months or more

Though the situation was probably aggravated by rising unemployment among property onwers (not a major factor at present), it is counterbalanced by the fact that many new home owners, particularly at the lower end of the market, took advantage of the 100% bonds being offered and bought to their limit For them, the massive escalation in bond repayments has made it virtually impossible to meet their commitments

International auctioneers MD Gus Bonini says 1989 has been exceptionally quiet in terms of repossessed properties being auctioned off, but he expects this to change in about three months.

"The high bond rates will hit the small man, such as young, first-time buyers, particularly badly. How can those people keep their homes when their bond instalments have doubled in a year? I believe we are seeing a repeat of what happened in 1984-1985

"Ours is not a particularly big auctioneering firm, but at that stage we were auctioning about 10 houses a month"

He points out that homes which are now being repossessed will take a few months before being placed for resale with auctioneers because of the sequestration process involved

Arthur Trakman, of Trakman's auctioneers, agrees it has been a quiet year for repossessed home auctions He says the shake-out of insolvencies over the past few years has meant that only the fittest industrial firms have survived That means fewer business failures and, in turn, fewer people who suddenly find themselves without an income to repay mortgages

"Nevertheless, the high bond rate could cause a lot of problems for home owners," Trakman predicts

Property economist Erwin Rode says house prices are being affected by the rising bond rates, but not as severely as is generally thought, because rising interest rates are a symptom of an accelerating economy and disposable incomes are also rising

"This partially offsets the impact of rising rates on affordability There could be problems for those who over-extended themselves when the bond rate was artificially low at 12,5% This could mean a rise in the number of repossessions, but it's not likely to be that bad The crucial question is whether the approaching recession will be as bad as it was in the mid-Eighties" ■

Minorco may take further action

LONDON. — Minorco is investigating whether it can pursue legal action in the United States after the court ruling earlier this week which killed its £3,9-billion takeover bid for Consolidated Gold Fields.

The bid collapsed following the US court's decision to uphold an injunction which had been taken out by Newmont Mining, 49 percent owned by UK-based Consgold, under American anti-trust laws.

Sir Michael Edwardes, chief executive of Luxembourg-based Minorco, which is controlled by Anglo American and De Beers, said: "There are certain moves we are looking at with our lawyers. We have 29,8 percent. We know we have the support of another 25 percent of the shareholders — mainly big city institutions."

Consgold chairman Rudolph Agnew hailed the bid outcome as a victory, but his company's share price plummeted following Minorco's announcement.

Edwardes said: "I cannot think of another case where the action of a chairman has knocked £750-million off the value of a company overnight. I think the issue of whether the majority of shareholders have been deprived of this offer by a US court is a matter for the authorities to look at closely."

He said Minorco would probably not take a decision on how to proceed before its board meeting next month, but would be looking carefully at the profit forecasts Consgold had made during the bitter eight-month takeover battle.

Agnew described himself as "a meek and humble man" but discloseddisclosed that his controversial defence had cost Consgold £30-million.

He said he hoped Minorco would keep its stake in Consgold and its two directors on the board, adding: "We do not feel vindictive but hope Minorco will want to have a constructive and positive relationship with us." — Sapa

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Wmail 19-25/5/89

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BUSINESS

Deregulation trips over the good Lord and the labour movement

Deregulators are trying to avoid a battle with organised labour. PIPPA GREEN talks to Manpower director Joel Fourie

IN the government's enthusiasm to deregulate the economy, it has tripped over several obstacles These range from the Dutch Reform Church, which objects to Sunday trading, to the labour movement, which fears some of its hard-won gains, such as safety regulations or protection against unfair dismissal, may be whittled away

But while Sunday trading is being quietly pursued by the deregulators, there are signs that the policy makers want to avoid a head-on confrontation with the labour movement.

In part, this is due to the Manpower Department, which after the rough ride unions gave it over the Labour Relations Amendment Act, has injected a note of restraint into the parliamentary joint committee on deregulation and privatisation.

The Director General of Manpower, Joël Fourie, says the department has stressed three points to the committee deregulation should not strain industrial relations, provisions for exemptions from minimum conditions of employment already exist in the current labour legislation; and deregulation should be by "co-option not force".

"We say that in the labour field we have a very balanced relationship between employers and employees. By deregulating we may destroy that balance Therefore we are cautious," said Fourie in an interview with the *Weekly Mail*

A government source, who sees deregulation as the shot in the arm that the economy needs, has suggested that one reason that manpower is lukewarm about the new economic policy is that deregulation will jeopardise factory inspectors' jobs. Not at all, says Fourie

"Our inspectors will investigate complaints even in deregulated areas — deregulation won't affect a single job and anyway we spend less than one percent of our budget on the inspectorate"

So far, deregulation has not affected unionised workers Businesses which have been deregulated are all run by small entrepreneurs and most employ fewer than 20 people

Earlier this month the government, by proclamation, suspended sections of health and safety, wage and basic conditions of employment legislation on 27 business sites around the country The proclamation was made in terms of the 1986 Temporary Removal of Restrictions on Economic Activities Act Several of the sites are industrial "hives" run by the Small Business Development Corporation in black areas, as well as the Flamingo Centre in Mamelodi

The complex and lengthy proclamations suspend safety regulations, as well as clauses relating to hours of work, overtime and meal times

Ian Macun, a researcher with the UCT-based Industrial Health Research Group, said it was disturbing that these businesses did not need to provide protective clothing, proper lighting, or guard machinery

"The way I read it, the proclamation also gives the SBDC the power to decide what's dangerous and what's not This is very odd What experience do they have?" he asked

The provisions allow the SBDC (the lessor) to terminate a lease if it deems that any activity of the entrepreneur "is dangerous or detrimental to the health and safety of the lessee's employees"

Macun also suggests that even within its own logic, "the whole approach is flawed the wholesale removal of safety restrictions could lead to increased costs of production. They might be more productive by training small entrepreneurs in safety and management skills"

Fourie says that workers in deregulated businesses will not be left entirely vulnerable. They will still have access to the industrial court if they feel they are endangered, or if their employers refuse to negotiate, he said. "It doesn't matter whether they work in a high-tech industry or a backyard Workers need to be protected"

Like the government's privatisation unit — the chief government architect of deregulation — Fourie believes that suspending stipulations such as minimum wages will help relieve unemployment Where he differs from those beating the "free enterprise" drum, is his argument that, once in the economy, workers need protection.

"We're as anxious as anyone else to get employment as high as possible and we fully accept that the informal sector and the small businessman can contribute to that But we are also saying that once a person is employed his basic rights must not be tampered with. And it is the basic right of a person not to be treated unfairly."

MINORCO/CONSOLIDATED GOLD FIELDS

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Financial 19/5/89

Counting the cost

Consolidated Gold Fields' (ConsGold) champagne celebration of Minorco's 11th-hour decision to throw in the towel may rapidly go flat on its chairman Rudolph Agnew

The £3,2bn takeover battle which ended five days short of eight months was without precedent and things will not be the same again — for ConsGold or, possibly, the City of London's takeover rules

That a US Federal District judge in New York could stymie a bid by a European-based company for a British group, on the basis of a demonstrably unsound action brought by the defender's non-controlled US affiliate, Newmont, seemed unthinkable a few months ago

ConsGold management's defence of its independence has opened a Pandora's box for future UK or European bids where the subject company has access to this kind of lever, which makes nonsense of free markets and the idea that 50,1% of shares is a controlling majority

Judge Michael Mukasey's decision not to lift the temporary injunction granted to Newmont so that Minorco's bid ran out of time under London rules defies logic (*FM* May 12) Newmont's "independent" action — the Takeover Panel accepted that ConsGold's 49,3% stake did not constitute control and thus the American company's frustrating action was beyond its writ — was based on the premise that Minorco-cum-ConsGold would give Anglo American Corp power over 32% of Western gold production, and that this would enable it to manipulate the market

It mattered not that four US regulatory bodies had found no case on anti-competitive grounds for intervening, nor that the British Monopolies & Mergers Commission and the European Commission had no objections Mukasey seemed blind to the realities of the gold market where the SA Reserve Bank, not the producers, controls sales or the virtual impossibility of anyone cornering bullion when the Group of Seven central banks hold more than 10 years' supply

The final injustice must be the undenied recognition that, in any case, ConsGold had no power to control Newmont, ergo neither could Minorco, even if it had been unable to sell the stake as promised

What now? As the *FM* went to press Minorco, disappointed but refusing to acknowledge a disaster, limited itself to saying it will press ahead with the planned transformation from a portfolio to an operating company

Undoubtedly, post mortems will find fault with its tactics, especially in view of claims that another 50p per share would have won the day CE Sir Michael Edwardes said "Minorco continues to be the largest shareholder in Gold Fields and we will keep the position under close review" But, as a passive investment, nearly 30% of ConsGold is for sale.

In New York the price was falling towards the £11,75 cash element of Minorco's bid, worth over £15 in total

Apart from stating "obvious delight at a tremendous victory" ConsGold was keeping its counsel for the cold light of Wednesday morning But the way the battle was fought, especially the heavy use of the anti-SA card, must impose a pall over relations between ConsGold and GFSA, whose chairman Robin Plumridge may find future difficulty in extending a warm welcome to Agnew in Johannesburg

And certainly by raising ConsGold's own SA profile in the US, Agnew will find it difficult to run his aggregate and concrete businesses there and retain the investments in SA

Meanwhile, analysts believe that ConsGold remains "in play" and it is likely to be taken over by somebody before long

John Cavill

MINORCO/CONSOLIDATED GOLD FIELDS

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Fin Mail 19/7/89

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The final injustice must be the undenied recognition that, in any case, ConsGold had no power to control Newmont, ergo neither could Minorco, even if it had been unable to sell the stake as promised

What now? As the *FM* went to press Minorco, disappointed but refusing to acknowledge a disaster, limited itself to saying it will press ahead with the planned transformation from a portfolio to an operating company

Undoubtedly, post mortems will find fault with its tactics, especially in view of claims that another 50p per share would have won the day CE Sir Michael Edwardes said "Minorco continues to be the largest shareholder in Gold Fields and we will keep the position under close review" But, as a passive investment, nearly 30% of ConsGold is for sale

In New York the price was falling towards the £11,75 cash element of Minorco's bid, worth over £15 in total

Apart from stating "obvious delight at a tremendous victory" ConsGold was keeping its counsel for the cold light of Wednesday morning But the way the battle was fought, especially the heavy use of the anti-SA card, must impose a pall over relations between ConsGold and GFSA, whose chairman Robin Plumridge may find future difficulty in extending a warm welcome to Agnew in Johannesburg

And certainly by raising ConsGold's own SA profile in the US, Agnew will find it difficult to run his aggregate and concrete businesses there and retain the investments in SA

Meanwhile, analysts believe that ConsGold remains "in play" and it is likely to be taken over by somebody before long

John Cavill

On the offer price of 285c, the dividend yield was 2,6% for the 1989 financial year

The offer opens at 9 30am today and will close at noon on June 9

JWT holding company buys Ogilvy Group

MANDY JEAN WOODS

TWO of SA's biggest advertising agencies — J Walter Thompson and Ogilvy & Mather Rightford Searle-Tripp & Makin — became partners in business yesterday when JWT's holding company bought out the Ogilvy Group.

London-based WPP, holding company of J Walter Thompson Worldwide, purchased the Ogilvy Group (including SA subsidiary Ogilvy & Mather, Rightford Searle-Tripp & Makin) for $864m, making it the world's second largest advertising company after Saatchi and Saatchi

However, local spokesmen for the companies emphasised they would continue to operate as separate entities

O & M Rightford chairman Bob Rightford said "Here in SA we do not see that this will change our direction in any way We will continue to strive for the best quality creative product, improved all-round service and continuing contact with the changing trends in our country to ensure we are able to take advantage of the new opportunities that develop"

JWT Worldwide chairman Burt Manning told the local operation the merger meant "WPP will be stronger than ever The operation of JWT will not change and we will remain autonomous There will be no sharing of information, personnel or office space"

JWT Johannesburg acting MD Don Thompson said the only two official connections the two agencies would have would be financial and in the newly created WPP strategic planning committee

He said "The committee will explore potential for WPP growth in advertising areas and will make recommendatons for acquisitions of companies in non-classic advertising areas"

23/5/89

Merger creates world's largest auditing firm

ARTHUR YOUNG and Company and Ernst Whinney have agreed to merge their worldwide practices in a move that will create the largest auditing and consulting firm in the world.

An announcement released yesterday said that the step followed the recent unanimous decision of their international councils on which both South African firms are represented. The name of the merged firm will be Ernst and Young.

The combined revenue of the two firms in 1988 was R9,5 billion with 70 000 people working in 100 countries.

In South Africa, Roy Andersen, senior partner of Ernst & Whinney and Tom Wixley, chairman of Arthur Young, confirmed that this decision now opened the way for merger discussions between the two locally owned firms.

According to a statement in New York, the merger was meant to help both firms cut costs in the teeth of fierce competition for auditing contracts and dominate the tax advisory and accounting businesses after trade barriers fall in Western Europe in 1992 — Reuter.

Opinion split on merits of Eskom privatisation

B/Day 22/5/89 (232)

BRUCE ANDERSON and MARC HASENFUSS

FOR the privatisation of Eskom to be effective the corporation should be privatised into a truly deregulated market, Anglo American Industrial Corporation (Amic) deputy chairman Leslie Boyd said last week

Boyd, who is also president of the Federated Chamber of Industries, said Eskom did not have a competitor The absence of a competitor meant the current environment for the privatisation of the corporation was not ideal

Business Day canvassed opinion from Boyd and other prominent industrialists last week after suggestions of an industrial lobby against the privatisation

Boyd said the Eskom privatisation should be put on the backburner until government had gained more experience in privatisation

He said it was the general view of industry that SA should wait and see what happened in the UK when the supply of electricity was privatised

A spokesman for the Ministry of Administration and Privatisation said the ministry was still in the early stages of investigating the possible privatisation of Eskom

"We are aware of some criticism, but we have not heard of any lobby We have just finished canvassing the opinions of leaders in the private sector," he said

Eskom chairman John Maree was also not aware of an industrial lobby against the privatisation of Eskom

He said Eskom had talked to the main electricity consumers, who were generally in favour of Eskom's privatisation although reservations were expressed

Maree admitted there were a number of factors still to be considered before Eskom's privatisation, for example, closely monitoring the UK process

Price rises

At the end of last year Assocom said the immediate privatisation of Eskom would inevitably mean an increase in electricity prices to a greater extent than would have otherwise been required

Assocom said a major purpose of privatisation should be the reduction of the public sector's involvement in the economy, but there was little advantage in replacing public sector with private sector monopolies

Samcor group MD Spencer Sterling said as a matter of principle he was in favour of privatisation

However, in the case of a supplier of a significant and strategic commodity such as electricity, various factors should be considered before privatisation took place

For instance, said Sterling, how the element of competition would be introduced with regard to Eskom Without competition there would be a real possibility of price increases, added Sterling

He said Eskom as a government monopoly kept the cost of electricity down, and one could only hope that after privatisation the same philosophy would continue

Hulett Aluminium MD Des Winship felt privatisation was an excellent idea, provided it was done properly to allow the public access to shareholding

Eskom had, up to now, done the right thing by curtailing costs and improving efficiency

Mintek president Aidan Edwards said there was no reason to be alarmed at the privatisation of Eskom as, normally, privatisation led to better efficiency resulting in costs coming down rather than going up

He said because Eskom was such a large organisation it would privatise small sectors at a time, and if there was any price increase in electricity, it would be phased in over a long period

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Faster troop pull-out in Namibia

BDay 22/5/89

KEVIN JACOBS

WINDHOEK — SA is speeding up its demilitarisation of northern Namibia to ease pressure on the UN-managed programme for the territory's independence

The territory's military supremo, Maj-Gen Willie Meyer, said military withdrawal and demobilisation required under the peace plan would be completed a week ahead of schedule, in spite of a six-week compression of the programme caused by Swapo's insurgency.

Meyer, General Officer Commanding SADF and SWA Territory Force units in Namibia, said the required run-down to 1 500 soldiers would be completed by June 24, ahead of the July 1 deadline stipulated by the UN's Security Council resolution 435 settlement plan

"The seriousness with which the military regard this aspect of the Namibian independence plan should be apparent from the SADF and SWATF being way ahead of schedule on April 1, when Swapo armed members violated the settlement by a large-scale incursion," he said at the weekend

Demilitarisation "will now continue until June 24, when the withdrawal process will be back on schedule

"On that date there will be 1 500 remaining personnel confined to bases at Grootfontein and Oshivelo," he said

Meyer's announcement of accelerated demobilisation came at the start of a week

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Local link to follow Ernst & Young merger

BDay 22/5/89 232

KAY TURVEY

ACCOUNTANCY firms Arthur Young (AY) and Ernst & Whinney will begin talks today on a local tie-up, after announcing an international merger on Friday

With total billings of R9,5bn last year, the merged company — to be known as Ernst & Young — becomes the world's largest professional services organisation

Ernst & Whinney senior partner Roy Andersen and AY chairman Tom Wixley said yesterday it was too early to say what benefits would accrue locally from a link-up, although it was hoped to wrap up details as soon as possible

The two firms should now pip Aiken & Peat — Peat Marwick and KMG Main Hurdman prior to a merger two years ago — in terms of listed clients

Both partnerships are locally owned and will remain so after a possible merger, although they will continue to draw on the expertise and technology of their international links

It is understood discussions will involve the future direction of the firms

Industry observers say it should be an interesting marriage as Ernst & Whinney, under the dynamic Roy Andersen, has pursued an aggressive marketing approach, whereas AY has tended to grow through amalgamation of small country practices

The tie-up should create a broad-based concern Ernst & Whinney strengths lie in the mining sector, banking, insurance, construction and retail, whereas Arthur Young has concentrated on retail, transport, food and distribution.

...rt ticket sales are taking off

BDay 22/5/89

RIAAN SMIT

Fare hikes last month had not resulted in a drop in demand SAA would add another direct Cape Town-London flight each week from next month.

Lufthansa spokesman Karen Lambson said demand was more than last year and had not been affected by fare increases The airline's four flights a week to Frankfurt were usually full.

"The initial shock when the rand dropped is over South Africans seem to have come to terms with a weak rand."

BA SA manager Malcolm Freeman said overseas travel used to be regarded as a luxury but had become part of the lifestyle of many South Africans in spite of the cost

He added BA bookings were "looking very healthy" There was an increase in advance ticket sales compared with the same time last year, particularly in first and business classes

None of the three airlines could say whether more businessmen were taking advantage of the weak rand to boost exports through sales trips

Star 22/5/89 (60) (1000) (232)

New Mobil bidders are still hopeful

DURBAN — Two key members of the five-man syndicate bidding to take over the South African interests of the disinvesting Mobil Oil Corporation are now known to be a wealthy Natal Indian businessman, Mr Goolam Kadwa, and a foreign investor who lives in Durban, Mr Rashid Dambha.

The identities of the other three members remain a mystery although it has been disclosed that one is a black taxi operator who runs a number of trading stores, another a Natal North Coast industrialist and the third an accountant.

Despite reports earlier this week that the syndicate bid had failed, it was established the syndicate was still attempting to buy Mobil SA before Gencor clinched the deal, the *Sunday Tribune Herald* reported.

The syndicate reportedly offered R750 million, compared to Gencor's offer of R500 million.

Mobil has assets of R1,5 billion A decision is expected by Wednesday.

A spokesman for Mobil said Mr Hariram had made contact with the company, but its southern African subsidiary had already reached an agreement with Gencor. — Sapa.

Population patterns focus of govt probe

GERALD REILLY

PRETORIA — An intensive investigation was in progress into welfare financing, social pensions and allowances, and the use of voluntary workers, National Health Minister Willie van Niekerk said yesterday

Opening a conference called to discuss the new social welfare policy announced last year, Van Niekerk said particular attention would have to be focused on emerging population patterns.

Essential prerequisites such as welfare, housing, employment and education could not keep pace with the unprecedented population growth and urbanisation

People had to be assisted to adapt more readily to changed circumstances especially those caught up in urbanisation.

Van Niekerk said measures would also have to instituted not only to prevent AIDS but to assist those who suffered from the disease

All these issues had to be pertinently addressed in the welfare policy

A start had already been made with the upgrading of welfare services for the black population

MacPhail acquisition spurs all-round growth

FSI'S MacPhail, the largest coal distributor, is set for further growth after acquisition of the Reef Coal group and a plan to consolidate its shares

The acquisition broadened MacPhail's coal distribution base, opened up new markets, expanded traditional areas of operations and added depth of management to the group, says chairman Ivan Posniak, in a review of the year to December

"With the enlarged group, we are anticipating further substantial growth, well ahead of the inflation rate," he adds

Management of the group's assets continued to improve and should assist in increasing profitability in 1989

MacPhail will consolidate its shares on a 4-for-1 basis — subject to the approval of shareholders at its annual meeting — because the number of shares in issue is considered too large

The move will reduce issued share

ZILLA EFRAT

capital from 52,9-million ordinary shares to 13,2-million

Posniak says the group will continue to evaluate further investment opportunities to broaden the scope of its business

In the the year to December turnover increased 48% to R100m, while attributable earnings jumped 118% to R3,5m

After adjustments for the proposed consolidation, earnings rose 69% to 26,4c (15,6c) a share A total dividend of 11c (7c) a share, covered 2,4 times, was declared

The current ratio of 1,4 1 was slightly down on the 1 5 1 of the previous three years Return on shareholders' equity improved to 22 8% (16,6%)

CE Sid Weintrob says organic growth continued at a high level with attributable profits from ongoing operations up 77% The Reef Coal acquisition increased attributable profits by R664,000

He says "Our financial goal is to maximise the average rate of growth in earnings per share and dividends over the long term, through providing a distribution service that enables coal producers to deliver supplies to industrial and consumer markets in the most cost effective and reliable manner"

Brain drain bites deep at varsities

B/Day 23/5/89 (236)

GERALD REILLY

THE academic brain drain had bitten deeply into key faculties at some universities, a Committee of University Principals survey found

It also showed the major reason for resignation from the English-language universities was emigration

The survey, which began in 1986, found that annual staff turnover at all universities varied between 4,7% and 18,2%

The destinations of those who resigned from all universities was roughly distributed between the private sector, public sector and tertiary educational sector

The departments where most problems were experienced in finding suitable academic staff included economics, accountancy, maths and related subjects, computer science, physics and chemistry

Retrenching

The survey also found that in the drive to rationalise, against a background of shrinking state aid, most universities had managed to economise on their salary budgets without retrenching staff

Universities were committed to retrenching only as a last resort

However, academic and non-academic staff numbers during the past three years had risen at a much slower rate than student numbers.

This process could not be continued indefinitely

The survey said some universities had reported the strain of additional work loads was starting to tell on staff

It was found, too, that the extent to which universities had done away with degrees, diplomas, subjects and options within subjects was "surprising"

The survey said "If all were added up the total would exceed 300"

It was also found that nearly 200 departments or institutions were either closed or amalgamated with other departments or institutions in the three years

Alfa chairman says control talks under way

BIDay 22/5/87 (232)

BRUCE ANDERSON

AN ANNOUNCEMENT concerning change of control in JSE-listed Alfa Manufacturing (Alfa) is expected next week

Alfa chairman Christo Bierman said yesterday negotiations were under way which would probably lead to change of control of the packaging company He would not elaborate

Bierman said a provisional order of liquidation against Alfa — issued two weeks ago — was withdrawn last week

The order was granted by the Rand Supreme Court after an application by Jowin, sellers of a company, Liberty Box, which had been bought by Alfa

Alfa's shares have been suspended since the provisional order of liquidation was issued Bierman said he hoped trading in the shares could resume next week

A view of Shareworld Entertainment Centre.

The end for Shareworld

Sowetan 24/5/89

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By JOSHUA RABOROKO

SHAREWORLD entertainment centre in Johannesburg, which owes more than R45 million, is to be liquidated

This was announced yesterday by the Standard Bank of South Africa which has offered to refund the subscription shares of 50 cents to ordinary and preference shareholders in Shareworld, except those involved in the design, construction and administration of the project

The refund offer, which is valid for 30 days from May 22, was posted this week

Shareworld's managing Director, Mr Rene Lion-Cachet, yesterday said "I think this is a magnanimous gesture by the bank and one which no other bank will have made in similar circumstances

"Shareholders owe the bank a very big debt of gratitude," he admitted.

Lion-Cachet said the offer to improve the financial standing of the entertainment centre by Mr Trevor Tutu, never amounted to anything

The offer follows Standard Bank's announcement on January 18 that the bank intended to move towards withdrawing its facilities to Shareworld at the

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Shareworld to be liquidated

Star 24/5/88

By Jovial Rantao

After floundering in debt since its inception 18 months ago, Shareworld, the largest multiracial entertainment centre in South Africa, is to be liquidated, Standard Bank announced yesterday.

Standard's decision to liquidate Shareworld follows its announcement on January 18 that it intended to move towards withdrawing its facilities to the centre at the earliest opportunity. Shareworld indebtness is now in excess of R45 million.

In a statement the bank said the liquidation procedure would both obviate the need for further cash injections and free the project from its very substantial debt load.

It's Mr Average who is bearing the burden of the credit squeeze

Star 24/5/89

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By CAROL MIDGLEY

The credit squeeze will be responsible for one of South Africa's biggest booms — bankruptcies — as the country's financial cushion wears out

And it is the long-suffering man in the street, rather than companies, who now find themselves with their backs against the wall, claim financial experts

Debt collecting agencies told The Star that home, car and furniture repossession cases had increased 100 percent in the last three months — and the worst was yet to come

Banks, debt-collecting agencies and creditors must now do everything in their power to alleviate the burden the economy has placed on Mr Average's shoulders, suggest economists and financial consultants, as a heavy-handed approach will only further erode the individual's chance for survival

The squeeze has slowed down both consumer and corporate demand for credit, says Trust Bank economist Mr Nick Barnardt

"The downswing in the economy is likely to be extremely severe in the first half of next year," he said

"Present credit growth of 26 percent will slow to around 17 percent by the end of this year and probably 11 percent by the end of next year.

"Because of what happened in the last recession, companies have now protected themselves in areas such as cash flow and overseas credit and so will not be so vulnerable

"The emphasis this time is going to be on personal bankruptcies — the ordinary individual — as in the past few years consumer spending has not declined in line with the real financial position "

Mr Barnardt continued "The financial cushion has grown very thin indeed Not only has there been a lower level of savings, but people have been spending their accumulated wealth and buying on credit

RISE IN BANKRUPTCIES

"By the first half of next year there is likely to be a visible rise in bankruptcies when the problem will be at its most serious and it will be a challenge to banks to do everything possible to stand by their customers during this difficult time

"At the same time, the man in the street must do his utmost to talk to his bank manager if he is in trouble — the door will always be open "

Mr Barnardt added "It is unfortunate that in times when people most need a salary increase, employers are least able to help — it is a typical cyclical pattern — so difficult as it may be, it is up to the individual not to spend more than he can afford "

Other experts suggest Government claims that the average consumer is spending too much on luxuries are false and that most people now need credit simply to live

Johannesburg repossession, debt-collection agent and financial consultant, Mr Jan Kleynhans of Libra Consultants, said he was trying to persuade creditors to solve problems with debtors amicably, rather than just turn them out into the streets

And although the number of calls he had received had increased by more than 100 percent in the last three months, the amounts of money available for collection were much less and many companies preferred to try to deal with the problem themselves in a bid to save commissions

Said Mr Kleynhans "The Government's measures have placed incredible strain on the average person An office clerk, for instance, who is earning R1 500 a month was once able to support a wife and family on that salary — but not today

"Now, everyone is in a fix and in the last six months we have seen the transition from being able to live to not being able to pay the mortgage or accounts

"People are not getting themselves into trouble for luxury items The trend of buying basic items such as food and essential clothing on credit started about 18 months ago — where do you go from there?

"And what about the small businessman who runs a corner shop or market stall and that is all he has done for 20 years — what kind of job is he going to get if he goes broke?"

SHAREWORLD'S TOTAL LOSSES PUT AT R16m

(232) By SYLVIA DU PLESSIS B/Day 25/5/89

SHAREWORLD'S losses since opening in a blaze of publicity in November 1987 totalled R16m, MD Rene Lion-Cachet said yesterday

Standard Bank also announced the giant entertainment complex, in the south-west corner of Johannesburg, would be liquidated next month after the bank's decision in January to withdraw credit facilities

Lion-Cachet said monthly losses were about R1m — operating costs of R400 000 and an interest burden of about R600 000 Shareworld owes Standard R45m

Monthly turnover had also been lower than expected at about R100 000 since January.

Before its opening Shareworld forecast year-end turnover of R10m to yield R490 000 pre-tax profit.

"The liquidation puts our major creditor — Standard Bank — in the driver's seat and management will have to look to them for instructions," Lion-Cachet said

Shareworld's first annual meeting will be held on Saturday and the state of negotiations for possible restructuring, and the complex's year-end results, which have not yet been released, will be discussed.

Shareholders said yesterday Standard's decision to liquidate the giant entertainment complex had not taken them by surprise.

One shareholder, who holds 2 000 shares, said he was unhappy about the liquidation because of the money he had invested in the complex. However, he was pleased Standard had offered to refund the subscription share price of 50c to ordinary and preference shareholders.

The offer is not extended to those involved in the design, construction or administration of the project.

Standard special operations manager Don Macey said he hoped the proposed R6m taxi interchange at Shareworld would go ahead because it would be a "catalyst to rejuvenate the Shareworld concept".

Research output further privatised

(232)

DIANNA GAMES

THE Medical Research Council (MRC) further privatised its research output in the last financial year, partly with a view to investigating possible new avenues of import replacement for medical electronic equipment, MRC president Philip van Heerden said yesterday

He said in his annual report the MRC had registered two companies — Medical Technologies Investments and Medical Technologies Development (Medtech)

Although the MRC held 100% of the shares in the companies, it was envisaged at least 75% of the share capital would be taken up by the private sector

Medtech, together with other interested parties, would use information from a market survey on medical electronic equipment to investigate possible new avenues of import replacement with locally made equipment

The MRC operating account showed a surplus of R10,6m, which was transferred to the Accumulated Fund This showed a 23,6% increase over the previous year

The bulk of MRC funding — R30,9m in the last financial year — came from parliamentary grants Of that, R18,4m was paid out for running costs, R11,4m for research grants and bursaries and R1m for contract research It also spent R17m on its own research programmes and R11,9m on salaries, wages and allowances

The MRC last year opened a new Research Institute for Environmental Diseases, a hitherto neglected field, and would be looking at diseases resulting from water, air and food pollution, among other things

Extensive

Van Heerden said in spite of threatened isolation and boycotts, international co-operation was still satisfactory and researchers still had access to the best centres in the US and Europe But attendance at international congresses had been more difficult due to visa problems for countries such as Canada and Australia

SA was the only country in the subcontinent with its own extensive infrastructure for doing advanced medical research and it was essential standards were maintained

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Star 25/5/89

Attempt to save firm not wanted

By Jacqueline Myburgh

Teknique skin-care products, a company launched by Beauty Without Cruelty to fund the charity, is undergoing provisional liquidation

Miss Christine Berry, a managing trustee of the charity, stressed the liquidation would have no effect on Beauty Without Cruelty

She said six different parties were interested in salvaging Teknique

Mr Avroy Shlain has announced that his company, by the same name, is considering an attempt to save the company

Miss Berry expressed surprise at Mr Shlain's announcement since, she said "Far from being interested in helping Beauty Without Cruelty, he has done everything to obstruct and discredit it"

She said she would oppose Mr Shlain's plans to save Teknique The bottles containing the product bore the Beauty Without Cruelty logo and the charity had the final say as to who could use it

IN COMPETITION

Miss Berry said soon after Teknique was started, Avroy Shlain withdrew from Beauty Without Cruelty and she received a letter from Mr Shlain saying "While naturally my company continues to adhere to the concept of Beauty Without Cruelty, we can no longer support your organisation which is a platform for a commercial product in direct competition with us."

Mr Shlain said he objected to a charity forming a company, since the public saw a product being sold by Beauty Without Cruelty and therefore assumed the funds went to the charity

"They don't realise the funds go to private individuals," he said

Miss Berry said shareholders had not received any profits since the company was started last September, although the charity had received 2½ percent of sales

Mr Shlain said he wanted to try to save the commercial company as he believed in the charity's objectives

1984-86 replay feared

S/Times 25/5/89

(232)

By Udo Rypstra

CREDIT and liquidation experts forecast a repetition of 1984-86 when there was a record number of bankruptcies

Information Trust Corporation (ITC), SA's largest supplier of credit information, calls Finance Minister Barend du' Plessis' latest squeeze a "knee-jerk" and possibly "overkill"

ITC chairman Paul Edwards says consumers and small businesses will suffer the most from restrictions on hire purchase, higher interest rates and the levy on companies

Mr Edwards says "Bankruptcies are likely to increase substantially as consumers and small businesses are forced to the wall Due to the usual time lag, these will only become apparent by July or August in recorded statistics"

Mr Edwards is worried because small businesses rely more heavily on bank overdrafts, which may be two or three percentage points above the new prime rate of 20%

He says they also have lower cash reserves than large companies which are able to weather downturns in demand caused by a faltering economy

He welcomes the news that small businesses and farmers may be eligible for slightly lower interest rates under a subsidy scheme

MINORCO (232) (234) Fmail 26/5/89

Strategies beyond 'defeat'

■ Investors await Minorco's next acquisition targets — but CGF remains in play

Action in the Consolidated Gold Fields (CGF) struggle with Minorco is far from over The day after Minorco announced it would allow the bid for CGF to lapse, there were few signs of triumph at the target's elegant headquarters near St James Square in London (*Fox* May 19) "It's the end of Act 1," said Gerry Grimstone, of J Henry Schroder Wagg, CGF's merchant bank advisers Now for Act 2

In practice, the next moves are awaited on three stages the CGF boardroom this week (May 26), Minorco's boardroom in Luxembourg in mid-June, and the US Court of Appeals for the Second Circuit The first two events have whipped up a speculative froth about the futures of CGF chairman Rudolph Agnew and Minorco chief executive Sir Michael Edwardes

Rumours about an unhappy encounter with Gold Fields of SA's (GFSA) representative Robin Plumbridge have flitted around London — but the most likely change is that Agnew will (as he now favours) hand over

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the CE role and remain chairman. CGF's performance targets pledged to shareholders during the defence — 20% compound earnings growth for the next three years or a £6 special cash dividend if it fails — will require a lot of hard work with the gold price in the doldrums and slowing economies in the US and Britain which bode ill for the quarrying and concrete businesses

"Gold Fields is never going to be the same again," wrote Agnew to shareholders, which is true whatever way Minorco deals with its 29,9% stake Agnew reacted to questions about a possible sale of CGF's 38% residual holding in GFSA by saying this would result from a "commercial decision," but conceded that politics can influence commerce For CGF's defence did more than anything else to highlight its investments in SA, posing problems in those American states with statutory policies against dealing with "supporters of apartheid "

It remains to be seen whether, as Minorco claimed, CGF shot itself in the foot with its campaign against the bid because of De Beers' and Anglo's shareholder dominance But there were reports in London this week that CGF has been selling out of its portfolio — 600 000 Driefontein, 500 000 Kloof and 400 000 Amgold being among the biggest disposals This went against CGF's own annual review *Gold 1989* which was moderately sanguine "The possibility of a substantial fall in price is limited by the continued high levels of demand in the Far East, while any significant upward movement could be expected to be moderated by accelerated selling by producers in the form of forward sales and additional gold loans " The reported disposals, however, were viewed as having more to do with the impending year-end on June 30 and the £30m costs of defending the Minorco bid than a strategic decision about bullion or SA

Post-mortem analysis of what went wrong with the bid has largely come from CGF, apart from answering specifics Minorco is looking forward and regards itself as far from dead The London Takeover Panel emerges with little credit Minorco challenged CGF's frustrating US court action at the outset in October and later in March But in Catch-22 style the panel decided frustrating action could not be construed until it proved successful — which it did when Minorco gained enough acceptances to give it nearly 55%, a majority which CGF refused to accept as grounds for withdrawing its own suit And its ruling that CGF must withdraw the action or seek approval of shareholders played into Agnew's hands The panel had no jurisdiction over Newmont in its separate anti-trust injunction because it was not legally controlled by CGF Agnew and his board gambled on District Judge Michael Mukasey throwing out Minorco's appeal against the Newmont injunction and dropped their action so that the bid ran out of time

The Takeover Panel's argument was that so long as Minorco was appealing in the US, it had nothing to rule about because CGF might lose But in the end it effectively bolted the door after the horse had fled, and relieved CGF advisers happily admitted that if the panel's judgment had been made in March, their whole strategy would have had to be different Indeed Agnew followed up his comment that Minorco's bid was "the most unnecessary of all time," by telling the *Sunday Telegraph* "This was the most winnable bid in history "

Minorco, however, has not gone away It will continue to appeal against Mukasey's orders for as long as Newmont maintains the action "We can't walk away as a defendant We want to clear the anti-trust injunction off the slate," said Keith Irons, Minorco's spokesman

For as long as Minorco has the injunction against its name the US could be virtually off-limits in terms of acquisition activity

It remains to be seen whether the Appeals Court overrules Mukasey who has stuck stubbornly to his guns in saying that only a full trial — which, with appeals, would be an extended process — can determine the merits of Newmont's claim that cum-CGF and its "influential," if not legally controlling interest, the Anglo group would control 32,3% of the non-communist world gold market That was notwithstanding inconsistencies in Newmont's previous definitions of the market

In his May 16 order, Mukasey said "In testimony to Congress in October 1987, Richard B Leather, Newmont's executive vice-president, argued that a world gold market including scrap and official government sources was more appropriate in determining whether monopolisation was a possibility In *this court*, however, Newmont has maintained the proper definition should exclude those sources That market definition was accepted by the Court of Appeals Reconsideration of that issue is proper only at trial "

Mukasey also rejected Minorco's request that as CGF had pulled back its action, Newmont could not allege anti-trust injury from the GFSA or Renison (Australia) interests Nor would he consider a "hold separate order" which would ban Minorco from exercising any control over Newmont and make it subject to the US courts — pending sale of the CGF holding

His reasoning was that even without Newmont, the Minorco-CGF combination would command 30,2% of the gold market So it would still exceed the 30% figure which the US Supreme Court in 1963 found "to trigger the presumption of illegality Thus Newmont has standing as an independent competitor to allege that the resulting combination would substantially lessen competition and injure it " Only "hold separate orders" in respect of Renison, GFSA and Newmont might "solve the anti-trust problems here" — but that would raise the question of court enforcement and detection

As the judge noted earlier on the Anglo group's SA domicile beyond his jurisdiction "Where would I send the sheriff?"

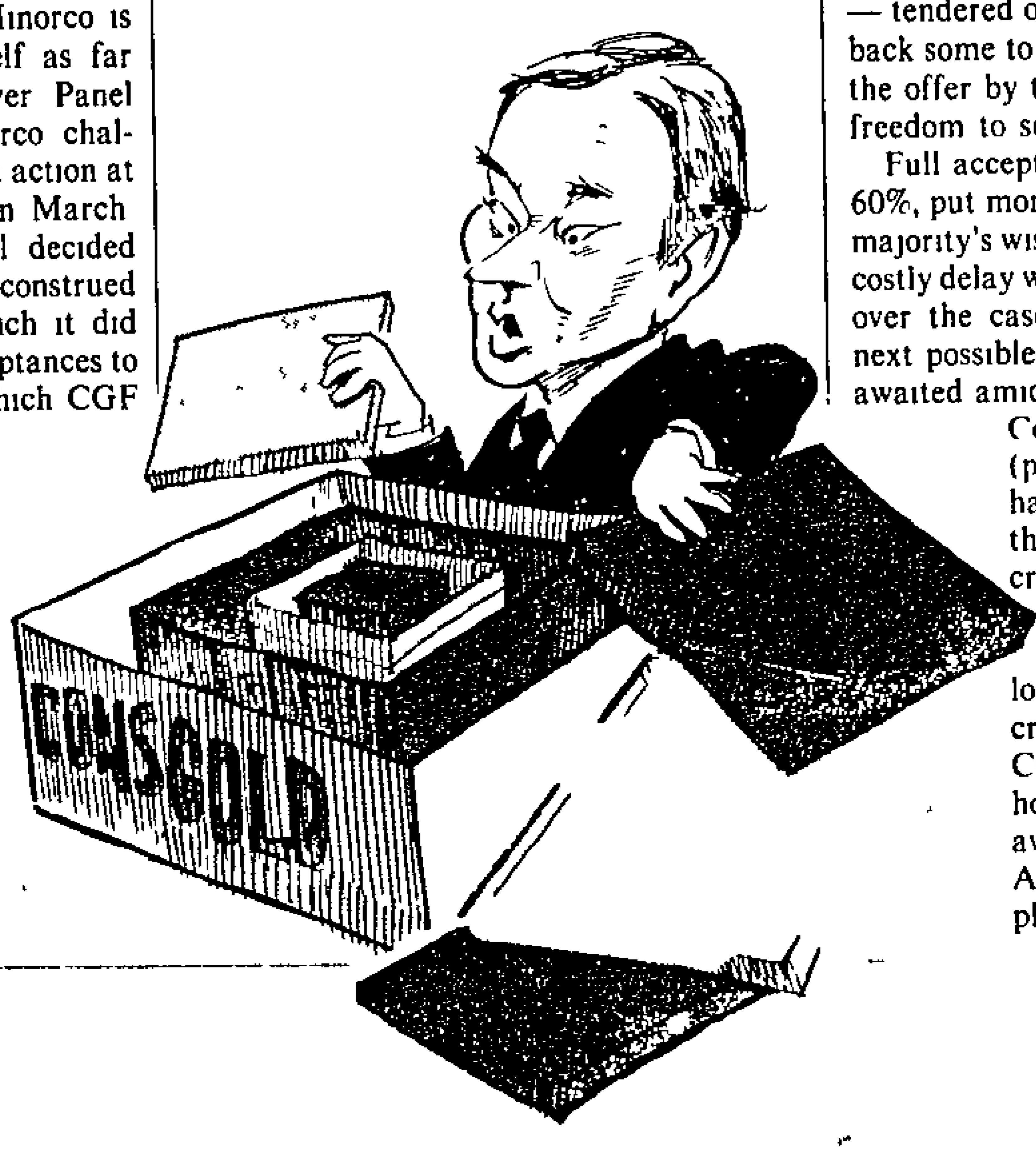
This kind of thinking is less than promising for Minorco's appeal — especially if, as Mukasey appears to have done, the judges give the benefit of any shadow of doubt to an anti-trust complainant

Having won the arguments before a range of other investigative bodies — from the US Justice Department to the Trade Commission, the UK Monopolies & Mergers Commission and the European Commission — Minorco was, in its view, beaten by a technicality The group refutes the City's common contention that another 50p on the £15,50 per share bid would have made any difference, and Mukasey's order bears this out For some accepting shareholders — among 17 of CGF's 30 major institutional investors — tendered only part of their stock, holding back some to avoid being wholly locked into the offer by the US court and to retain the freedom to sell on the market

Full acceptance would have given it over 60%, put more pressure on CGF to heed the majority's wishes and obviated the need for a costly delay while the Takeover Panel mulled over the case Outside the US, Minorco's next possible move in vitalising its assets is awaited amid predictable rumours Charter Consolidated, Johnson Matthey (preceded by the sale of Engelhard Metals in the US) are top of the list, and even Phelps Dodge cropped up on a surge of buying last week

Minorco's magazines are well-loaded the £1,4bn three-year credit line was not linked to the CGF deal and the year-end cash holding lifts the immediately available amount to nearly £2bn And CGF is still very much in play

John Cavill



January this year, compared with R973m in January 1988.

JMF owes R23m, is worth R22,5m

B/Day 26/1/89

REINIE BOOYSEN

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JOE Berardo's mining group, JMF, today worth R22,5m on the JSE, owes creditor banks R23m.

Sixteen months ago the group, which has never reported a loss since listing on the JSE, was valued at close to R1bn.

Berardo, who owns a 75% stake, will not receive a cent for this stake, according to a spokesman for the consortium which took control two days ago.

The spokesman, stockbroker Norman Lowenthal, said the group was faced with liquidation, six months after Berardo forecast continued profitability for the group.

In his annual chairman's review, published in September, Berardo said:

"Despite the present difficult economic and political climate, I expect a continuing improvement in the group's profitability and its ability to turn its substantial and valuable asset base to good account."

Berardo is rumoured to have left SA for Madeira, the land of his birth.

On Wednesday another member of the consortium, Johannesburg attorney Gerald Rubenstein (of Fluxman, Rabinowitz & Rubenstein) told Business Day that JMF (Johannesburg Mining & Finance), the

To Page 2

R23m owed

232 B/Day 26/1/89

From Page 1

group Berardo brought to the JSE in November 1987, owed its banks — First National Bank, Bank of Lisbon and Trust Bank — about R23m He said it was unclear how much JMF owed other creditors

Lowenthal said he was still trying to unravel the exact structure of the group, which consisted of 72 companies, which are linked via elaborate cross-shareholdings

He said the consortium will not pay Berardo for his controlling interest in JMF Instead the consortium will inject an undisclosed sum of money into the company, and the banks may be issued with debentures in lieu of their credit

Meanwhile it emerged yesterday that JMF deputy-chairman Don Grant-Hodge has resigned his position on the board His secretary told Business Day Grant-Hodge "was on a cruise for his annual holiday" She added that she was not certain whether Grant-Hodge would return

Shareholders have questioned why JMF is facing liquidation if it has never reported a loss since listing on the JSE in a complex reverse takeover of Consolidated Granite In the nine months to March 1988, it declared an attributable profit of R14m The next (interim) report for the six months to September 1988 reported attributable income of R2,8m

Six months later the company was faced with potential liquidation, and takeover negotiations started with the Lowenthal-Rubenstein consortium

Berardo has been overseas for some time now JMF technical director Tony Netto told Business Day he could not remember when he last spoke to Berardo He added "It must have been a couple of months ago"

232

Welfare community splits into two over privatisation

The welfare community split in two this week, when two separate conferences expressed fiercely opposed views. By THANDEKA GQUBULE

GOVERNMENT plans to step up the privatisation of the welfare services have caused a deep rift in South Africa's welfare community

The divisions were highlighted this week when many welfare workers snubbed a government-sponsored conference on welfare in Pretoria. Instead, they staged their own meeting under the auspices of the Child Welfare Society at the University of the Witwatersrand.

The Department of National Health and Population Development declared its intention to accelerate privatisation in an 18-page policy document presented by Health Minister Dr DW van Niekerk on April 18 last year.

Although the practical implications of the policy have yet to be elaborated the document underscored the government's determination to scale down its role in the welfare area.

The document says the aim of privatisation is the recognition and protection of the role and place of voluntary welfare organisations

It said the government had "assumed responsibility for the making of arrangements to prevent social or physical suffering". However, it stressed the responsibility of individuals, families and communities for the provision of welfare.

It said that the question of privatisation of welfare services had been referred to the Interdepartmental Consultative Committee on Welfare Matters for further investigation.

An "action group" in the Child Welfare Society, which opposes privatisation, said in a weekend statement that some of the policies and principles enunciated in the document, such as the emphasis on the partnership of the state, community and church in welfare matters, were acceptable

But, the group added: "Its philosophical foundation is flawed, and the welfare structure that it proposes is an unjust and often irrelevant response to South African social realities"

They complained that privatisation of social welfare services would result in "increasing impoverishment of the poor"

The welfare workers said privatisation provided for state control, but with considerably reduced state financial responsibility for the development of social services

"Privatisation is advocated in a sweeping, ill-defined manner, without any of its implications being addressed

"Privatisation, in the sense of services being funded largely by client fees, or of basic services being considered to be the responsibility of the private sector, can only lead to increasing inaccessibility of services to those in greatest need

"An overwhelming proportion of actual and potential service recipients are economically disadvantaged, and the private welfare sector is already chronically overburdened"

The government's failure to eradicate the racial divides in the welfare system also came under severe attack in the statement, which accused the state of entrenching "racial elitism and disadvantage".

The action group complained that the state's proposed structures involve the duplication of welfare bodies and administrations at the local, regional and national levels for each race group.

They said the welfare community also objected to not being consulted by the government about the new policy trends.

"The policy and structure have been imposed in an authoritarian manner, and in some central areas the wishes of the non-government welfare community have been flouted."

The welfare workers said the government accepted only limited responsiblity for its citizens' welfare. "That such responsibility is to be taken 'selectively' does not suggest the application of a rational and equitable process in determining how such selection should occur," they say.

They added that many South Africans were in no position to provide for their own welfare.

"Never before has a health document of this nature galvanised welfare workers to respond," the statement said

Delegates at this week's meeting at Wits said the Unisa conference — on the theme of "The place of social welfare in the future" — was an attempt to get the welfare community to participate in and implement a policy they had not approved

The action group said before convening at Wits: "We will be meeting on the eve of the state's conference. Our objectives and vision are diametrically opposed to those of the state. Our conference will stand out as a symbol of the democratic road to a future welfare system."

Passtoors applies for new passport

B/Day 26/5/89 9/88/0236

Own Correspondent

BRUSSELS — Helene Passtoors has applied for a new passport in a partial attempt to force a showdown with the Belgian government over the issue of her right to travel freely in southern Africa

This was disclosed yesterday by Magda Alvoet, a Green Party Senator and president of the Support Committee for the Release of Helene Passtoors

She said Passtoors made the application last week.

All options were being studied in case government restricted Passtoors' right to travel in southern Africa, Alvoet said

The restriction was part of conditions laid down by Pretoria for her release

Alvoet said Prime Minister Wilfrid Martens told her these conditions had been discussed by the the Belgian Cabinet

She said her government might be able to circumvent the conditions as the negotiation was ambiguously phrased

Pretoria had not asked the Belgian government to restrict Passtoors' passport, but to merely "look into the legal possibilities" of doing so

Infash acquires Dressking for R600 000

CHARLOTTE MATHEWS

INDEPENDENT Fashion Holdings (Infash) has announced the acquisition of women's and children's clothing retailer and wholesaler Dressking for R600 000.

The purchase raises the number of stores in the Infash group to 27.

Directors say: "The merging of the business will result in two major competitors in the ladies fashion market being grouped together within a single entity.

"It will give substantial synergistic benefits which will have a favourable impact on the group's future earnings."

Infash released final results for the year to February on Wednesday, showing a doubling of earnings to 11,4c (5,6c) a share.

McCarthy Group set for R50-million acquisition

W/L-NEWS 22/5/89 232

From DAVID CANNING

DURBAN — The McCarthy Group has reached the stage where it could consider acquiring another major arm outside the strict confines of the motor industry

Chairman Brian McCarthy said in an interview that the group could afford to make a major acquisition of up R50-million without straining its resources

For many years the board had insisted that any acquisition should fall within the motor industry

"We have now dropped that strict requirement — but would prefer to go into an area where we have some expertise, but it does not have to be motor related."

Mr McCarthy, who has headed this highly successful Durban-based motor retailer for the past 26 years, says in a sense such diversification would represent a "full turning of the wheel"

For one of the cornerstones of the group's growth has been its concentration on becoming the major force in motor retailing. Along the road it shed diversified interests it once held in tractors, air conditioners, earthmoving equipment and vehicle assembly

Behind this concentration on the core activity was the continuing perception that the South African motor industry grows faster than South Africa's economy in general

Mr McCarthy points out that the McCarthy share price has grown by 1 429 percent over the past decade — compared with about 600 percent for top industrial conglomerates like Anglo American Industrial Corporation and Barlows

Over the past five years, it has recorded share price growth of 261 percent compared with about 180 percent for these groups

He cites these figures to point to the industry's success, "not to show off", for he stresses that shares of other well-managed motor groups, like Saficon, reflect a similar performance

Mr McCarthy firmly believes that the industry can continue to outgrow the economy. He illustrates this graphically by pointing out there are 160-million vehicles on the roads in the U S. Thus, if every American climbed into a vehicle at the same time, nobody would sit in a back seat. Only half the drivers would have a companion on the front seat

In South Africa "we would have to get eight people into every vehicle — which is another way of saying that our vehicle park is approximately 4,2- million"

Although he tends to be modest about his family's contributions, McCarthy's sustained growth through most of this century is no small tribute to the quality of management There are few long-standing family businesses which have survived, let alone grown to dominate their respective fields

The group is possibly the largest motor retailer in the Southern Hemisphere One in every eight new cars in South Africa is sold through one of its nearly 100 franchise outlets

Mr McCarthy says that, in a sense, his family's ties with the McCarthy Group can be traced back to grandfather Richard McCarthy's lifelong service with the Standard Bank

His son Justin (Brian's father) initially followed in his father's banking footsteps — but his destiny lay in the motor trade rather than banking

While stationed at Stanger, as a young Standard Bank clerk, Justin realised how important the motor car was going to become In 1921 he joined a business friend, Gilbert Rodway, at the relatively new motor firm of Fisher & Simmons in Durban

In 1932, Justin McCarthy took control with Gilbert Rodway of the Durban business with a loan of £10 000 from the Standard Bank

The story of the group's development into South Africa's largest motor retailer is too long to relate — but the strong links with Standard Bank have remained. In fact Brian McCarthy has just retired, on reaching the mandatory age of 65, from the Stannic board

Prominently displayed in Brian McCarthy's office today is a quotation which remained on his father's desk throughout his life· "Men are valuable just in proportion as they are able and willing to work in harmony with other men"

He says the spirit of this quotation is instilled into every McCarthy executive for, no matter how brilliant a man may be, he is useless if he cannot work in harmony

Mobil board set to clinch sale to Gencor

STAR 27/4/87

By Sven Lunsche

The board of Mobil Oil is reported to be meeting in the United States tomorrow to ratify the sale of its South African interests to the local mining giant, Gencor

Mobil (SA) and Gencor yesterday again refused to confirm the transaction, but this only strengthened market talk that Mobil was selling its local stake for an estimated $200 million (about R500 million).

Analysts have described this as a give-away, as the sum would drop to $125 million (R313 million) if payment is made in financial rands

Mobil is the largest US company remaining in South Africa, and has assets in the Republic worth about $400 million (R1 000 million) and employs a staff of about 2 800

The reports have strengthened the share price of Gencor's oil subsidiary Trek, which is likely to take control of Mobil's oil interests Since Monday, Trek's shares have soared by 25 percent

The disinvestment was precipitated by fears of the effects of the Rangel Amendment, passed by Congress in December 1987, which obliged Mobil to pay taxes in the US on its South African profits, costing Mobil about $5 million (R12,5 million) in lost profits last year.

Milstan boosts profit by 172%

Star 28/5/89.

Milstan Holdings posted excellent results for the year to February, boosting taxed profit by 172 percent to R9,5 million and earnings per share by 150 percent to 35c

The group increased turnover by 36 percent to R95,7 million, while net asset value per share rose by 53 percent from 49c to 75c per share

Milstan has declared a final dividend of 5c per share

DEMAND

The growth, says management, was achieved entirely organically and was due largely to sustained consumer demand for group products

Rigorous financial controls played a major role in increasing earnings and profit margins.

The period since the year-end was marked by the group's entering the Natal market through the acquisition of the five outlets in the Durban/Pinetown area trading as Clives

In terms of the agreement, a new company called CSL Electronics has been formed in which Millstan has acquired the entire issued share capital

CSL Electronics will acquire all assets at cost and finance both the acquisition and operations — Sapa

Tollgate leisure arm on its bicycle

232 ST Times 28/5/89

By Ian Smith

ENTERCOR, the leisure industry arm of diversified Tollgate Holdings, is putting together a group which will dominate South Africa's cycle industry.

Its acquisition, Cape-based Chris Willemse Cycles, is being merged with DCM-listed Deale & Huth to set up a R25-million a year group covering every sector of the booming leisure industry — importing, manufacturing, wholesaling and retailing

Prospects appear good, Deale & Huth's results for the year to February 28 showing a 95% jump in operating profit Taxed earnings are up 60% at 7,8c and a dividend of 3c a share has been declared

Saddle

The combined operation, under the Deale & Huth banner, will cover the country. The man in the saddle, new managing director Chris Willemse, started his company with one shop in Paarl At the time of the Entercor acquisition the company dominated the Cape market, importing 30 000 cycles a year.

Cycling personality Basil Cohen, who started Deale & Huthe, will remain chairman of the company He will head a new promotions company with the intention of increasing the popular appeal of cycle and drawing top sponsorship to the sport

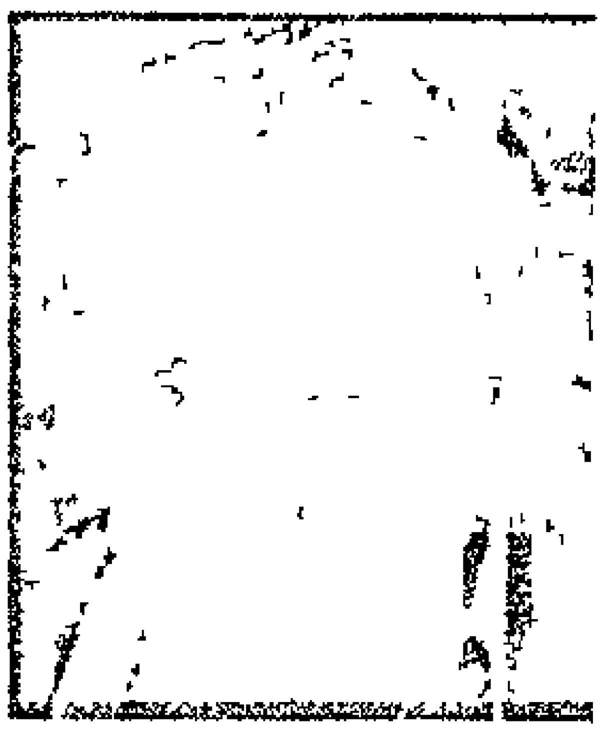
Mr Cohen says "There was a time when cycling was a down-market sport, but it has caught the imagination of the public and is an important element in the keep-fit scene."

Priority

He says about 280 000 cycles are sold each year in SA, and the new group will hold about half of the top-end market sales.

Entercor managing director Robin Binckes says future strategy in the cycle industry is heavily based on local manufacture — "The weakening rand means this is a key area."

Satisfying the home market will be a priority, but the way is open to exports. "Inquiries are coming in thick and fast," says Mr Binckes



BASIL COHEN

The Babelegi factory in Bophuthatswana is being doubled to increase capacity to 200 top-quality cycle frames a day The group can make about 90% of the products it needs, and it has access to foreign technology.

Trading subsidiaries include Cyclotech, the import and wholesale arm, Cyclomode the clothing manufacturer, and Hansom Cycles, the frameset manufacturer Six retail outlets are supported by the wholesale operation, which also supplies independent retailers.

Mr Willemse says that Taiwanese and other imports sold mainly through supermarkets undercut their prices, but he says the group is firmly positioned at the top end of the market.

Growth

Serious cycling is not cheap A top-of-the-line bike imported from Europe costs the enthusiast R12 000 A set of clothing adds R500 to R700.

Mr Binckes says the economic slowdown will not force the group to change gear.

"Nobody is entirely recession-proof, but the cycling bug is sweeping the country It is not a fad"

He sees the black market as a major growth area. Plans include a cycle centre at Kyalami.

Mr Binckes says "We intend to manage our own cycling promotions and events, four of which are scheduled for this year."

Star 24/3/89

232

Bottom Line

MICHAEL MENOF

UK parent has sucked Asseng dry

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

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

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

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

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

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

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

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

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

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

Stamp Duties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT GAZETTE

OF THE REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

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VOL 287 — CAPE TOWN, 30 MAY 1989 — KAAPSTAD, 30 MEI 1989 — No. 11897

STATE PRESIDENT'S OFFICE

No. 1049 — 30 May 1989

It is hereby notified that the State President has assented to the following Act which is hereby published for general information —

No. 57 of 1989: Conversion of Iscor, Limited, Act, 1989

KANTOOR VAN DIE STAATSPRESIDENT

No 1049. — 30 Mei 1989

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word —

No. 57 van 1989: Wet op die Omskepping van Yskor, Beperk, 1989.

An-Mar buys the controlling interest in IEM

(232) BDay 30/17 84

ZILLA EFRAT

THE controlling shareholder of IEM Products, manufacturers of medical equipment, has sold 80% of his interests in the company to An-Mar for R2,98m

An-Mar, involved in the computer industry, intends to retain and expand IEM's business and diversify into electronics

Negotiations are also at an advanced stage for the acquisition by IEM of a company which distributes computers and related products

An-Mar's members, A Antunes and J G Marcelino, will acquire IEM chairman David Rosenfeld's 7 054 160 ordinary shares and 400 000 compulsorily convertible preference shares at 40c each.

Rosenfeld says he is selling because, at 64, he wants to take things easier. He will remain on the board

The agreement is subject to JSE approval and to a similar offer being made by An-Mar to IEM minorities

An announcement will be made on the affects on the net asset value of IEM shares once the acquisition is finalised IEM shareholders have been advised to exercise caution in dealing in their shares

(232) (...)

Privatisation 'will not cost civil jobs'

DURBAN — Public servants would not lose their jobs during the process of privatising public services, Administration and Privatisation Minister Dawie de Villiers said yesterday

At the opening of the sixth Public Servants' Union AGM here, he said, however, that privatisation of any activity would have to be compatible with government's constitutional and socio-economic aims B I Day 30/9/91

On job opportunities for Indians, De Villiers said deliberate steps would have to be taken to use Indians in the House of Delegates' more senior administrative posts — Sapa.

ME Stores group sold

B/Day 30/5/89

ZILLA EFRAT

CONTROL of DCM-listed ME Stores has changed hands for R1,3m, equivalent to 24c a share, and a similar offer will be made to minorities. 232

Cape Town-based Warwick Stevens has acquired the 70,1% stake in ME Stores on behalf of a company that is still being formed.

ME Stores made a loss of R54 000 for the six months to October in spite of a 17% increase in turnover. Stevens intends rationalising and expanding it.

The purchase consideration and offer to minorities will be reduced if the audited net tangible value at May 1 is worth less than 29,4c a share.

PresMed's surge in turnover continues

Star 31/5/83 232

Finance Staff

Results of President Medical Investments (PresMed) for the year to February show a continuation of the three-fold rise in turnover in its first half-year as a result of its stated expansion policy

The rise in net profit of 27 percent reflects the cost pressure to which the medical industry is subject.

The growth in turnover was a result of the commissioning of the Bloemfontein Rosepark Hospital at the beginning of the financial year and subsequent acquisitions of controlling interests in the Jan S Marais Clinic in the Cape and several other day clinics elsewhere.

These facilities, though not yet significant contributors to profit, pushed turnover up sharply from R5 387 million to R22 102 million in the past financial year

Established interests helped nearly double operating income to R2 401 million (R1 249 million).

Interest paid rose sharply to R914 023 (R116 451), in line with the rise in capital employed to finance the expansion programme — largely by means of an issue of convertible debentures and long-term financing

After tax of R746 796 (R561 791) and R32 261 (R37 942) attributable to outside shareholders, net income before extraordinary items rose 33 percent to R707 604 (R533 390)

Earnings per share were 8,1c (6,1c) giving shareholders an earnings yield of 17,6 percent on a share price of 46c

A dividend of 2,7c (2,1c) share has been declared

PresMed is the holding company of a group operating three private hospitals and seven day clinics in Bloemfontein, Bellville, Pretoria, Roodepoort, Boksburg, Witbank, Welkom and Rustenburg

Pay beach 232 proposal 'will be opposed'

9/2/30/5/14

By Sue Olswang

A proposal to develop one of Durban's most popular surfing and swimming spots as a pay beach may be compared to privatising the city hall

Mr Eric Carlson, chairman of the city's biggest lifesaving club, Durban Surf, which is based at North Beach, was reacting to the news that a consortium of Johannesburg-based companies was proposing to develop North Beach as a pay beach

He believed ratepayers would strongly oppose the idea

"North Beach is the most popular beach because it offers one of the safest bathing areas in the country," Mr Carlson said

The pay beach proposal was put forward by a Johannesburg city councillor and businessman, Mr Eddy Magid, on behalf of Southern Sun hotels and Ozz Limited Mr Magid is a director of Ozz, which was responsible for Bedfordview's Bruma Lake development

Mr Jan Venter, chairman of Durban's management committee, said the committee was likely to consider the proposal by next Tuesday

The committee's major considerations would be whether the development was in sympathy with the Revel Fox plan which the council had pledged to uphold, and whether it would cost the city anything

"We are looking at crowd control to ensure 'peace of sand'," he said "Our beaches can never comfortably accommodate everyone, especially during peaks when we've seen up to 250 000 people on our beaches"

He rejected claims that pay beaches would become exclusive white areas He said "people of colour" made up about 32 percent of the occupancy in Durban hotels throughout the year

"If they can afford to pay for up-market hotels, they can afford to pay for the use of a beach offering limited access"

The area envisaged for development is bounded by the two North Beach piers An entrance fee of R10 a couple has been suggested

Designers provisionally liquidated

SUSAN RUSSELL

UP-MARKET fabric manufacturers and designers Smuts and Viney CC was placed in provisional liquidation in the Rand Supreme Court on Tuesday after a fall-out between the two partners

Michael John Smuts brought the application for the winding up against Smuts and Viney and partner Graham Viney

In an affidavit, Smuts said that, since the business had been founded, he had encountered numerous difficulties with Viney which had become progressively worse with the passing years

Viney, he said, had refused to contribute equally to the business

In an affidavit, Viney said the reason he had initially opposed the winding up application was because Smuts had been precipitous in launching proceedings without consulting him

"I for my part have serious reservations and misgivings about Smuts's handling of the business," he said

Return date of the application is July 4

Victims of apartheid are 'vanquishing the system'

THE victims of apartheid were steadily vanquishing the system, SAIRR executive director John Kane-Berman said last night BDay 1/6/89.

He told a gathering of members to mark the SAIRR's 60th anniversary that rank-and-file black South Africans were destroying the pass laws and eroding the Group Areas Act by simply moving into white suburbs, even though this was illegal

"What SA has been experiencing amounts to grass-roots civil disobedience on a mass scale by ordinary people, in spite of the risk — and reality — of arrest"

The civil disobedience had gone unnoticed by local and foreign media, by foreign governments and even by political organisations purporting to represent those grassroots people

Kane-Berman said government was not the only participant in the change process "Indeed, change is too important to be left to a government whose heart is not really in it anyway" — Sapa

Publishing firm wound up

(232) SUSAN RUSSELL BDay 1/6/89

JOHANNESBURG company Fashion Publishers (Pty) Ltd was placed under final liquidation in the Rand Supreme Court yesterday.

When the application for the provisional winding up of the company was brought in April by Citylab (Pty) Ltd, Fashion Publishers was incorrectly cited as trading as Femme Magazine — an upmarket magazine edited by Susie Jordan — and received wide publicity.

The court yesterday also granted an order amending the citation to delete any reference to Femme Magazine.

In an affidavit, Elisa Becker, a director of Emme Publications which publishes Femme, said Fashion Publishers had never traded as Femme Magazine

"The position was that until about 1987 Fashion Publishers had been the publisher of Femme magazine with Susie Jordan as editor," Becker said

"From approximately September 1987 Emme Publications commenced publishing Femme Magazine"

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Plumber in provisional liquidation

SUSAN RUSSELL

JOHANNESBURG plumber Aculon (Pty) Ltd was placed in provisional liquidation in the Rand Supreme Court on Tuesday.

Application for the winding up was brought by schoolteacher Rosemary Edna Acton, who has a claim of R19 644 against the company.

She said in an affidavit Aculon MD Cecil Ronald Charles Acton had told her the company had assets of about R500 000 against liabilities of R2,1m.

The return date of the application is July 4.

The association with RND will also make it easier to put together a package of

... differentials which occur between the local futures and international cash markets when there is a stock shortage

Designers provisionally liquidated

(232)

SUSAN RUSSELL

UP-MARKET fabric manufacturers and designers Smuts and Viney CC was placed in provisional liquidation in the Rand Supreme Court on Tuesday after a fall-out between the two partners.

Michael John Smuts brought the application for the winding up against Smuts and Viney and partner Graham Viney.

In an affidavit, Smuts said that, since the business had been founded, he had encountered numerous difficulties with Viney which had become progressively worse with the passing years.

Viney, he said, had refused to contribute equally to the business

In an affidavit, Viney said the reason he had initially opposed the winding up application was because Smuts had been precipitous in launching proceedings without consulting him

"I for my part have serious reservations and misgivings about Smuts's handling of the business," he said

Return date of the application is July 4

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

NEWS 11/6/87

Natal group bid for Mobil still on

The Argus Correspondent

DURBAN — The determined syndicate from Natal which has taken on the giant Gencor in a counterbid for Mobil Oil South Africa is still fighting to get control of the huge energy conglomerate.

Reports over the past few weeks indicated that the bid had fallen through but a representative of the syndicate who met international financiers in London and then moved to New York where he met with one of the senior Mobil management last week has denied that the bid is off

Mr M Hariram is now back in South Africa and said in Durban yesterday that his first meeting with Mobil in New York had gone well but that, following a denial from Mobil South Africa that the bid would be successful, his negotiations with head office personnel cooled and no decisive answers could be obtained

He has, however, decided to aggressively persue a "more satisfactory" conclusion to his discussions.

Mr Hariram said that, in his opinion, the Gencor bid smacked of "warehousing" — primarily because he claims its US$150-million (R400-million) bid price is way below the worth of Mobil in this country and because he has bettered this bid by $7,5- million (R20-million)

His warm then cool New York reception has "infuriated" him and he has taken the matter up with Senator Ted Kennedy and the Governor of New York State, Mr John Marino in an effort to have the Gencor bid stopped

"I cannot believe that the deal supposedly struck with Gencor has been done in the best interests of the American shareholders nor do I believe it is a genuine disinvestment move," he said

Mr Hariram will be informing major US shareholders of Mobil shares of the discussions which he has had and will draw to their attention that the deal which he has offered is more than the Gencor bid

Prior to meeting with Mobil in New York Mr Hariram met with two international financiers in London, Mr Tikko Singh and Salem Sabri Abu Taleb who, he said, agreed to back his bid

He also indicated that, should his bid be successful, 20 percent of the shares in Mobil South Africa would be allocated to the local staff

INVESTMENT

NEWS 1/6/89 (232

Platinum giant at the crossroads

The Argus Foreign Servcie

LONDON — Johnson Matthey, the world's largest platinum refining and marketing organisation, is poised for further growth by way of a major acquisition, it is reported here.

But, as Kenneth Gooding, mining correspondent of the Financial Times, points out in a major article, the company's future will be decided not only by Mr Eugene Anderson, the chief executive, but also by the attitude of the Anglo American Corporation and Minorco, its Luxembourg-based investment vehicle.

He quotes Mr Anderson as saying he is ready to spend "several hundreds of millions of pounds" on an acquisition to lessen the company's dependence on platinum group metals.

"When the platinum price moves, so does our share price I want another division which doesn't dance like a puppet on a string when the platinum price moves," said Mr Anderson

But the question is whether Anglo American would be willing to ease its grip on the UK company, which is a strategic part of the platinum network operated by the master company in Mr Harry Oppenheimer's empire.

That network includes Rustenburg, by far the largest of the South African platinum mines, which is 37 percent owned by Anglo. JM has the exclusive marketing rights to Rustenburg's output.

Anglo's influence on JM is by way of a chain which includes Minorco (60 percent owned by Anglo) and Charter Consolidated (36 percent owned by Minorco) Charter owns 38 percent of JM

Anglo's control of world platinum production, marketing and fabrication does not end there Minorco also owns 30 percent of Englehard, a US company which handles most of the metal from South Africa's other major producer, Impala.

RESOLVE

Many analysts assume that Anglo would not want its influence on JM diminished by a dilution of Charter's shareholding through the issues of shares for a big acquisition, says Gooding

But Mr Anderson seems determined to test Anglo's resolve.

He says that acquisitions are necessary, not only to lessen JM's reliance on platinum group metals, but also so that the company can continue to grow at a reasonable rate

Investec set to buy Duros

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Star 2/6/89

Finance Staff

Investec Bank is hoping to acqure a banking license through the acquisition of Duros Merchant Bank's banking interest, it was reported today.

While management of both groups would not confirm the deal, market sources said the acquisition was imminent, but was dependent on whether the Registrar of Banks approved a banking license for Duros

Duros' financial services team are said to have opted out of the deal and are planning an independent corporate and project finance operation.

Sources also said that no joint company would emerge from the transaction, as Duros subsidiary Duros Project would be set up as a new financial services group with a changed name.

New bosses for three

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CHANGES of control of three recently listed companies were announced this week

An-Mar Holdings CC bought 80% of the controlling shareholder's stake in surgical supply company IEM An offer for 80% of minorities' stakes will be made at 40c a share An-Mar intends to broaden IEM's operations to include computer distribution IEM is trading at 38c

The major 70% stake in ME Stores has been sold at 24c a share, and minorities will be offered the same on condition that the audited net asset value of ME at May 1 exceeds 25c

Tongaat-Hulett has bought the major stake in Funa Foods as a going concern for R5,7-million, or 57c a share Funa added 10c to 55c on the news Minorities will be offered 57c

Funa will become a cash shell worth R7,1-million Its listing on the JSE will be suspended until assets can be injected into it

Star 20/7/89

S/Times 4/6/89

Lovasz looks luscious

232

By Julie Walker

HARD on the heels of its acquisition of Royal Beech-Nut for R45-million, Lovasz Chemicals is reported to be hot on the trail for more sweeties

A group reconstruction, which could include a rights issue and a more appropriate name are reported to be likely

The Imerman family — major shareholder of Lovasz — bought the SA interests of Royal Beech-Nut (RBN) from its American parent for R45-million in March The route was chosen for convenience

RBN was reported to have been negotiating with Manhattan Confectionery even before the US parent withdrew, but was blocked by the ban on new American investment in SA

The change to SA ownership could make it possible Manhattan, a family-built SA company, which is a market leader in marshmallows and gums, would benefit from Royal Beech-Nut's distribution network of more than 7 000 shops

Through RBN, Lovasz has acquired Lushus Jelly and Sweet Aid from the Kellogg company of SA for R1,6-million

Analysts say that after such heavy capex, Lovasz would require a large share placing or rights issue to fund the acquisitions

The company would say nothing on Friday

Financial advisor Peter Curle said there could be an announcement soon

Founder rues sale of Duros banking arm

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S Times 4/6/89

By David Carte

DUROS Group has sold its merchant bank to Investec Bank for R15-million regardless of the opposition of Duros Merchant Bank founder Charles Turner.

Investec acquired the general and merchant banking activities of DMB with assets of R200-million — but it is not taking Mr Turner's corporate finance and project finance divisions They have been left in the cold

Problem

Mr Turner says the takeover is in nobody's interests

"We were developing a promising banking baby We had excellent teams in merchant and general banking The problem was that the money market side lost R2-million last year and the corporate finance arm made R2-million for break-even

"We believed we could recover and do well by restructuring the money market operation, but the controlling shareholders (Duros Group in Cape Town) were unhappy about receiving no return on their money So they sold for cash"

Mr Turner thinks Duros took a short-term view But Duros director Mervyn Key says the merchant bank was small investment worth about R9-million compared with Duros's market capitalisation of R160-million

Mr Key says "We are building up a conglomerate aimed at capturing the ordinary man's rands We wish to serve basic human needs — food, clothing, shelter, transport and life assurance The merchant bank did not fit in"

To sell the merchant bank, Duros Group acquired 75% of the bank's equity It received ministerial permission to raise its stake above the normal maximum holding of 30% in a bank, but on what grounds is not known

Mr Turner received about R1,5-million for his 10% stake in the merchant bank He and his 20-man corporate finance and project finance teams are to go it alone

He believes there is a good living in corporate finance and project finance, even though his company will not be able to offer loans He sees no reason why the team cannot earn R2-million on its own

Mr Turner and friends are doing the corporate finance for the five listed Berardo companies being restructured There are no hard feelings, he says, and Duros will continue to be a customer

This completes a divorce between Cape-based Duros, holding company of Tollgate, Gants and Arwa and its merchant banking associates in Sandton The first sign of strain appears to have been the departure of Reg Sherrill, co-founder of DMB, who retired several months ago

Investec director Bernard Kantor says the main attractions for his firm Investec were the merchant and general banking licence and a hand-picked 18-man treasury team headed by Jan de Kock.

Major

He says Mr De Kock is highly regarded and played a major role in producing the Stals report Another unspoken attraction is that a competitor has been eliminated

Mr Kantor says "The authorities believe SA is overbanked, so you can't get any more banking licences We will now have four strong legs — the merchant bank, Metboard, the general bank and property"

Initially, Errol Grolman will head Investec merchant bank Helmut Bahrs, who joined from Finansbank, will be right-hand man When Mr Grolman leaves to follow his own interests in the US, a new boss will be appointed

Mr Grolman believes he will be a useful contact for

● To Page 2

● From Page 1

Duros

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Investec in the US

In paying R15-million, Investec is acquiring assets of R14,5-million It thus paid R500 000 for goodwill

Investec, founded by Ian and Brian Kantor and controlled by management through Inhold, has come a long way The privately owned bank has shareholders' funds of more than R70-million, on-balance-sheet assets of R958-million and funds under administration of R2-billion

Earnings have grown by an average 23% annual rate for the past five years, beating the records of most the Big Five.

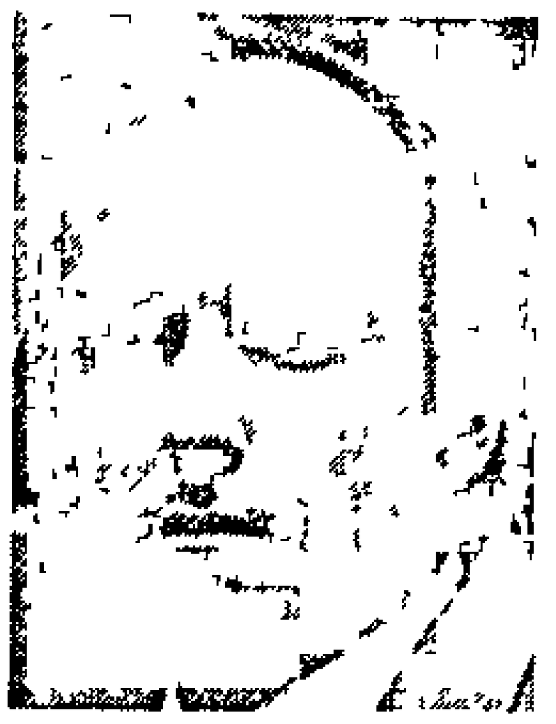
Management has been supplemented, recently by the accession of Bas Kardol, formerly a director of Barlow Rand to the chair, and the appointment of Jan Senekal, former head of the Reserve Bank's exchange control division, to the board

Apart from the four divisions mentioned, it is active internationally and was a pioneer in the discounting of SA's foreign debt caught in the standstill net (see page 2)

S/Times 4/6/89. 232

Comair fires first free-skies salvo

By Roger Makings



PIETER VAN HOVEN

COMAIR'S plan to buy three multi-million-rand Boeing 737s is the first salvo in the war among private airlines for supremacy after the Government deregulates South Africa's air routes

Comair, SA's largest private passenger-carrying airline, has applied to the National Transport Commission for licences for four daily return flights between Johannesburg and Durban and three return trips to Cape Town

Only SA Airways is allowed to operate scheduled passenger services to these destinations

Last month Transport Minister Eli Louw announced that the Government would go ahead with the deregulation of air routes, opening SAA to competition from the private sector

But the private airlines will have to buy jets if they are to compete with SAA — a fact long recognised in the aviation world

Safair has two Boeing 707s, but will probably want more modern aircraft for internal routes

Galvanise

Comair's move could galvanise competitors into action, sparking a spending spree by private airlines

Safair will probably play its hand soon, but for the moment is silent

Piet van Aswegen, chief executive of Safair Holdings, describes the Comair move as a positive start to competition on internal routes, but asks "Is one competitor enough?"

He will not say whether his company intends to buy new jets But observers believe that when Safair makes its move, it will be a big one

"We certainly have not been caught with our pants down," says Dr Van Aswegen

Magnum Airlines general manager Ivan Jackson says he does not see the airline competing on major trunk routes

"We will, stick to the shorter routes and may, in the short- to medium-term be looking at new aircraft But these will be turbo-prop aircraft, which we already operate"

Last month Aircrew Operating & Recruitment Network (Acorn), the business arm of the SAA Pilots Association, announced plans to buy two new British Aerospace BAe 146 jets which it would lease, to among others, airlines competing in the deregulation stakes

Lease

Comair managing director Pieter van Hoven says the airline will offer a service for businessmen and excursion tariffs for holidaymakers

Mr Van Hoven says "If this application to use the Government's deregulation initiative succeeds, we will almost treble our annual number of passengers to 500 000 — about 10% of the total domestic traffic

"I hope the NTC will consider the application in the next two months Should it succeed, we will buy the Boeings and probably be ready to start services to Durban and Cape Town by mid-1990"

Mr Van Hoven says although standard fares will be similar to SAA's, the airline will introduce innovative and competitive package excursions

SAA spokesman Zelda Roux welcomes deregulation and the competition it will bring

"We are in favour of privatisation and deregulation as long as it comes in an orderly manner and all airlines are treated equally," she says

A spokesman for Acorn, Captain Vere Webb says Comair will stimulate competition among airlines and boost the aviation industry in SA

LETTER TO THE EDITOR

Globular figures

Sir, How much is a billion? I take it that a billion is a million millions Is that correct? The wholesale use of the word billion is misleading if its "amount identity" is not made clear — E WALDMAN, Reuven, Johannesburg

According to the Oxford English Dictionary a billion is a million millions The American definition, however, of a thousand million has become universally accepted Leading British papers use it and so do we The Americans call a million millions a trillion

Ampros record

ANGLO American Property Services' estates development division has notched another winning year with record sales in the 12 months to March 1989

Ampros estates development director Peter Gardiner says sales in the first nine months of the year remained strong, but higher interest rates caused business to slow thereafter

He says residential and commercial sales rose by R21,5 million, or 47%, over the previous year It, too, was an improvement on 1987

Mr Gardiner says demand was strongest for commercial and industrial properties north of Johannesburg

"Waterfall Park, Amaprop's office park development in Midrand, is receiving a great deal of interest

"Southern Life, the Park's first tenant, started construction in the period under review and expects to take occupation in August this year

"The installation of services at Waterfall Park and an extension of Fourways Gardens was completed in the past the year and both townships were proclaimed shortly before the yearend"

Amaprop's commercial townships in eastern Pretoria, Samcor Park and Samcor Park Extension 1, continue to attract attention sales totalling R6,6 million having been made there in the past year

In Natal, property valued at R32 6 million was sold at Springfield Park, Amaprop's industrial township near Durban

Investec acquires Duros for R15-m

Finance Staff

Investec Bank has acquired Duros Bank Holdings and its 100 percent-owned subsidiary, Duros Merchant Bank, from the Duros group for about R15 million, which will be settled in cash

The transaction, which was announced over the weekend, excludes the corporate and project finance divisions of Duros Merchant Bank

The acquisition, which is subjet to approval by the Registrar of Banks, is in line with Investec Bank's long-term strategic objective to position its operational companies separately, executive chairman Bas Kardol said

DIVISIONS

"Through this acquisition, we have managed to do so a little earlier than planned

"After the acquisition, Investec will have four operating divisions general banking, merchant banking, property activities and the existing Metboard activities

"On the implementation of the transaction, the names Duros Bank and Duros Merchant Bank will be changed to reflect the change in control

Star 5/6/89.

"Based on projected earnings of Investec and Duros Bank, the acquisition is not expected to have a material impact on Investec's earnings per share for the year to March 1990"

The Duros Group had announced in March this year that it was entering a consolidation phase in which the industrial group was to feature prominently, Duros executive chairman Johan Claasen said

"We also planned to consolidate our financial interests, but first concentrated on industrial aspects of the group

"We recently seriously addressed our group's financial interests

"Investec's offer to acquire the banking interests were timeous because Duros Bank would have looked quite different in the near future," Mr Claasen said

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T & N loses on disposal

Bottom Line

MICHAEL MENOF

UK-listed T & N PLC's restructuring of its SA interests has cost minority shareholders dearly

Clearly, T & N PLC has elected to minimise its risk in SA by plundering both its listed subsidiaries, while still staying around

Last week I dealt with UK's T & N selling off its 76 percent stake in Asseng to T & N (SA) This week I concentrate on how T & N (SA) found the funds to pay T & N (UK) for Asseng

A questionable management decision has caused shareholders to suffer. T & N (SA's) 25 percent stake in Everite was sold effective January 1 1989 at a R15 million loss.

The R50 million in funds received was used to pay T & N (UK) for Asseng

If it had waited until May 1989, when Everite's market price was R3,60 a share, a total of R80 million could have been realised on its sale and a profit of R15 million made.

UK's T & N, holding 51 percent of T & N (SA), made a big mistake (or perhaps panicked) with a premature decision, which cost T & N (SA) R30 million in urgently needed cash flow.

Debt has increased by 50 percent and management must now be embarrassed because the R30 million it didn't make could have reduced debt by 50 percent.

With interest rates in the 20s, 1989's income statement will suffer by around R5 million in interest expenses that could have been saved.

The loss on selling Everite resulted in a bottom-line retained profit of only R4,77 million.

But strangely, R10,17 million in dividends paid meant a retained loss of R5,4 million for the year

Of the R10,17 million in dividends, T & N took 51 percent

Shareholders are being asked to approve a R10 000 fee for chairman Sir Francis L Tombs — he deserves nothing for the way he has treated minority shareholders in SA

The big question is what will T & N (UK) do next to T & N (SA) and its newly acquired subsidiary Asseng?

Sales increased to R234,7 million (1987. R145,6 million), with operating profit R26,9 million (1987. R21,7 million)

Export sales were R8 million (1987. R3,38 million). Interest expenses virtually doubled to R6,07 million (1987. R3,11 million), with technical fees to overseas parties sharply up at R4,17 million (1987: R2,53 million)

Various allowances helped reduce tax to R6,24 million (1987: R7,7 million), leaving taxed profit of R14,17 million (1987: R12,46 million)

After equity-accounting Everite Investments' R6,35 million profit (1987. R3,36 million), attributable earnings were R20,25 million (1987: R15 million).

But it didn't end there because the loss on sale of Everite — R15,48 million (1987: extraordinary gain on sale of building products division R26 million) gave a bottom line of only R4,77 million (1987. R41,75 million) — a staggering decline of almost 90 percent.

Nevertheless, dividends were raised to 44c (1987: 34,5c)

All three divisions made strides in 1988 Automotive was the star with sales of R151 million (1987 R84,5 million) and operating profit of R19,4 million (1987· R14,5 million)

Both Chemicals & Plastics and Industrials & Mining increased operating profits minimally.

Being predominantly in automotive components, like its listed subsidiary Asseng, surely it should be shown in the Motors section of the JSE rather than in Industrial Holdings

Without disclosing any numbers, it appears that Silverton Engineering, acquired from Asseng two years ago, is thriving

Sir Francis Tomb's report was a load of hot air To make the figures look more attractive, no provision for deferred tax was made and land and buildings owned by Silverton Engineering Properties were revalued upwards by R4,6 million

However, this did not improve the balance sheet — shareholders' funds have declined to R99,97 million (1987 R101,28 million), debt has risen to R46,4 million (1987 R30,3 million) and working capital has declined to R11,86 million (1987 R18,6 million)

The group intends spending R7 million on a new office block and factory/warehouse

If only management had been a little patient, that extra R30 million from Everite could have made all the difference to the numbers

No forecast is given for 1989, apart from the usual guff about improving employee relations

I was intrigued by the statement of mission and values for "Our Shareholders" T & N (SA) believes they "should be assured of long-term success and growth and that they should receive a competitive and fair return on their investment"

Obviously this was drummed up by a PR company since the way T & N (UK) (holding 51 percent of the company) has acted, it is interested only in itself and not the minorities shareholders in SA — a sorry state of affairs, to say the least

Taxi groups fear deregulation may 'pave way for whites'

(232)

Sowetan 5/6/81

TWO major black taxi organisations, while welcoming the Government's recommendations to deregulate the taxi industry, fear the move will "pave the way for whites to take over their businesses "

The Southern Africa Black Taxi Association (Sabta) and the South African Long Distance Transport Association (Saldta) said the "combi taxi" was an industry which exclusively served the black community

"The Government is cognisant of this," they said

They were reacting to the Minister of Transport, Mr Eli Louw's announcement this week that his department has been instructed to submit a programme for implementation

In a statement the Minister said he hoped the phasing in of deregulation over three years would remove the uncertaintees in the taxi industry

Sabta's media liaison manager, Mr Terry Mphahlele, said "This is a major breakthrough for the taxi industry Indeed, Sabta views this move as a victory "

"Sabta has finally gained the long-sought recognition of government it so rightfully deserves as the major representative of the powerful black taxi industry in the country.

"With the department's acceptance of the recommendations to form local taxi liaison committees, Sabta's local, regional and provincial branches, will be better able to exercise control and regulate the taxi industry within their respective areas," she said

However, she said, Sabta has always viewed deregulation in this industry as "paving the way for white taxi owners to overrun the industry — a business which exclusively serves the black community "

The deregulation of the industry will play an important role in legalising the country's pirate taxis which has cultivated a poor reputation in the community over the years

Saldta's president Mr Peter Rabali also welcomed the move and said it would help restore order and faith in the black taxi business However, he also feared that whites will infiltrate the industry

Sabta plans to call a special meeting of its regional and provincial representatives in Bloemfontein soon to discuss the department's announcement, taxi scams and other matters of interest It has been supported by the Foundation for African Business and Consumer Services

Macsteel to get Wedge's steel interests

Star 6/6/89 232

Finance Staff

Wedge Holdings has reached agreement in principle with Macsteel to sell its steel trading activities to Macsteel.

Wedge Holdings says that negotiations with Macsteel are continuing as the final purchase price is to be determined by an audit of Wedge for the four months from January to April.

The audit is currently under way and the result is expected to be available soon.

Wedge chairman Peter Thomas said that until the sale of Wedge's trading activities to Macsteel was finalised, Wedge would continue to operate independently although Macsteel had seconded some of its staff to Wedge for the time being.

A statement said shareholders will be informed of the details of the Macsteel acquisition and the price to be paid as soon as they become available and are advised to continue to exercise caution when dealing in their Wedge shares.

Groprop bent on acquisitions

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Star 6/6/89

With the marked increase in demand for space in industrial, commercial and office property sectors, Grove Property Fund (Groprop) is poised to invest nearly R7 million more in acquisitions

In his chairman's report, Mr DJ Kotze says the bulk of these funds will be invested in property during the company's current financial year

"Due to the unsatisfactory conditions prevailing on the stock exchange during 1988-89, the group has decided not to continue with the proposed rights issue," he says

Groprop expects current demand to result in rises in rental levels at review dates and termination dates of leases

This should have a beneficial effect on future earnings

"The need to increase South Africa's manufacturing capacity has improved the demand for industrial space," says Mr Kotze, "particularly for smaller and medium-size factories"

This is area in which Groprop has concentrated

While he sees substantial rises in retail rents, the chairman is concerned aabout a possible oversupply of shopping space in certain areas

Office rentals have increased to the extent where it is now possible to develop office complexes in high-demand areas and get a reasonable return on investment

Groprop's earnings per share rose from 24,72c to 28,17c

Taxi deregulation to be phased in

Sowetan 6/6/89 232

RECOMMENDA
THE "combi-taxi" industry have had recommendations on deregulation approved by Transport Minister Eli Louw, who has instructed his department to submit a programme for implementation.

In a statement released in Cape Town yesterday, Mr Louw said he hoped the phasing in of deregulation over three years would remove the uncertainties in the taxi industry.

The recommendations were made by a committee comprising representatives from the department and the Southern African Black Taxi Association (Sabta).

Liaison

Mr Louw said an important recommendation dealt with the formation of local taxi liaison committees in all the larger metropolitan areas to discuss and formulate solutions for problems at local level

A second recommendation dealt with the criteria which had to be met for the recognition of a national taxi association

These included the number of registered operators who were members of the association, the number and types of vehicles permit holders owned, the bona fide promotion of taxi operators' interests and a code of conduct

A "complicated and sensitive issue" which demanded immediate attention was contained in a third recommendation, Mr Louw said This dealt with measures to be applied to prevent undesirable practices regarding white owners of taxis which exclusively served the black community

Mr Louw said the department would contribute R254 000 towards the Sabta 2000 research project being carried out by the Council for Scientific and Industrial Research on Sabta's behalf

FSI and Spectrum call off deal

FSI and Spectrum Industrial have announced that the proposed takeover of Spectrum has been cancelled by mutual agreement

According to Jeff Liebesman, CE of FSI and chairman of Hunts "This development will in no way affect the streamlining of Hunts which is currently under way

"We have conducted a strategic review of Hunts subsidiaries FS-Team, Natbolt and Tarrys and are in the process of regrouping these into logical operating units"

Shareholders have in the meantime again been requested to exercise caution in their dealings in shares of FS-Team, Natbolt and Tarrys — Sapa

Consol buys Goodyear for R178-m

232 Star 7/6/87

By Sven Lünsche

In the latest US disinvestment move, Anglovaal's packaging subsidiary Consol has bought the entire share capital of leading tyre manufacturer Goodyear Tire and Rubber, it was announced today

The deal is expected to be settled by a cash payment of about R178 million, but is still subject to the final determination of Goodyear's earnings for the first half of this year

Apart from being one of South Africa's leading tyre manufacturer, Goodyear also makes conveyor belting, PVC food packaging and other films, and a variety of other products at its plant in Uitenhage The head office of the group is in Port Elisabeth

Explaining the rationale for the acquisition Consol directors said today that acquisition opportunities in packaging were restricted

"Consol has for some time sought opportunities to enhance its earnings and returns and spread its investment risk by diversification into non-packaging businesses," they said

"This growth will be confined to industrial manufacturing operations that make non- or semi-durable mass-produced quality products

"Goodyear meets this criterion and the acquisition is expected to enhance Consol's earnings and returns over time," they add

Further details of the deal will be announced shortly

Shareworld wound up

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SOUTH Africa's ~~first~~ multiracial entertainment centre, Shareworld, was provisionally wound up in the Rand Supreme Court yesterday, only 18 months after it opened

The decision to liquidate Shareworld came after the Standard Bank withdrew its R45 million credit

Shareworld creditors have lost an estimated R16 million

The bank has however offered to refund the subscription share price o 50 cents to ordinary and preference shareholders

The auditors of Shareworld, Aiken and Peat, recently claimed the company did not maintain proper books and records relating to operating expenses and collection of income

They said "Proper books and accounts were, in our opinion, not maintained by the company relating to this expenditure and, in numerous instances, significant amounts were not supported by proper vouchers or other documentation."

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Welfare community splits into two over privatisation

The welfare community split in two this week, when two separate conferences expressed fiercely opposed views. By THANDEKA GQUBULE

GOVERNMENT plans to step up the privatisation of the welfare services have caused a deep rift in South Africa's welfare community.

The divisions were highlighted this week when many welfare workers snubbed a government-sponsored conference on welfare in Pretoria. Instead, they staged their own meeting under the auspices of the Child Welfare Society at the University of the Witwatersrand.

The Department of National Health and Population Development declared its intention to accelerate privatisation in an 18-page policy document presented by Health Minister Dr DW van Niekerk on April 18 last year.

Although the practical implications of the policy have yet to be elaborated, the document underscored the government's determination to scale down its role in the welfare area.

The document says the aim of privatisation is the recognition and protection of the role and place of voluntary welfare organisations.

It said the government had "assumed responsibility for the making of arrangements to prevent social or physical suffering". However, it stressed the responsibility of individuals, families and communities for the provision of welfare.

It said that the question of privatisation of welfare services had been referred to the Interdepartmental Consultative Committee on Welfare Matters for further investigation.

An "action group" in the Child Welfare Society, which opposes privatisation, said in a weekend statement that some of the policies and principles enunciated in the document, such as the emphasis on the partnership of the state, community and church in welfare matters, were acceptable.

But, the group added, "Its philosophical foundation is flawed, and the welfare structure that it proposes is an unjust and often irrelevant response to South African social realities."

They complained that privatisation of social welfare services would result in "increasing impoverishment of the poor".

The welfare workers said privatisation provided for state control, but with considerably reduced state financial responsibility for the development of social services.

"Privatisation is advocated in a sweeping, ill-defined manner, without any of its implications being addressed.

"Privatisation, in the sense of services being funded largely by client fees, or of basic services being considered to be the responsibility of the private sector, can only lead to increasing inaccessibility of services to those in greatest need.

"An overwhelming proportion of actual and potential service recipients are economically disadvantaged, and the private welfare sector is already chronically overburdened."

The government's failure to eradicate the racial divides in the welfare system also came under severe attack in the statement, which accused the state of entrenching "racial elitism and disadvantage".

The action group complained that the state's proposed structures involve the duplication of welfare bodies and administrations at the local, regional and national levels for each race group.

They said the welfare community also objected to not being consulted by the government about the new policy trends.

"The policy and structure have been imposed in an authoritarian manner, and in some central areas the wishes of the non-government welfare community have been flouted."

The welfare workers said the government accepted only limited responsiblity for its citizens' welfare. "That such responsibility is to be taken 'selectively' does not suggest the application of a rational and equitable process in determining how such selection should occur," they say.

They added that many South Africans were in no position to provide for their own welfare.

"Never before has a health document of this nature galvanised welfare workers to respond," the statement said.

Delegates at this week's meeting at Wits said the Unisa conference — on the theme of "The place of social welfare in the future" — was an attempt to get the welfare community to participate in and implement a policy they had not approved.

The action group said before convening at Wits: "We will be meeting on the eve of the state's conference. Our objectives and vision are diametrically opposed to those of the state. Our conference will stand out as a symbol of the democratic road to a future welfare system."

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WELFARE POLICY 232

Unity and weakness

Government officials, who four years ago thought privatising non-statutory welfare programmes would provide a solution to their funding, might well be kicking themselves today They are under attack by a group of independent welfare agencies which now control such facilities and services as old age homes and foster care

The Action Group on Social Services — a coalition of five independent agencies — fired opening volleys against Pretoria's 1985 welfare policy at a press conference recently. Action group organisers complain the policy lacks vision in its call for family efforts to replace slashed government programmes. They have vowed to design an alternative welfare system this year.

Social workers have made similar complaints before But protests came to a climax when the Ministry of Health & Population Development invited SA's 20 national welfare councils to comment on the policy two weeks ago The national councils co-ordinate the work of independent welfare groups but do not represent them, the action group requested an invitation to the May 22-23 meeting but received no reply

A day before the government-sponsored meeting, the action group convened 400 social workers from five independent agencies to develop an "alternative welfare system" Statutory welfare (pensions and other direct-pay programmes) continue to be administered by "own affairs" departments But many independent groups in charge of non-statutory programmes are multiracial and avowedly anti-apartheid.

So far, such private groups have effectively integrated their own agencies — putting white and black administrators in the same offices in spite of apartheid regulations

Government's Chief Director of Welfare, Dr Wallace Anderson, doesn't believe independent agencies are revolting against State policy. Anderson says delegates to the conference also demanded a unitary welfare system and "looked urgently for a way to get parity for black and white welfare recipients.

"We have asked the State President to set up a committee which can look into these kinds of changes," he says, adding that he expects an answer from the President before the general election. Still, say the independents, the fundamental flaws of an apartheid welfare system have been left untouched. For example, the chairman of Wits University's School of Social Work, Brian McKendrick, points to the alarming disparity between government spending on white pensioners and their black counterparts. When the last official figures on welfare spending were released in 1985, 144 000 white pensioners received R274m, compared to the 248 839 blacks who received a total of R154m.

"White pensioners don't get enough money from the government to live on so you can see how much more difficult it is for black pensioners in this system, especially when life is so much more expensive in the townships," McKendrick says

Anderson admits that if parity payments were to start this year, they would cost the government R5bn — "a difficult operation under present circumstances" Other government officials are doubtful that even a unitary welfare system can be set up until SA's constitution is itself changed

Politics aside, independent social workers will have difficulty attacking a government which still funds up to half their programmes McKendrick and Johannesburg Child Welfare director Adele Thomas admit their one hope is to embarrass the National Party during this winter's election campaign But both know too well that if a government "welfare committee" is set up, it will effectively shelve the explosive issue (the CP has also demanded that white pensions be increased), until after September 6 ■

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A taste for freedom

D32 Fmail 9/6/89.

Anton Roodt is GM of Federale Volksbeleggings. This is from a talk given recently at an African Council of Hawkers & Informal Businesses conference on trade union and private-sector views of privatisation and deregulation.

Privatisation and deregulation are essentially about too much government and too little freedom of choice for the individual

Perhaps the most fascinating privatisation experiment is that of Mikhail Gorbachev, with his dual strategies of glasnost (openness) and perestroika (economic and political restructuring) One management journal says Gorbachev is "attempting to negotiate a radical new social contract with the Soviet people in exchange for more personal freedom, individual citizens are being encouraged to assume more risk and responsibility for their lives "

Since January 1988, 60% of Russia's 48 000 industrial companies have been required by law to be financially self-sufficient And Gosbank, the official State bank, will no longer extend credit to companies that are unprofitable, have large unsold inventories or make poor-quality products

Since May 1987, the Soviets have been privatising the service sector Already, there are over 14 000 private co-operatives including restaurants, boutiques, beauty salons and auto-repair shops

Under a system of local control — called *khozvaschot* — managers have freedom to take market-related decisions about product mix, production volume, purchases of raw materials and hiring and firing Differential wage rates across industries will be permitted, and a portion of company profits will be reinvested or shared with managers or employees as incentive compensation In the past, all profits reverted to the State

As we debate privatisation and deregulation, we should search for a middle ground of common interest This line of thinking may be typical "The problem with government is that it insists on sticking its fingers into the lives of everyone Government wants to provide housing for blacks, it wants to run their transport, it wants to regulate where I work, it wants to regulate where I live and what I eat It wants to regulate the price I pay for milk And bread And so on Unfortunately, our poverty as a nation is created by these very acts So if we want to be a rich nation, government simply has to get out of our lives and let us continue with the business of getting rich All of us "

That was Joe Latakgomo writing in *The Star*

These sentiments reinforce the view that privatisation is essentially about too much government and too little freedom

Hernando de Soto, president of Peru's Institute for Liberty & Democracy, concludes in his book *The Other Path* that developing countries suffer because government stifles entrepreneurial activity — the key to job creation, capital formation and growth

He says democracy and a market-orientated economy are the only viable route

"Competitive business people, whether formal or informal, are a new breed," De Soto says "They reject the dependence proposed by politicians They may be neither likeable nor polite, but provide a sounder basis for development than sceptical bureaucracies and traffickers in privileges They have demonstrated their initiative by migrating, breaking with the past without any prospect of a secure future They have learnt how to identify and satisfy others' needs, and their confidence in their abilities is greater than their fear of competition When people develop a taste for independence and faith in their own efforts, they will be able to believe in themselves and in economic freedom "

In SA, privatisation and deregulation offer a fundamental break with apartheid, in the sense that apartheid was essentially an exercise in "ethnic socialism" — involving a huge deployment of State resources and a massive government bureaucracy aimed at advancing the interests of a particular racial section of the population

Privatisation and deregulation are the building blocks of greater individual freedom and economic and political democracy — and a significant step towards economic empowerment for the masses

Growing worldwide support for the market economy should strongly encourage us to use the opportunities privatisation and deregulation offer in bringing about the post-apartheid democracy many so desire ☐

Sales merger at Punch Line

232

By Lynne Peach

In a bid to get itself back on track, loss-making Punch Line has merged its various sales divisions into a single sales group Star 9/6/89

According to marketing director Richard Fearon "the reorganisation is part of Punch Line's strategy to consolidate and integrate its operations to focus on more profitable areas of activity in the market"

The new sales group will be headed jointly by Mike Dreyer and Dick Plowman, both of whom have considerable experience within Big Daddy Altron

The new operation will be responsible for all end-user sales' activities within the group, except for those end-users serviced by Futurewave and Adprom

The merged group will encompass Netlink, Soft Line/TAS, Punch Line Business Centres, and Punch Line Systems It is expected to assist in the removal of direct competition between the busines units, and to create a unified and efficient financial and administrative infrastructure.

Mr Fearon is confident about the computer company's future and regards the merger as "probably one of the boldest moves yet to restore profitability to Punch Line".

Banks vie for privatisation

B Day 12/6/89 . 232

COMPETITION among the merchant banks for privatisation business has been fierce, with Finansbank leading the pack and Standard Merchant Bank and Senbank also going places

Although the advisory service merchant banks can provide the State and its corporations is not particularly lucrative, all the merchant banks have been keen to get involved in privatisation

The spin-offs at first are prestige — and later it becomes pure business when the corporation is listed It also presents the opportunity to gain a major corporate as a customer

Says Standard Merchant Bank's Mark Barnes "SMB sees itself as a blue-chip corporate finance division, and we would like any really significant development to require input from us That is part of the reason why we have targeted privatisation"

Finansbank's Willie Ross says the bank's approach to privatisation was initially "philanthropical"

"We believe it is in the best interests of SA, and about five years ago took a decision to investigate the issue Pieter van Huyssteen spent much of his time on privatisation — to the extent that he became an ideal candidate to advise the Minister of Privatisation"

Finansbank took the view that it was essential for government's massive stake in business to be reduced

Approach

But bankers are never only philanthropical, and Ross says once the listing stage is reached, it becomes business like any other — only different It is different in that it is larger than other listings, and that the organisation has to undergo a cultural change

"In the case of Iscor, management's approach is like that of any other private sector company But in many cases the broad staff do not see themselves as part of the private sector, and an education process is needed The merchant banks can help with that," Ross says

Government has set up a tender panel which decides on which merchant banks and stockbrokers will advise the State and its corporations on privatisation

The panel is chaired by Wim de Villiers and includes JSE President Tony Norton and representatives from the Commission for Administration, the IDC, and the privatisation unit Merchant banks first give a written presentation, and those that make the shortlist then give verbal presentations

Right now, Finansbank and Senbank are "tying up the loose ends and sorting out the technicalities" of the Iscor listing The market has put Iscor's total capitalisation at R3bn, and about R1,5bn will be listed this year

'Institutions are very liquid at the moment, and it depends on the merit of the stock and how it fits into institutional portfolios Also, the price must be right.'

"The eventual figure will depend on how much the market can absorb at the time We will canvass institutional demand and do surveys among the public before taking a decision" Ross says

He expects a decision to be taken in late September, and a prospectus to be issued in early October He does not see the size of the Iscor listing as an inhibiting factor for other companies wanting to raise capital

"Institutions are very liquid at the moment and it depends on the merit of the stock and how it fits into institutional portfolios Also, the price must be right"

But he acknowledges the picture could change suddenly as the JSE has been unpredictable of late He would prefer a correction now rather than later in the year — and was therefore not unduly worried about the downturn caused by the strong dollar and weak gold price in May

Finansbank is also involved with the Sats privatisation along with SMB For Eskom's privatisation, Ross and Finansbank MD Hennie van der Merwe serve on committees investigating the issue Again, SMB staff also serve on these committees in their personal capacity A draft report has been brought out on whether Eskom can be privatised or not

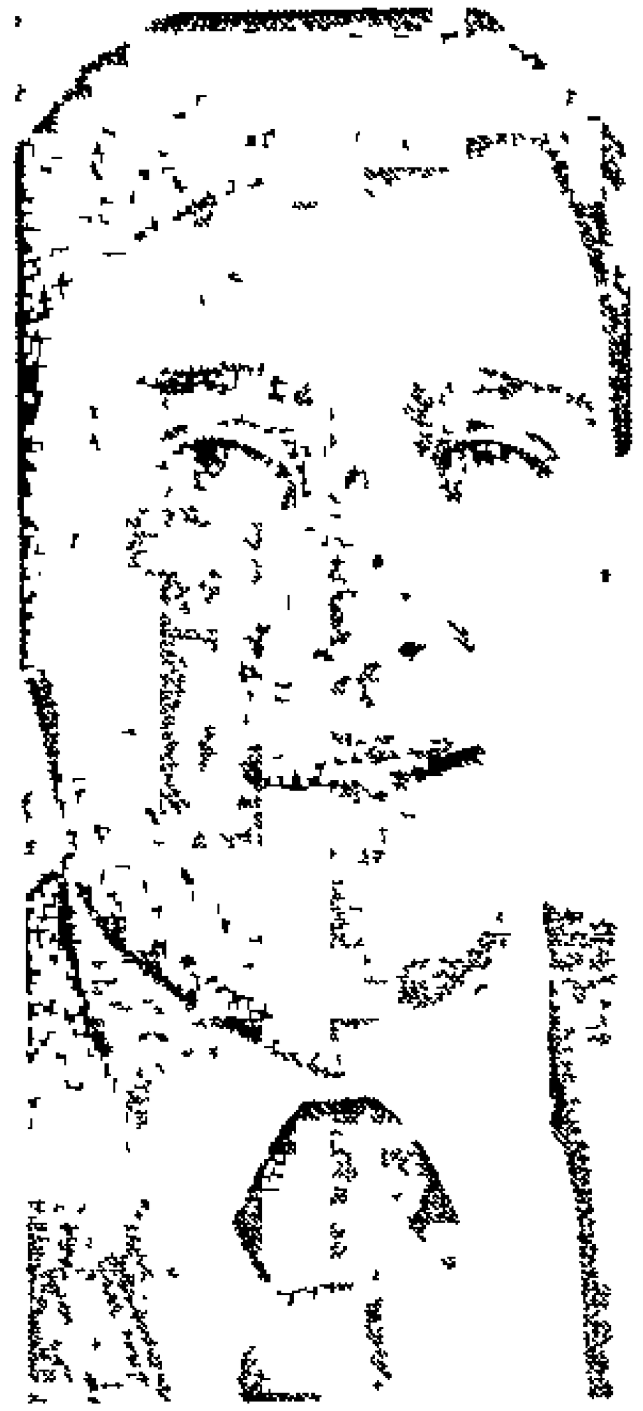
Further involvement in privatisation by Finansbank includes toll-roads But Finansbank, Ross says, would not want to be known as "the privatisation merchant bank" The bank is working hard to keep its normal private sector business going

"The listing of Iscor is, in the final analysis just a normal listing Privatisation is not taking up more than a third of the corporate finance department's time We've done quite a few other deals"

Once it is all finished, the bank hopes to have gained long-term clients in the people it has taken to the market

What they say . . .

SMB's MARK BARNES . . . "timing has become crucial A badly timed listing can be disastrous.
"But the question is not only when — but why?"



FIRSTCORP's GRAHAM DRINKWATER . . "new listings will be difficult for others than rand-hedge stocks or high-profile food and beverage companies"

M & A grabbing the limelight

B/Day 12/6/89 (232)

MERGERS and acquisitions (M & A) are under the spotlight again as the listings boom prior to the October 1987 crash fades to a memory

However, FirstCorp's Stuart Jones says M & A business has not necessarily increased dramatically since the crash

"M & A business was always there — it was just overshadowed by the brouhaha of the listings boom"

But the crash did mean a shift towards M & A, partly because companies now seeking a listing often go to the JSE through a reverse takeover

A current example of a reverse takeover is the acquisition by New Bernica, listed in the investment trust sector, of the entire issued share capital of Karos Hotel Holdings for R28m FirstCorp is the merchant bank behind the deal

Some companies listed during the euphoria of the listings boom have now become targets for acquisition A recent example is Barplats' acquisition of the majority shareholding in Lefkochrysos Again, FirstCorp did the deal

It is now common cause that many DCM companies should never have been listed SMB's Mark Barnes says many of these have now become prime targets for a takeover

Some have turned into shells which are being used for backdoor listings

FirstCorp's Graham Drinkwater notes another reason why there is a shift towards M & A business after the crash

"Many private companies might prefer to go for a listing when there is a boom on the JSE because they can get a better price than they would by selling to a major company

"But when the market disappeared, the prices of vendor companies became more reasonable and the deals came through"

Investec manager John Snider expects difficult economic circumstances will further encourage rationalisation through mergers and takeovers

He says the focus of the merchant bank's business has shifted from raising equity capital to M & A business

Much of the activity is among private companies, but among the listed companies, Investec has been to one to advise Rabie on the takeover of the Zozo businesses

Deregulation moves on local government

(232)

Star 14/6/89

The first meeting of the Deregulation Committee for Local Government took place on Friday in Randburg chaired by town clerk Mr Bart van der Vyver

The committee was established as directed by the Council for the Co-ordination of Local Government Affairs, with members drawn from the United Municipal Executive, UCASA, the National Ad Hoc Committee, the provincial governments, the Institute of Town Clerks and the Competition Board

It was agreed to investigate and make recommendations on deregulation Sub-committees will be formed to find out what the larger authorities have already done about deregulation

The next meeting will be held on August 11 in Randburg. — Municipal Reporter

INVESTMENT

Argus 14/6/89 232

Natal syndicate in Caltex SA buy-out bid

Business Staff

DURBAN — A Natal syndicate of black and Indian businessmen, which has faced mounting frustration in its attempt to get control of Mobil South Africa, is to make a bid for the local Caltex empire

The syndicate has made numerous attempts to further its negotiations with Mobil both here and in the United States, but it appears that the deal, struck at a reported R400-million with Gencor, could hold and the R420-million bid from the four Natal businessmen will fail

However, a group of nine Mobil dealers has recently approached the syndicate with a view to joining in the negotiations

According to Mr M Hariram, a spokesman for the syndicate, this new development should result in a bid of R440-million being put to Mobil in New York for the South African operation.

"Should this offer not be considered we will ask for a formal auction to be held and we would look forward to the opportunity of bidding openly against Gencor," he said in Durban today

"We welcome this group of multiracial Mobil dealers. They add strength to our proposals," he said

In spite of the Mobil development, Mr Hariram said that the syndicate's attention now included Caltex and contact has been made with both the local office and the international headquarters in Dallas, Texas, in an attempt to open negotiations leading to a buy-out of the entire local Caltex operation

"We had made all the financial arrangements for the Mobil transaction so it obvious that we would use these facilities to look for similar disinvestment opportunities if our offer is not successful," he said in Durban today.

Mr Hariram recently made contact with international financier and ship-owner Mr Tikko Singh in London, where financial arrangements for the Mobil deal were structured

It is understood that Mr Singh and his partners are prepared to back South African disinvestment deals up to a value of R1,5-billion

Macsteel forges ahead with new acquisitions

Star 15/6/89 (232)

By Magnus Heystek
Finance Editor

International steel trader Macsteel is to take control of Cape-based steel merchant UME for R32,5 million

Unlisted Macsteel has already begun the process to acquire the trading operations of another steel merchant, DCM-listed Wedge Steel for an amount rumoured to be in the vicinity of R12,5 million.

The deal will make Macsteel, already a giant on export markets, the largest independent steel merchant in the country

Last night the controlling shareholder of UME, which claims to be the largest steel merchant in the Western Cape, has accepted Macsteel's offer of 150c a share

A similar offer is to be made to minority shareholders. The company will be delisted

UME is currently controlled by Mrs Smaller Winnikow (72), the present chairman and managing director, who intends emigrating to Australia to be with her children

Mrs Winnikow has 56 percent of the issued share capital with Wedge owning another 20 percent. According to Mr Peter Thomas, chairman of Wedge, it will accept Macsteel's offer.

UME, listed in the engineering sector of the Johannesburg Stock Exchange, has recorded compound earnings growth of 34 percent over the last four years.

In the 1988 financial year attributable earnings rose from R2,8 million to R5,7 million, with the outlook for the current year very favourable, according to the 1988 annual report.

The purchase price of 150c a share puts the deal on a price earnings ratio of less than 6, based on historic earnings of 25,5c a share in 1988. Asked whether the offer is not on the low side, a spokesman for UME said it might turn out to be a favourable price considering the higher tax rate the company is expected to pay in the current year.

Also, the equity-accounted earnings of more than R1 million that UME earned on its investment in Wedge Steel, will fall away as Wedge has recently reported a sharp turnabout in profitability

While UME controls just under 30 percent of Wedge Steel, Wedge has an interest of 20 percent (5 million shares) of UME. By accepting the offer it will get a cash injection of at least R7,5 million for its UME interest.

Mr Thomas says Wedge will become a cash shell after the disposal of its steel trading operations to Macsteel.

Mr Thomas refuted allegations of financial irregularities at the company, but did say that trading conditions in recent months have been tight and that Mr Reg Wepener, the MD, had resigned after a major difference with the Wedge board.

Not much is known about Macsteel which maintains a very low profile. But it is understood that its turnover runs into billions of rands a year as the company handles most of Iscor's exports

Chairman Eric Sampson is overseas while other senior financial executives at the company could not be contacted for comment

COMPANIES

ARGUS 15/6/89

Macsteel, UME in R32,5-million deal

232

Business Staff

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Tollgate revamps Drivetch, Gants

232

Finance Staff

Tollgate Holdings (TGH) is rationalising activities in its listed subsidiaries, Gants and Drivetech.

In terms of the proposals, Gants will sell its agricultural machinery division to Drivetech.

Drivetech, in turn, will sell Multimech, its automotive engineering and bus body building division, to TGH's mass transport company, Tramway Holdings

The price paid for Multimech is R16,75 million in cash Star 16/6/89

This will leave Drivetech a cash-rich shell into which Gants' agricultural machinery division, Chmarnic, trading as North's Intermec, will be injected for R8 million in cash.

The effective dates of both acquisitions is July 1 1989

Minorities in Drivetech will receive a standby cash offer of 75c a share, for all or part of their shares This represents a premium of about 20c on the ruling price.

No Drivetech dividend will be paid for the six months to June 30 1989

The next dividend will be paid for the six months to December 31 1989

Gants has warranted a minimum pre-tax and pre-interest profit of R6 million for Chmarnic for the period

The cash and short-term investments of R20,35 million remaining in Drivetech after the acquisition will be used, in part, to reduce the interest-bearing debt of Chmarnic, clearing the way for an improved bottom line.

The newlook Drivetech will supplement the strong agency base it inherits from Chmarnic and the branch network will be expanded

Gants will benefit particularly from its sharpened business focus on canning and food processing and the elimination of the conflict of interest between the food and agricultural divisions

SA's foreign acquisitions valued at $448-m

Star 16/6/89 (232)

South African companies made at least six overseas acquisitions valued at $448 million in the 12 months to March 1989, according to statistics compiled by KPMG Aiken and Peat, the international accounting and management consultancy

These aquisitions were mainly through foreign companies disinvesting from South Africa under sanctions pressure, while three South African companies were sold to outside interests for $54 million.

KPMG says that while these figures may be significant by South African standards, South Africa may be on the losing end of world trade racing towards globalisation in barrier-free markets through international mergers and acquisitions that in the same period totalled $124,4 billion

This trend was reflected by a rise of one-third in worldwide cross-border mergers and acquisitions in the first three months of 1989, compared with the first quarter of 1988, says KPMG Aiken and Peat partner, Richard Carreira

"This increasing global merger and acquisition activity reflects the flow of trade, and is an indication of growing globalisation and interdependence of the world's economies"

Mr Carreira believes that the two major factors tightening the ties between different countries are the drive to open a single European Common Market from 1992 and the creation of the Free Trade Agreement between Canada and the US

He points out that if South African businesses are not to allow themselves to be locked out of a market of 350 million people that is likely to become the wealthiest trading bloc in the world, they must gain a strong trading presence in Europe

"It follows that the Government itself must examine how it can provide incentives and facilities for South African companies to estalish brigdeheads in Europe

"By 1992 it will be far too late," Mr Carreira says — Sapa

THE WEEK ON THE JSE

Consol takes to its wheels

S/Times 18/6/89

By Julie Walker 232

CONSOL'S takeover of Goodyear SA set its shares rolling this week.

They bounced from a bid price of 1 040c to trade 33% higher at 1 400c after touching 1 500c The shares were split 10-for-one recently to improve tradeability

Fools again rushed to buy marginals as the gold price continued its roller-coaster ride, this time on the upswing Speculative marginals paying no dividend resurfaced among investors' choices Rogold, Gazgold, Eersteling, Southgo, Knights and Elsburg rose by large percentages, but the gains were modest in nominal terms

JSE dealers had high hopes for gold, which touched $368 but came back to $365 It is expected to meet with producer selling pressure at $368 Dealers believe the dollar was oversold on Thursday, and a rally was expected

PLATINUMS

Platinums deserved more attention as the metal climbed in sympathy with gold's rally on Friday Leading counters were marked a quarter higher, but down on the week

Rusplats shed 75c to 6 125c, and Impala gave up 175c to R52 Lefkochrysos dipped 5c to 745c Talk is that the first platinum has been produced at the refinery in line with expectations

Lebowa also added 20c to 790c, at which there was a bear sale Northam was unchanged at 2 250c

Fedmyn 12,5% debentures — currently yielding 4% — were active, 93 000 shares trading in two deals worth R6,7-million The price was unchanged at R72

Anglo American added R3 to R86,50 at which there was foreign selling, but mining houses were mainly unchanged Johnnies recovered R15 to R705 and Minorco gained 100c to 5 750c

Rhovan nil paid letters gave up 60c to 240c, and PGA's dropped from 20c to 15c before regaining 5c

Associated Diesel (Adco) added 15c on top of last week's 10c to hit 85c on talk of a takeover Midas has been suggested as suitor Midas reached a high of 1 350c earlier this month, closing at 1 325c

Little-traded Yorkcor put on 25c to a high of 1 875c after proposing a share split to improve marketability There are fewer than 900 000 in issue

MacPhail added 3c to 43c after saying it would consolidate its shares one-for-four

Drivetech was suspended for two days and returned with a 12c-rise to 72c Minorities will be offered 75c and the listing will become a cash shell

Printer Hortors put on 15c to 50c on the announcement that Waltons bought part of CTP Hortors owns 15% of CTP and 6% of Waltons Waltons eased 15c to 570c and Walhold gave up the same amount to 560c.

CTP added 10c to 500c Caxton was offered at R50 — it last traded in January at R100 There was a buyer at R29 on Friday

Deregulation accompanied by problems

S/Times 18/6/89.

(232)

THE problems facing the R200-million PABX market have been compounded in recent months by SAPT deregulation of certain areas of the industry.

Although many agree that deregulation of such matters as reticulation and maintenance of telephone systems is desirable — it places large turnover in the hands of private enterprise — it has presented problems for manufacturers

Rudi van der Westhuyzen, general product manager at Philips SA, says "We are going through a process of adaptation in keeping with this form of privatisation

"The industry as a whole, and particularly SAPT, must clarify the deregulation that has taken place At the moment it is adding time to deliveries and installations

"There must be some kind of logistical interfaces and discussion between SAPT and the industry"

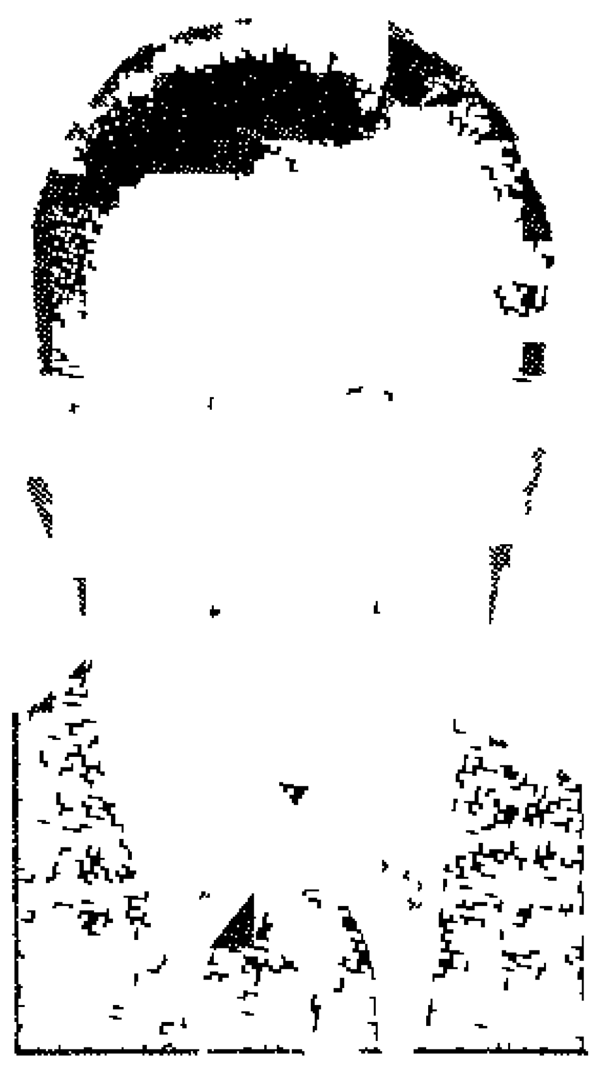
Overtraded

It is common knowledge that the market is overtraded and that any one of the Big Five manufacturers — STC, Philips, Siemens, Plessey and Telkor — could gear up to supply all requirements

Although deregulation may have caused some short-term problems, Mr Van der Westhuyzen believes it could help the industry in the longer term

"In time, deregulation will help to bring about rationalisation in the industry The market cannot support the increased number of suppliers entering the market

"The emergence of numerous small companies affects the synergy of staffing in the industry — we do not have endless technological skills to fritter away on small companies



RUDI VAN DER WESTHUYZEN

"Small companies are niche marketers and synergy is affected But rationalisation will arrrive in time"

Global rationalisation will filter through to SA, says Mr Van der Westhuyzen

"There have been several mergers in Europe, such as Siemens and GTE"

Majority

Frank Gartland, national sales manager for Siemens, says most small companies have entered the industry by providing value-added services

"Whether they will survive I do not know"

Mr Gartland says deregulation has provided more than the expected benefits for the PABX industry

"In the past few months there has been a tremendous amount of interest in voice networks — particularly among large corporations The change in Diginet's tariffs has made it an attractive proposition We can, through our PABX, access voice through Diginet This has opened tremendous business potential for all players in the market"

S/Times 15/6/89

Abrasive merger against the grain

232

By Don Robertson

THE merger of the abrasive operations of Hudaco and M&R Industrial has annoyed some in the industry.

Newco, a subsidiary of Hudaco, will acquire Hudaco's interest in Norton and M&R's interest in Cumar The jointly owned company will have more than 50% of the abrasive market Turnover of the combined group will be more than R100-million a year

Other major manufacturers of abrasives are 3M and Pferd

The deal, subject to shareholder approval, was given the go-ahead by the Competition Board

Investigation

Pierre Brooks, chairman of the Competition Board, says complaints have been made since the announcement of the deal two weeks ago

He says that if they are received officially, the board will investigate to establish whether the merger is against the public interest

Dr Brooks says that in terms of SA law, companies are not required to submit details of mergers to the Competition Board before an announcement

Hudaco and M&R consulted the board and after discussions and on the understanding that the merger could be in the public interest, the green light was given

Hudaco chief executive Kevin Clarke says that the industry has been inefficient and unstructured The merger is expected to rectify the position

The merger will also have favourable foreign-currency implications for SA by reducing imports Norton and Cumar had planned expansion programmes to meet increasing demand, but they will not be necessary As a result no equipment need be imported

Mr Clarke says the joint company will be able to increase exports and costs will be reduced

Waltons-CTP deal heads off price war

S/Times 18/6/89

232

By Ian Smith

THE coup by Waltons in grabbing a major rival in stationery has killed fears of a bloody war in manufacturing and retail.

Waltons is issuing shares to buy the stationery interests of CTP Holdings, headed by newspaper and printing tycoon Terry Moolman

Speculation about a war between the two big groups began last year when Mr Moolman structured a deal for CTP to acquire the entire shareholding of the Fincord stationery combine, which was delisted in September

Vertical

CTP's interests in printing and paper conversion made the vertical integration into stationery manufacturing and retailing look attractive, and a fight for market share was likely

Waltons managing director Frank Robarts says his group's acquisition is the answer "It makes sense for all the parties The assets we are buying lie in our field of operations"

Players

The deal has, however, attracted the attention of the Competition Board Chairman Pierre Brooks says the board has started a preliminary assessment to find out whether the deal is contrary to industry interests

"The parties will give us their views next week and we will then decide whether an investigation is necessary," says Dr Brooks

Mr Robarts says that even with the acquisition Waltons will barely have 50% of the market

"There are many other players in stationery and we believe in 'live and let live' Our manufacturers supply all customers even-handedly and our retailers have no unfair advantage"

CTP stationery interests consist of 12 retailers and four file and stationery manufacturers Waltons is buying the assets for 3-million of its own and 3-million Walhold shares, putting a R36-million value on the deal

CNA Gallo, which bought 1,5-million Walhold shares in February, will pay cash to CTP and take the shares, giving it about 10% in the combined Waltons operations But it will have no say in Waltons operations, says Mr Robarts

"Control is firmly in the hands of Waltons management, which has more than 30% of the company."

Jumps

The deal has been struck on favourable terms There is no effect on Waltons' gearing, and about R30-million of the price is represented by CTP stock and debtors, which will eventually translate into cash

The price will be adjusted if the saleable stock falls short or exceeds estimates after an audit.

Mr Robarts says the deal will not have an immediate effect on earnings, but they will not be diluted in the year to next February An immediate benefit is that net asset value jumps from 138c to about 175c a share

FRANK ROBARTS

Waltons, twice Business Times top company and last year a runner-up, increased earnings last year by 41% to 55c a share and the dividend rose by 38,5% to 18c

Mr Robarts says trading in the first three months of the current year was ahead of budget The group is likely to lift turnover from nearly R550-million to about R700-million in the current year, with a 20% to 25% increase in taxed profit

More acquisitions are in the pipeline

Mr Robarts says details of a rights issue are being worked out — "we would like to settle them by the end of July"

Duro-Link hives off

THE project finance division of Duros Merchant Bank is to go it alone as Duro-Link

The division was left high and dry after Investec Bank bought Duros Merchant Bank for R15-million, but excluded the project finance and corporate finance divisions. 58

Duro-Link will structure finance transactions, undertake project feasibility studies and new project development

While it was part of Duros Merchant Bank, it structured the finance for numerous projects, acting for banks and sponsor It placed loans of R200-million, R180-million of interest-rate swops and R130-million of preference shares It was also appointed financial adviser to the SA-French consortium known as Metrail

S/Times 18/6/89

Duro-Link will be wholly owned by employees and headed by Mike Bolton

The corporate finance division of Duros Merchant Bank, also left high and dry by the Investec deal with Duros, is also remaining independent under founder Charles Turner

Duro-Link and DMB Services, as the corporate finance side has called itself, will retain informal relationships

Row looms over high premiums

Call for govt to deregulate riot insurer

232

BDay 19/6/89

KAY TURVEY

THE insurance industry is demanding that government deregulate its short-term riot insurer as resentment over exceptionally high premiums mounts

A confrontation is brewing over the SA Special Risks Insurance Association (Sasria), the short-term insurer offering riot cover which government re-insures, as the squeeze on its captive market is felt

Brokers have made representations to the authorities to reduce the rates charged by Sasria, which in many instances account for 60% to 70% of a company's total short-term insurance costs

SA Insurance Broking Association (Saiba) spokesman on Sasria Peter Lawrence said the time had come to move Sasria out of the hands of the Finance Department and to the local insurance industry, where it could be more pragmatically and competitively run

It is mandatory for all riot cover to be taken out with Sasria, and at a time when competition between insurers is fierce and rates covering all standard perils are low, Sasria's rates remain high

Lawrence said the insurer, which was started after the Soweto riots in 1976, should be deregulated

Initially it was accepted that rates should be high as there was no statistical base on which to calculate the risks, but this was no longer the case

Sasria's fund, built up over the past 10 years, was estimated at R1,2bn — compared to Mutual and Federal's R800m which had taken a century to accumulate — as the public had been ploughing in premiums while claims were kept low by the security forces under the state of emergency

Further, at the time when Sasria was started the capacity and rating of overseas insurers fluctuated widely Today, however, good alternatives existed in the UK but local companies were not allowed to take advantage of them, Lawrence said

SA subsidiaries of international companies are also forbidden from insuring their assets against riot and political riot damages under the global insurance policies of their head offices

The Finance Act makes it an offence to insure SA-based assets against riots and acts of terrorism outside SA without first offering the business to Sasria The penalty for not complying is a fine of R10 000 or two years' imprisonment or both

Jaundiced

Priceforbes Federale Volkskas Insurance Brokers executive director Don Gallimore said he knew of only one dispensation having been granted by Sasria, and that was for a risk with unique features

Sasria CE Rodney Schneeberger denied that a monopoly had been created He said better cover could not necessarily be obtained abroad, where there was a jaundiced view of what was happening in SA

Sasria could not refuse or cancel a policy, and therefore the assured were getting a good rate for the risk covered

Registrar of Financial Institutions Theo van Wyk could not confirm whether representation on Sasria's rates had been made by Saiba However, he said major corporations had asked for differentiated rates at various times

Barlow-owned UK firm into plastic

232

ROBERT GENTLE

LONDON — J Bibby & Sons, the UK industrial and agricultural group 86% owned by Barlow Rand has announced the acquisition of plastics company Azlon for £2,5m cash

Azlon which manufactures a range of re-usable plastic laboratory ware, is based in South Wales and distributes its products throughout the UK and Europe

A modest degree of market penetration has been achieved in the US market

Azlon will form part of Bibby's Science Products division and complement existing business in re-usable glass and disposable plastic laboratory ware

Chairman Richard Mansell-Jones said "Azlon is a growth sector of the science products market I am confident Bibby will be able to develop the business further in the future"

The move marks a concerted effort by Bibby management to get the company moving again in the face of difficult market conditions, particularly in the problem-plagued agricultural sector

Bibby produced a lacklustre set of interim results last month, and forecast an "uncertain" future

BDay 19/6/89

STEEL GIANT EDGES TOWARDS PRIVATISATION

BRENT MELVILLE

B Day 19/6/89

232

ISCOR has announced an additional step on the road towards its privatisation

The statutory corporation was incorporated as a company in terms of the Companies Act (Act 61 of 1973) on June 9 — a major step pushing the steel giant much closer to its imminent listing on the JSE

Providing stock market conditions remain favourable, Iscor is to be listed by year-end

In terms of the Conversion Act, the metamorphosis from a statutory company into a public company will have no effect on its assets, liabilities, rights or obligations

With effect from June 9, all Iscor's stock is deemed to be debentures as defined in Section 1 of the Companies Act, and any reference to debentures or stock will be taken to be a reference to debentures or stock of Iscor as a public company.

Iscor's financial year remains unchanged — running from July to end-June.

B/Day 19/6/89 . 232

US millionaire is finally sequestrated

Own Correspondent

CAPE TOWN — American millionaire Jean Ronald Getty, with liabilities exceeding R200m, was yesterday finally sequestrated in the Supreme Court.

The application for Getty's sequestration was brought by Merrill Lynch Private Capital, an American securities firm, and Credit Suisse, who alleged Getty's debts exceeded $26m(R72,8m)

Mr Justice J Fagan found that Getty's known assets in SA amounted to R4,12m These were his R900 000 half-share in a Bishopscourt house, a R3,1m loan to the J R Getty Trust Fund and a R1 200 bank deposit.

Getty owed Merill Lynch R23,5m and Credit Suisse R9,1m and his known liabilities were almost R207m

Mr Justice Fagan found Getty had no known assets of value in the US and ~~that the corporations and partnerships~~ he had entered into were bankrupt. His only assets were those in SA.

He was ordered to pay the costs of two counsel for both Merill Lynch and Credit Suisse

His assets, which could soon be up for sale, include the St James Hotel on the False Bay coast and half the R1,8m Bishopscourt house

The hotel, said to be worth up to R10m, is owned by JRG Cape Trust, which is believed to owe Getty around R3m ~~This debt~~ could be called up and the trust liquidated if it fails to pay

Unless Getty appeals against the sequestration order, the trustees of his assets in SA will liquidate them

One trustee said he did not expect a creditors' meeting to be convened for 9-10 weeks

Getty left the country early this week after getting a new passport and an SA visa allowing him multiple re-entry

A provisional order for his sequestration was granted in February after he had repeatedly failed to disclose documents detailing his assets

Later that month, he was arrested and ordered to surrender his passport and an air ticket as it was believed he would try to leave before attending a hearing convened by the Master of the Supreme Court to get details of the assets

His legal representative this week told the court he was unaware of Getty's present whereabouts, but he had instructions from Getty's attorney in Los Angeles to continue to contest the action

Council may sell bus service

232 Star 19/6/89

By Abel Mabelane, East Rand Bureau

The executive of the Daveyton Council has recommended that the bus service, which registered a loss of R4,7 million, be privatised.

The Daveyton Council took over the bus service from the East Rand Development Board in 1983. It has run at a deficit since

The executive decided there was nothing to indicate that the bus service would show a profit in the short term and recommended the secretary invite tenders for a takeover.

Employees would negotiate their own terms with the new company.

A member of the residence committee, Mr R Hlatshwayo, said the council had not consulted residents about the privatisation decision.

He said this would cause the council to lose credibility, the move coming hot on the heels of the evictions of some residents.

Mr Hlatshwayo said privatisation would hit council-employed drivers and mechanics who had taken out mortgage bonds to buy or build homes

Gencor to split shares 10-to-one

CIT TRAS 19/6/89 232

Own Correspondent

JOHANNESBURG — Gencor is to split its shares on the basis of 10-to-one after holding the largest-ever rights issue, set to raise R1,47bn

The shares will be split as a result of demand for Gencor shares from smaller investors

This will occur after an additional 19,6m new shares have been issued.

Details of the rights issue, which will enable the group to participate in new ventures, were also announced by the giant mining house at the weekend.

Gencor is to issue the 19,6m new shares to the holders of its ordinary shares, its preference shareholders, and holders of its debentures on the basis of 20 new ordinary shares for every 100 held.

The shares will be offered at an attractive issue price of R75, which represents a 12% discount on Friday's trading price of R85

This should ensure that Gencor's controlling shareholder, Federale Mynbou (Fedmyn), which is underwriting the issue, has an easy ride

Gencor's executive chairman Derek Keys has said that the rights offer is not designed to raise funds for any specific project

In media statements Keys said: "Gencor companies are involved in a number of projects which have exciting potential — to name a few, the stainless steel project with Highveld Steel, the development of Oryx and Karee, Mossgas and the Torbanite project — and we want to be in a financial position to give the go-ahead if and when the need arises"

He said the capital raised would make Gencor a much more powerful group, placing it in an excellent position to participate in opportunities which had good earnings potential for the group.

Fedmyn, which holds a 54,5% stake in Gencor, is also to having a rights issue

Like Gencor, it plans to split its share capital 10-for-one after the issue

For every 100 ordinary or preference shares held, shareholders will be offered 22 new Fedmyn ordinaries at a price of R65, reflecting a discount of almost 10% on Friday's ruling price of R72

Fedmyn and its subsidiaries have indicated they will follow their rights in the Gencor offer and underwrite the balance

Sanlam also plans to follow its rights in the Fedmyn offer, taking up 51,4% of the shares offered

Sanlam's wholly-owned subsidiary, Sankorp, will underwrite the balance of Fedmyn's rights offer

Union threatens to strike again

CAPE TIMES 19/6/89

232

JOHANNESBURG — The Chemical Workers Industrial Union yesterday threatened further strike action against Mobil if the disinvestment dispute is not settled soon. The union also said it would take up dispute with the company's headquarters unless issues concerning the withdrawal from South Africa are resolved before the scheduled June 30 date of withdrawal. — Sapa

CT Times 19/6/89

228

232

Mozambique to get SA taxis

JOHANNESBURG. — The South African Black Taxi Association is to send a consignment of 200 mini-buses to Mozambique to revive the paralysed transport system of that country, SABC radio news reports.

Sabta president Mr James Ngcoya says negotiations are afoot to supply the Mozambicans with the type of mini-buses that would suit the geographical conditions of the country. — Sapa

Premier to restructure operations

Cit Times 20/6/89 232

By AUDREY D'ANGELO
Financial Editor

THE huge Premier Group Holdings is to separate its core businesses — ranging from food and pharmaceuticals to entertainment and leisure — from its 34% stake in SA Breweries (SAB), chairman Peter Wrighton said last night

The stake in SAB, acquired five years ago, will be put into a new investment company which will be listed and named Newco

Premier, which will be called the Premier Group, will raise approximately R280m through a rights offer

Wrighton said the cash would be used to expand the core holdings and to reduce their borrowings

Premier shareholders will still be invested in it and will also hold shares in Newco on a pro rata basis

Premier will have no interest in Newco. It will have four focused areas of operation — food (through Premier Food Holdings), pharmaceuticals (through Twins and Gresham), entertainment, information and leisure (through CNA Gallo) and consumer wholesale and retail (through Gresham and Score).

Explaining why the restructuring, which will make the shares more marketable, is being carried out, Wrighton said it would help investors to identify the respective values of the investment in SAB and that of the core businesses

They would then be able to assess the prospects and management of the core businesses on their own merit.

Premier's earnings from its equity accounted investment in SAB had tended to obscure the performance of the core businesses whose earnings this year amounted to approximately R92,3m and whose turnover had exceeded R4bn

Wrighton said the core businesses had posted substantial increases in earnings since 1984 of 130%, 135%, 50% and 42% respectively This had progressively reduced the contribution of SAB to group earnings from 90% in 1985 to 65% in 1989

"I suspect that the market has been somewhat confused by the existing structure and accordingly understates the true value of Premier

"This view is supported by the fact that if the market value of the SAB investment was stripped out of the Premier share price shortly before we made the cautionary announcement, then the traditional core businesses would be valued at approximately R6,20 a share, which represents earnings multiple of less than five times

"This is well below the average for equivalent stocks in the market On the other hand, if the market is valuing the core businesses properly, the value of the SAB component is being taken in at a discount"

Discussing the rights offer Wrighton said "We believe this move will not only facilitate the development of the inherent potential of the core businesses, but will also ensure that the group is properly geared"

He said the rights offer and restructuring were "the culmination of a period during which all the strategic issues affecting Premier have been addressed"

Premier acquired its stake in SAB from a consortium made up of JCI, Liberty Life and the Anglo American Corporation, in exchange for shares in Premier

Additional shares were acquired to bring the holding to 93m shares, making Premier the largest individual shareholder

Wrighton said he was confident that the company was leaner, more focused and more efficient than ever before and would welcome the challenge of separate evaluation

Star 21/6/89 232

Final orders on three Vista firms

Staff Reporter

Three of Vista Homes (Pty) Ltd's subsidiary companies were placed under final winding up orders in the Rand Supreme Court yesterday.

Mr Justice L le Grange granted the orders on Handi Homes (Pty) Ltd, Vista Properties (Pty) Ltd and Barbados Investments (Pty) Ltd

Handi Homes's liabilities exceeded its assets by R364 000.

Vista Properties (Pty) Ltd's liabilities exceeded its assets by R209 452

Barbados Investments (Pty) Ltd had liabilities which exceeded the assets by R193 000.

The applications for the winding up of the three property development companies was launched by one of the joint provisional liquidators of Vista Homes, Mr Leslie Cohen

He said Vista Homes was placed under provisional liquidation on February 28 this year, and later the order was made final

The provisional orders on the three subsidiaries were granted on May 23

Confin gets controlling interest in Manserv

Cape Times 21/6/89 232

Own Correspondent

JOHANNESBURG — An effective new merchant banking/financial services group is being created by the acquisition by senior executives of Columbia Corporate Finance (Colfin) of a controlling interest in Managament Services Corporation (Manserv)

Having bought Columbia Consultants' 39,8% holding in Manserve (over 5,7m shares) at 64,5c a share, the MAP consortium, together with their existinng holdings will have a 50,1% controlling interest in Colfin

The MAP consortium, which will extend an offer of 64,5c a share to Manserv minority shareholders, consists of Harry Spain, Jeff Wiggill, Philip Turnstall and Arthur Klitofsky

In terms of the proposed restructure, certain investments which do not meet the new controllers' investment criteria have been sold for R4,2m in cash

The investments are Manserv's 30% interest in Concorde Travel Holdings, its 26% interest in Graylink and its wholly owned investments in the Don Gray group companies, Key Computer People Transvaal and Andrew Levy, Johan Piron & Associates

These interests have been sold mainly to management, said MAP consortium member, Jeff Wiggill

Left in the new Colfin structure are Wingate Holdings and Punchline Columbia Training and Academy of Learning, the latter two companies to provide corporate and management training

The R4,2m cash will form the basis of the reconstituted Colfin's investment banking operation The main objective is the provision of a comprehensive range of corporate and project advisory and underwriting services through Colfin and finance facilities through its interest in Wingate Holdings

Wiggill said the reconstituted group will place particular emphasis on these services, which include advice on the negotiation and arrangement of mergers, takeovers, acquisitions and disposals by companies; the raising of equity capital, valuations, analysis and recommendations regarding a company's capital amd financial structure, and the introduction of companies to JSE listing

Another objective is the investment in private companies and management buy-outs with a view to ultimately obtaining a stock exchange listing

The new group is well placed to do this because of Colfin's present diversified client base and its holdings in cash securities, a portion of which will result from the sale of the non-investment banking companies and its existing investment portfolio

Wiggill says while financial services will remain the core of the reconstituted business, the group intends to promote its investment banking activities because pf its significant cash holdings, both internal and from the sale of the Manserv interests in non-financial services companies.

The Map exectives said the reconstituted Manserv's present tangible NAV is around 70c a share of which about 35c a share is in cash As this is well above the price paid to Columbia, this is a major advantage to the consortium

Manserv is expected to report earnings of around 24c a share for the year to March 1989, placing the purchase at a historic PE ratio of 2,7 times

As Manserv shares are trading at 70c currently, minorities will probably stay on board with the new group

More finance on page 12, 13, 16 and 17

Casino application plans . . .

Sun International buys Windhoek's leading hotel

Cape Times 21/6/89 232

By AUDREY D'ANGELO
Financial Editor

SUN INTERNATIONAL has bought Windhoek's leading hotel — the Kalahari Sands — and intends to apply for a licence to run a casino there once a new government has been elected

Announcing this yesterday, Kersaf MD Ian Heron said the group foresaw "dynamic growth" in an independent Namibia

"We are very excited about this move Namibia will be a great tourist country "

The Kalahari Sands has been managed, under contract, by the Cape Town-based Protea Hotel group for nearly two years

Its executive chairman Otto Stehlik said recently that he believed Namibia had great tourist potential and his group was likely to expand there — but would not commit itself to a property deal until the political outlook was more settled

Yesterday Stehlik said the Kalahari Sands would be handed over to Sun International on July 1

His company, which would be compensated for loss of the management contract, was already pursuing other opportunities in Namibia

The sum paid for the hotel, which has had a high occupancy rate since the peace initiative got under way in Namibia, has not been disclosed But Stehlik said Sun International had made "an excellent offer"

"Unfortunately it lies within the nature of our business of managing a hotel that sometimes we build one up and make it a more valuable property and the owner decides to sell

"This has happened rather suddenly but we were aware from the beginning that it might, and in our business we have to be pragmatic about it We do get compensation "

Heron said there was obviously an element of risk in making such an investment in Namibia at present

"But the country is basically very strong and the people are magnificent We shall help them to build up a strong and vibrant economy "

He said his group had carried out an extensive investigation before deciding to buy the hotel

"I have been looking at Namibia for four or five months "

He did not expect it to be an impoverished country after independence It was possible that Sun International might acquire other hotels in Namibia

"We shall take a good, hard look at the whole of Namibia and if good opportunities arise we shall take advantage of them "

New takeover bid: Con Gold shares up

Argus 22/6/89 232

By TOM HOOD, Business Editor

A NEW takeover bid for British mining giant Consolidated Gold Fields boosted the share price by R9,30 to R89,30 on the Johannesburg Stock Exchange today.

Minorco, whose long takeover battle by South African-controlled Minorco was blocked by a court action in the United States, announced it had made a deal with the British conglomerate Hanson PLC.

Hanson is offering R13,4-billion to take over Con Gold and Minorco, which has 55 percent of Con Gold's shares, will sell its entire shareholding to Hanson.

Sir Michael Edwardes, Minorco's chief executive, said today: "We're delighted to accept Hanson's offer. This is a very satisfactory outcome for Minorco and our shareholders."

Many firms hold monopoly — Dawie

CNT Times 23/6/89 232

Staff Reporter

A SUBSTANTIAL number of companies in South Africa are in a monopoly situation or have a dominant position in a given market — which is not conducive to competition on a grand scale.

This is the opinion of the Minister of Privatisation and Administration, Dr Dawie de Villiers, expressed in a notice in the Government Gazette today.

Dr De Villiers says that many sectors of the economy are characterised by high degrees of economic concentration and corporate conglomeration.

As a result, he says, a substantial number are in a monopoly or market dominant situation, or horizontally or vertically integrated with other companies with one of the major conglomerate groups operating in the country.

This is not conducive to competition on a grand scale, he says, though a dramatic dismantling of this structure would not serve the public interest.

Furniture Fair buys Harmony, becomes largest independent

CAPE TIMES 24/6/89 (BD) 232

By AUDREY D'ANGELO
Financial Editor

FAST-GROWING Furniture Fair (Furnfair) has bought its major competitor, Harmony Furnishers, for R11m in cash The deal has made Furniture Fair, which bought Montana in July last year, into the largest independent furniture retailer in SA.

Announcing this yesterday, MD Ivan Hammerschlag said he would continue to run Harmony as a separate chain, competing with Furniture Fair and Montana, and there would no loss of jobs

Hammerschlag said the deal, effective from March 1 this year, had been under negotiation for about 18 months and would have a significant effect on earnings

Results for the current year have not yet been announced But Hammerschlag said that if the acquisition of Harmony had taken place at the beginning of the financial year, earnings per share would have risen by 10,5% to 63,5c, compared with expected earnings of not less than 57,5c

In spite of the downturn, he expects attributable profits of more than R20m on a combined turnover of R125m for the financial year to June 1990

Ivan Hammerschlag

Furniture Fair had only two stores when it was listed in the Development Capital Market sector of the JSE less than three years ago Now it is on the main board and the seven Harmony stores will bring the total number in the group to 23

Turnover has soared from R5,7m to an expected R55m for the current year

Hammerschlag said it had been decided to pay cash for Harmony because Furniture Fair was ungeared "We have the capacity to borrow substantial funds comfortably

"In addition, were we to issue paper we would have had to negotiate at the market price — currently in the region of R1,40 per share — which, I believe, is considerably below the true value "

He anticipates considerable synergistic benefits at corporate level as a result of the acquisition, which is subject to shareholders' approval "But we have no intention of retrenching staff

"On the contrary, our track record shows that we have grown businesses that we have acquired, resulting in the creation of additional jobs

"And our focus will remain in the Western Cape. That is the market we know "

Mobil agrees to R6,5m payout for employees

Cape Times 28/6/89 (62) 232

Own Correspondent

JOHANNESBURG. — Mobil and the Chemical Workers' Industrial Union (CWIU) yesterday ended their two-month-old disinvestment dispute with an agreement on a R6,5-million payout to employees.

But the National Union of Metalworkers of SA announced just hours later that it had reached deadlock in negotiations over similar matters with Goodyear, and planned to stage strike ballots around the country today.

Mobil and CWIU spokesmen yesterday said each of the company's 2 800 South African employees was to receive R2 000 or one month's salary, whichever was the greater.

The sales of Mobil SA to Gencor, and of Goodyear SA to Consol, are due to go through in June.

Local Mobil management has also undertaken to meet with a senior Mobil US executive to discuss the union's demands for a copy of the agreement of sale with Gencor and for the establishment of a trust fund to finance social projects.

When negotiations broke down in May, the company was offering a payout of about R1 340 an employee.

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Toys of Yesteryear in final liquidation

Star 29/6/89

By Cathy Stagg (232)

Toys of Yesteryear, the company which exhibited an antique Meccano set at Gold Reef City, was placed in final liquidation yesterday

A director, Mr Peter Matthews, said in papers that he and his co-director, Ms Rosemary Hatty, started the business to supply toys and gifts and to exhibit antique toys.

The firm took a loan from a bank to build its premises at Johannesburg's Gold Reef City At first the agreement was Toys of Yesteryear would recieve a percentage of the gate money and could also charge an entrance fee to its building

However, in April last year, Johannesburg's Gold Reef City was liquidated and the lease cancelled A new company, Gold Reef City Management (Pty) Ltd, took control of Gold Reef City.

Minister forbids rugby chief to allow SA tour

Star 29/6/89

(45)

The Star's Foreign News Service

PARIS — French Sports Minister Mr Roger Bambuck yesterday publicly clashed with rugby chief Albert Ferrasse over French players going to South Africa.

His angry stance virtually spells the end of any hopes that South African fans will see a French rugby player in action

Unconfirmed reports here said recently that some top players have been offered as much as R100 000 each, plus expenses to play in South Africa

In an official letter to Mr Ferrasse, president of the French Rugby Federation (FFR), Mr Bambuck forbade him from giving his permission to an invited team or player to take part in centenary anniversary matches in South Africa for "reasons of state"

Mr Bambuck, a former Olympic champion sprinter from the West Indies, pointed out France's anti-apartheid policy and its boycott of sports links with South Africa

He also underlined the fact that the FFR receives a large annual govermment grant to help train rugby players and maintain stadiums and clubs

GOVERMENT SUBSIDY

"It is clear the Minister is hinting that this subsidy might be cut off, although he does not say so in his letter," an FFR aide commented "This subsidy is vital for our survival "

The weekly *Midi-Olympique* commented: "The ban on SA rugby sports links really dates from 1980 But what is new is that pressure is being exerted on the FFR, and a warning given, that if even individual FFR players went to South Africa this summer, then this act would be equivalent to a rupture of relations with the French State "

Mr Ferrasse has stated several times in the past few weeks that he would not hinder FFR players from taking part in the anniversary matches, which appears to be in direct contradiction with earlier promises made to Mr Bambuck to the contrary

Mr Ferrasse was in New Zealand with the French team when he received the letter

He told *Midi-Olympique's* correspondent in Wellington "How can I stop an individual from going to South Africa, and playing rugby there if he wishes ?"

"Is France going to withdraw its ambassador there?"

Sats is back into the black

S/Times 25/6/89

232

By David Carte

SA TRANSPORT SERVICES took a second step towards privatisation this week — by declaring a profit.

The first step was conversion by Act of Parliament last session into a tax paying entity

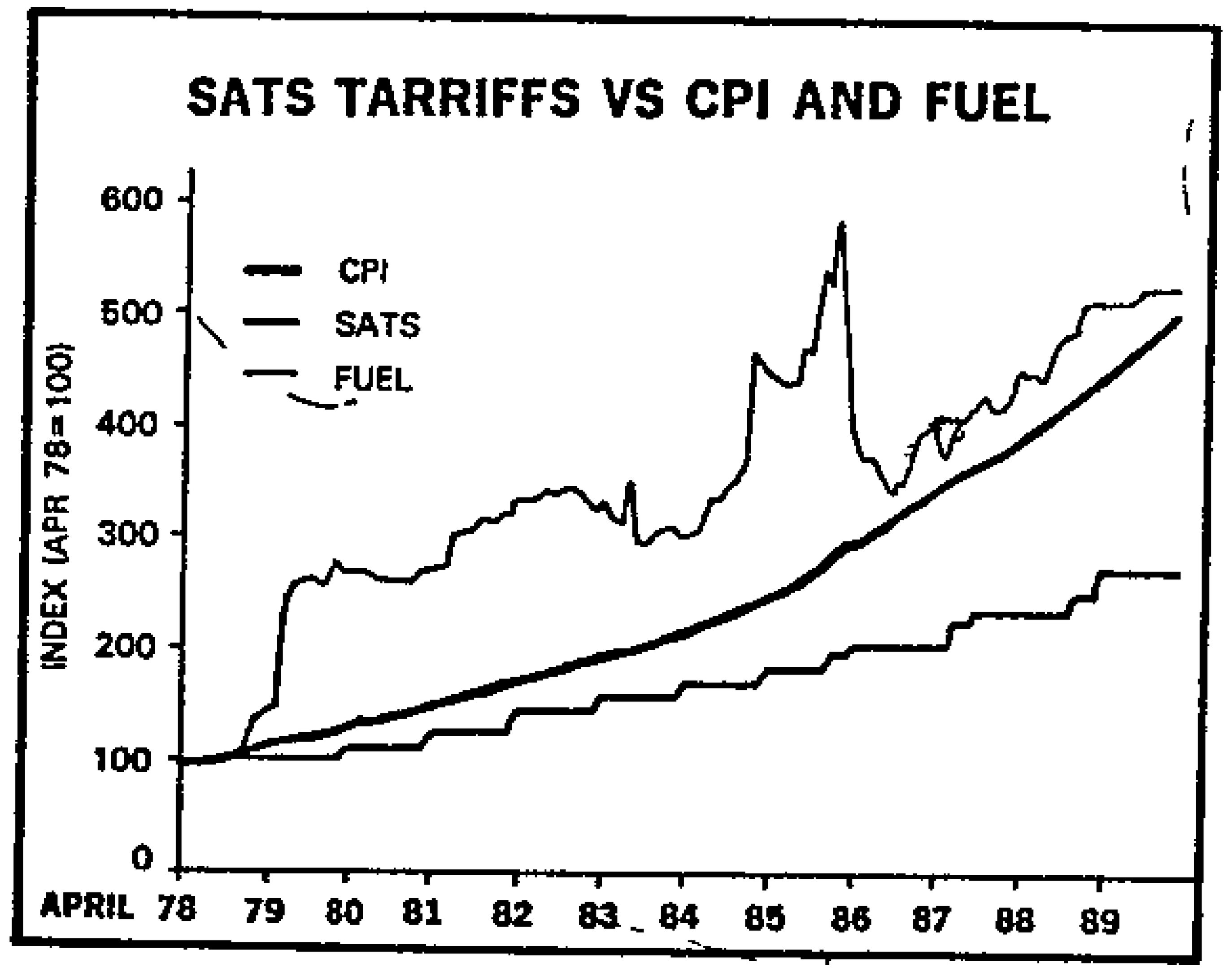
An elated Eli Louw, Transport Minister, told a meeting in Johannesburg this week that in his budget he had made provision for a deficit of R96-million He said this did not allow for tariff or salary increases.

In the event, there was a labour dispute and 12% salary increases were granted To cover the cost, tariffs were increased by 8%, which he felt was modest against an annualised inflation rate of 16% The size of the expected deficit was raised to R115-million

"I am proud to announce that in the financial year that ended two months ago, we actually achieved a surplus of R147-million That was R262-million better than expected"

Mr Louw said total revenue rose 2,4% to R11,4-billion, while costs actually declined 1% to R11,2-billion Compared with 1988, income rose 11,9% and expenses 9,8% Mr Louw said all arms, SAA, harbours, pipelines, trains and road transport had made profits

Mr Louw pointed out that in the past seven years Sats had reduced its manpower complement from 279 000 to 179 000 — by 36% As the graph, prepared on information provided by Sats shows, its tariffs have lagged behind inflation for years



Sats' major inputs are fuel, steel and electricity Its tariffs are well behind all three

He said a greater volume of business and increased efficiency across all sections of the huge organisation had made these figures possible He was particularly proud that the latest figures had been achieved in spite of deregulation

Mr Louw told Business Times that once the Treasury picked up losses on commuter trains — as has been approved in principle — Sats' profitability would improve substantially He would not disclose the size of these losses

He said it would take some years for privatisation to be completed, adding that SAA would be the first candidate in his portfolio

He said the airways had to be deregulated and SAA would have to earn profits in the new environment before it was privatised

Sats general manager, Anton Moolman, acknowledged it would take a couple of years before even the first operation could be privatised

Merchant banks and stock brokers are advising government departments involved in privatisation that the strong stock market may not last forever Those considering privatisation thus face considerable time pressure to follow Iscor to the market

Most State departments account conservatively, notably in the area of depreciation

Once their accounting policies are brought into line quite a number will see their declared profits shoot ahead

Welfare policy similar to JMCs

29/6 - 5/7/89. (232) South

The state's new welfare policy has frightening implications for the socially disadvantaged, the majority of South Africa's people. It also places an intolerable burden on welfare organisations already battling to survive. Under the guise of "privatisation", the state is in effect abdicating its responsibility for welfare, comments ALLAN JACKSON.

SEVERAL similarities exist between the state's new welfare policy and the Joint Management Centres.

Both are designed to entrench apartheid and to collect sensitive information about communities and individuals.

And both have the capacity to identify so-called "trouble spots" and to advise the government on development priorities in order to pacify these communities

However, the new welfare policy is also designed to shift responsibility for welfare to the private sector

It seems the state is determined to cut spending on crucial social services such as housing, education, health services and general welfare (including grants and pensions).

This is referred to as "privatisation" The state has introduced it, in their words, "to avoid a welfare state"

It is, in fact, an attempt to pass on the responsibility for welfare to welfare organisations, private companies and the community at large

It also means that the state is opting out of its responsibility to care for the socially disadvantaged, the majority of South Africa's people

At present, to survive financially, welfare organisations rely on the state to subsidise the social workers they employ Under the new policy, these organisations must provide state departments with information on various communities - the communities' needs, leaders, organisations and resources - to qualify for this subsidy

Under the new welfare policy, racial fragmentation of welfare services will be further entrenched This aspect of the policy has been referred to as "differentiation" This means that the state has ignored the call by social workers for one welfare system for all

This fragmentation of services is in line with the tricameral concept and continues the present unequal distribution of welfare resources

And because of the "privatisation", individuals, families and communities will have greater responsibility for their own welfare

It will place an impossible financial burden on welfare organisations, already battling to survive

Everyone, including the poor, will increasingly have to pay for welfare services

As in the hospitals where everyone now has to pay for medical care, people will also have to buy welfare services Again the state has ignored the call to provide free services to the poor

It should be noted that this decrease in state financial responsibility does not mean a decrease in state control of welfare services

We must see welfare against the backdrop of the broader South African political situation

At a national welfare conference held in Johannesburg in May and attended by 500 social service workers and representatives of community organisations, the state's new welfare policy was unanimously rejected.

The conference committed social service workers to work towards an alternative, nonracial, democratic welfare system based on the needs of all the people in South Africa.

Delegates also resolved to forge the broadest possible links with the national democratic movement in the struggle for change in South Africa

They also pledged support for colleagues facing disciplinary action for political involvement and called on the Council for Social Work to stop victimising workers for political activity

Delegates said social workers operated in a conflict-ridden society and were not able to "stand aside and tacitly condone the system of apartheid and its destructive effects on the well-being of the people".

● The Social Workers Forum is to host a mass meeting at the Samaj Centre in Athlone at 8pm on Wednesday July 5

The meeting has been convened to express concern and opposition to the new welfare policy, and to examine ways of working towards change in the social welfare system

The new policy's implications to the broader community will also be discussed

(Allan Jackson is a social worker with Cafda)

Sowetan 29/6/89 (232)

Bus service disrupted over privatisation plan

THE proposed privatisation of the Daveyton Town Council's bus service has met with opposition from the municipality's bus drivers.

By LEN MASEKO

Dozens of commuters were left stranded yesterday morning as the bus drivers — angered with the council's decision to trade off the financially embattled service — parked their buses and went to a meeting, a source in the council said

Daveyton mayor, Mr Meshack Sinaba, said he was not aware the local bus service was disrupted yesterday morning He said the bus drivers had requested a meeting with him to discuss the proposed privatisation of the transport department

The row between the council and its transport staff follows the recommendation by the municipality's executive committee that the bus service, which has shown a loss of R4,7 million, be privatised

The bus drivers have apparently been angered by the executive's statement that employees would have to negotiate their own terms with the company which has successfully tendered for the service They have also expressed concern about their council-subsidised homes in the event of a takeover by a private company

A takeover by the private sector would mean an end to the subsidies the council staff has enjoyed as public servants

The executive's decision was apparently prompted by the bus service's poor trading results They decided that there was nothing to indicate that the service would show a profit in the short term and recommended the secretary to invite tenders for a takeover

After six-hour meeting . . .

Majority UME shareholders accept Macsteel offer of 150c

CT Times 29/6/89

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By AUDREY D'ANGELO
Financial Editor

A HUGE majority of UME shareholders and their proxies who voted at the end of a crowded, six-hour meeting yesterday are in favour of accepting an offer from Macsteel (Pty) of 150c each for their shares

But a minority led by the chairman of the Shareholders Association of SA, Issy Goldberg, voted against a scheme of arrangement which would enable Macsteel to acquire 100% of UME and delist it.

Some paid up to 280c each for their shares and want either to retain them or be offered a higher price

Among those voting against the offer were Sanlam which holds more than 1m shares, and an alternate director of UME, Jack Ipp

The matter will be decided at a Supreme Court hearing next month

Meanwhile lawyer Igor Vukic, who was appointed by the Supreme Court as a neutral chairman of yesterday's meeting, will prepare a report.

The controlling shareholders, the Smaller family, who own 55% of the shares, have already agreed to sell their stake to Macsteel for 150c

Director Peter Smaller, formerly joint MD, who now lives in Sydney and returned to Cape Town to attend the meeting, assured reproachful shareholders that he had no intention of emigrating at the time the company was listed on the JSE in 1986

He said his mother, chairman and MD Sylvia Smaller Winnikow, had not emigrated and was still a resident of SA

Smaller said he decided to emigrate only after agreeing to sell his shares to Macsteel, when he found himself freed from his earlier responsibilities and decided it was the best thing for his young family

Earlier in the meeting Goldberg pointed out that the engineering sector of the JSE had risen sharply in recent months He suggested that the UME share price might have risen above 200c if a ceiling had not been put on it by a cautionary announcement that Macsteel had offered 150c.

But Macsteel financial director Steven Levitt said that multi-million rand losses have been made by Transvaal company Wedge Steel, in which UME has a 29% stake.

Describing the state of Wedge Steel as "a disaster", with "more surprises" being uncovered by auditors, Levitt said it could be saved from liquidation only if Macsteel bought its trading companies, turning it into a cash shell

In view of this, said Levitt, it was only the fact that Macsteel had already committed itself irrevocably to an offer of 150c each for the UME shares which made it willing to pay so much

Peter Smaller said UME had acquired a 20% stake in Wedge Holdings when he was joint MD because it had reached the limit of its growth in the Western Cape and wanted to expand into the Transvaal

He had thought at the time that Wedge was an excellent investment and had later topped it up to a 29% stake

In answer to questions, Smaller said that he and the CE of UME, Robin Dennison, had joined the board of Wedge and had become concerned about the level of borrowings They had given Wedge executive chairman Peter Thomas advice which he had not taken.

But it was not until Wedge reported a loss at the end of its financial year that he realised its position Until then he had believed Thomas' forecast of profits

A letter was read from Arnold Galombik, a non-executive director of UME who sent apologies for not attending the meeting, in which he said he had tried unsuccessfully to obtain a higher price than 150c for the shares from another firm The most it would offer was 130c

Representatives of the Standard Merchant Bank said they considered 150c a share a fair price.

But Goldberg read letters from shareholders in which they said they had bought shares in UME, which was listed on the JSE in 1986, as a long-term investment and were disappointed at the prospect of losing it

Some said they had paid a higher price than 150c and would lose thousands if they were forced to accept Macsteel's offer.

Goldberg said that even those who had bought shares at 130c each at the time of the listing would have got a better return by investing the money in the Post Office

Vukic announced that 224 scheme members with 18 197 200 shares had voted to accept Macsteel's offer and 119 members with 1 668 001 shares had voted against.

Closing

The smell of cordite creeps into the civilities

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W Mail 30/6-4/7/89

By KURT JENSEN

IN contrast to the fierce and sometimes dirty battle between Minorco and Consolidated Gold Fields, the latest £3,1-billion (R13-billion) bid for UK-based Consgold by industrial conglomerate Hanson has been described as "extremely civilised"

"Hanson's approach was perfectly correct and civilised: two great British companies meeting to discuss."

This is how Consgold chairman Rudolph Agnew described the visit by Hanson chairman, Lord Hanson, to inform him about the latest offer for his beleaguered mining conglomerate

But a whiff of gunpowder is already creeping into the still cordial talks between the two parties, as Consgold is hoping to force Hanson to raise its current £14,30 per share offer

A sticking point of £15,75 to £16 per share is now emerging. Below this Consgold may be ready for a long fight.

Lord Hanson met Agnew on Tuesday and further talks are planned, but Consgold supporters argue its assets are worth £20 and no buyer should get them at a discount of more than 20 percent.

In London, the city certainly expects a higher offer — Consgold's share price has been rising steadily since the bid was announced last week — but if that is not forthcoming Lord Hanson will have a bruising fight on his hands.

Hanson only needs another 20 percent of shareholders' acceptances to win control, as Luxembourg-based Minorco, which holds 30 percent of Consgold shares, has already accepted the offer

Consgold last month finally won a bitter eight-month bid battle with Minorco when a New York court injunction prevented Minorco from taking control in the UK's largest takeover attempt This was despite the fact that the Luxembourg-based company had acceptances for 55 percent of the Consgold shares.

Agnew makes no bones about his delight in defeating Minorco and its chief executive Sir Michael Edwardes.

By accepting Hanson's offer, Minorco will make a tidy £400-million profit on the book value of its Consgold stake. It will collect about £1-billion to add to its existing cash hoard of £1,3-billion, enough to launch an aggressive expansion drive

There are plenty of opportunities in the mining world which could boost Minorco's aim of establishing a major natural resources conglomerate, under the auspices of parent companies Anglo American and De Beers.

A renewed cash bid to gain complete control of mining group Charter Consolidated or platinum refiner Johnson Matthey looks on the cards

But more importantly, Minorco could pick up a few gems once Hanson starts, as expected, to sell off Consgold's various mining subsidiaries.

The jewel in Consgold's crown — demed to Minorco — is the ARC aggregate operations on both sides of the Atlantic. These Hanson is likely to keep

But its four major mining operations are expected to be up for sale

Edwardes has his eyes on US-based Gold Fields Mining Corporation (GFMC), which owns lucrative reserves in Nevada and California and has a price tag of around £1-billion. It is one of Consgold's most profitable operations

City analysts also speculated that Minorco could bid for Renison Consolidated of Australia but was unlikely to aim at either Newmont Gold, America's largest gold producer, or Consgold's 38 percent interest in Gold Fields of South Africa

Minorco wants to keep its hands clean of the South African connection, which caused the eventual downfall of its own £1,3-billion bid for Consgold, and the GFSA stake is likely to go to either the Rembrandt Group or Gencor.

Minorco decided earlier this month to continue its legal battle in the New York court to have the injunction against it lifted — a clear indication that GFMC is the gem it most desperately wants

GFMC is expected to produce about 400 000 ounces of gold this year at a cash cost of $111 an ounce, offsetting somewhat the ever-rising costs Anglo American is facing at its own South African gold mines

Even if Anglo, through Minorco, ends up with GFMC after a successful Hanson bid, the result will be a second-best outcome for it.

Its attempts to embark on a major diversification out of South Africa have been foiled for the time being and a Hanson victory would be only small consolation.

Anglo employees opt for shares

ABOUT 69 percent of eligible employees have a stake in the Anglo American Group Employee Shareholder Scheme, the corporation directors said in the annual report published this week

Of the 192 000 employees, about 132 000 have opted to participate in the scheme. The object of the scheme, the directors say, "is the creation of the sense of stakeholding" in the enterprise in which employees are involved

The corporation also announced that 26 black miners in the gold, uranium and coal divisions have been awarded certificates of competency

The discriminatory "scheduled person" definition was removed from the Mines and Works Act last year to enable this.

● Anglo De Beers Chairman's Fund has allocated R53,7-million for education and research The beneficiaries are St Andrew's Primary School in Welkom, Natal University and the Multi-Disciplinary Rural Facility in Eastern Transvaal R15-million has been set aside for the establishment of two schools in Johannesburg

(332) W mail
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Daveyton bus drivers go on short strike

Star 30/6/89

Daveyton municipal bus drivers who went on strike yesterday in protest against a council decision to privatise the financially struggling bus service returned to work later in the day, said the mayor, Mr Shadrack Sinaba (232).

Many commuters were left stranded when bus drivers, without notice, parked their buses and went to a meeting to discuss privatisation. — East Rand Bureau

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Two gentlemen at the door . . .

Hanson's return on capital formula will dictate major local disposals

Consolidated Gold Fields (CGF) is back in check again And checkmate by the undisputed world champion predator and maximiser of return on capital, the Hanson group, is probably only a few pence away

CGF's share price of £14,61 early this week suggests the London market is not expecting much more than the £14,30 all-cash offer — worth £3,1bn — tabled by Hanson just 42 days after Minorco's £15,50 cash-equity mix bid was frustrated by US litigation and the timetable rules of the London Takeover Panel

Not only does Lord Hanson have Minorco's irrevocable acceptance for its 29,9% of CGF in his pocket, he also faces none of the hurdles its CE Sir Michael Edwardes and his team had to clear during the nine-month marathon In addition CGF chairman Rudolph Agnew accorded Hanson and his partner of the last prodigious 25 years, Sir Gordon White, an almost cordial reception when their two Bentleys arrived outside his St James headquarters in London

He will put up a fight for better terms £14,30 is well below CGF's (as yet unquantified) own estimate of its worth, as was emphasised time and again in the rejection of the Minorco offers That said, however, Agnew strongly contrasted the telephone call from Edwardes (they never did meet) with the old-fashioned courtesy of a personal visit from Hanson and White and an invitation to talk — which they were doing as the *FM* went to press

Lord Hanson . . . white knight with a sharp lance?

Even though Hanson, on past form and criteria, will do precisely what Minorco intended, and possibly more, in breaking up CGF in its 102nd year — and carried a big stick in the shape of nearly 30% before calling on Agnew — the embattled and exhausted chairman of CGF described it as "a serious approach from a proper company — in stark contrast to the other lot " There was none of the denunciation of asset strippers or appeals for the continued independence of a "great British mining house" which peppered his attacks on Minorco

That may be because Hanson, unlike Minorco, was not virtually forced by monopoly and anti-trust considerations as well as the Anglo/De Beers ownership to declare a programme of disposals in advance

Hanson certainly is a "proper company" net assets estimated at £12bn (including £2bn cash) and a market capitalisation of £8,4bn which puts the transatlantic conglomerate in the UK's Top 5 companies

CGF'S ALLURE

Value (£bn)

Newmont Mining	1,70
GFMC	1 10
GFSA	0 35
Other SA shares	0 10
Renison	0 30
ARC	1 50
Net debt	(0 64)
Total	4,41†

† Before tax liabilities
Sources Average of CGF and stockbroker estimates

Its US operation, Hanson Industries, run by White for the last 16 years, stands 55th in the American corporate league However, Hanson had seemed to be slowing down Without an acquisition for 18 months, its market price discount of 30% to underlying worth also rated the group on an unexceptional historic earnings multiple of 11,2 while the dividend yield of 5,3% was nearly 1,5 points higher than that for the *Financial Times*-Actuaries industrial average

Indeed, the arch-takeover specialists — the CGF bid is Hanson's biggest ever — were becoming the subject of bid speculation themselves Hanson claimed it was too big, but the accumulation of cash, plus another £10bn in credit lines, pointed to the inevitability of another big deal by the group's two architects to get growth moving again and to dispel any notions which the leveraged buyout fraternity in the US might be entertaining

CGF as an entity was not, until the Minorco adventure was stopped, on anyone's list of Hanson targets But the Amey Roadstone (ARC) subsidiary of CGF, its non-gold jewel and cash flow milch cow, has been the subject of constant speculation So with CGF shareholder disenchantment growing (after all Minorco did hold acceptance for 54,8%, including its own stake) as their investment lingered some £3 below the final bid value, and would have been lower but for takeover speculation, Hanson made its move

In terms of Hanson's oft-stated approach to business, the only question is what will it keep The Hanson model is simple the maximisation of shareholder value This means the highest sustainable return on capital employed (Roce) because Hanson does not like gearing, even though in good times it pays off in terms of EPS and market price The basic formula is that any investment must be profitable within 12 months and that acquisitions should pay for themselves in four years that is, for a Roce of at least 25% In many cases Hanson has done a lot better — spectacularly so in the case of Smith Corona in the US

If any other company wants to bid up a Hanson interest to a level at which it is considered expensive under the Roce requirement, it is for sale Hence last year's string of US and British disposals on multiples of 25 times earnings which realised £1bn for assets which cost Hanson under £400m

This means that none of CGF's portfolio investments, from Newmont Mining (on a p e of 37) to GFSA or any of the SA shares to Renison in Australia can possibly measure up Hanson limited itself to saying it will "review" all aspects of CGF if it wins control — but there is no doubt they will go

In addition, while the wholly owned Gold Fields Mining Corporation (GFMC) might make the grade on cost, the swollen ratings accorded North American gold stocks as well as the unstable history of the bullion price also make it a candidate for the auction block

Minorco might yet get this one asset it intended to keep in addition to ARC Speculation that the terms of its acceptance of Hanson's price concealed a hidden agenda of preferential pecking order in the break-up has been vigorously denied by both sides Yet they are curious Minorco will get its £14,30 (producing £927m and boosting the 'cash holding to £1,5bn, worth £210m/year in interest income) but no more, should Hanson up its offer And should a counterbid materialise and Hanson's bid fail so that the CGF stake reverts to Minorco, half the difference

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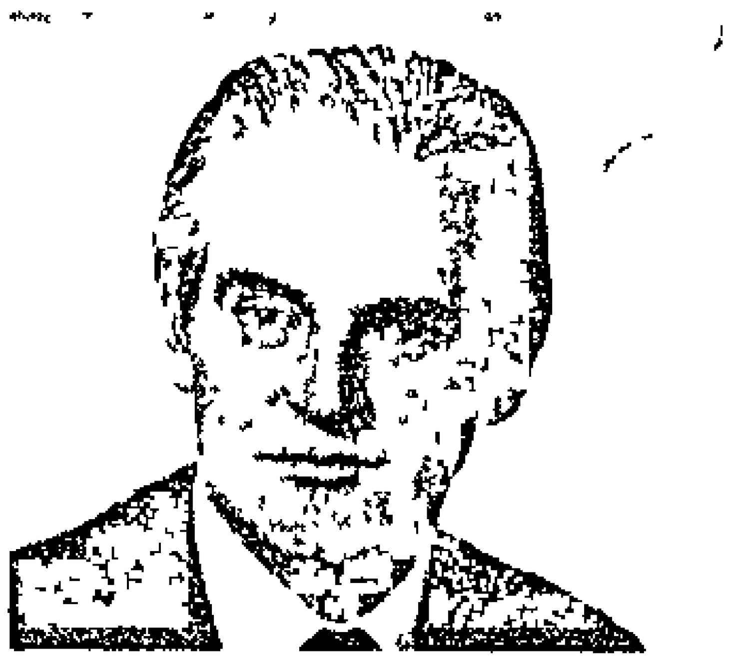
between the final price and £14 will be paid to Hanson

ARC is thus Hanson's main interest and the last shot in CGF's defence locker. During its fight with Minorco, Agnew had his board put values (market and estimated) on everything but the aggregates and concrete operation in the UK and North America

They produced figures totalling more than £3bn for these and left investors to work out what ARC, on projected trading profits of £158m this year (up 55%) and its 5bn t of reserves, was worth. Depending on the applied multiple, which includes a premium for irreplaceable reserves, market estimates capitalise it as high as £2bn At the low end, on a rating similar to the p e of 9,2 commanded by ARC's main competitor, Tarmac, the figure is closer to £1bn

On market values of the portfolio and for unquoted GLMC, net of tax and debt, Hanson should be able to realise £2,5bn to take ARC (assuming no higher price) for £600m on which this year's trading profit produces a gross return of over 25% The talks this week were aimed at persuading the CGF board to recommend an offer "We believe we are a white knight effectively We don't want to get into a hostile slanging match," said White


Agnew


Plumbridge


White

Just how white Hanson is, as seen by CGF, may well depend on a side deal Agnew and his board used leveraged buyout experts Kohlberg Kravis Roberts (KKR) of New York as advisers during the Minorco saga And KKR, which topped its achievements with the US$25bn geared acquisition of RJR-Nabisco earlier this year, is still being consulted, generating speculation that Agnew's alternative line of defence will be an LBO unless Hanson pays more

White, however, was in a confident mood at the weekend on the subject of a counterbid "I think every dog has sniffed at this particular lamppost and moved on " But the sums must look just as attractive to others and even more so to those with less demanding investment criteria

The UK press, meanwhile, has enjoyed reporting what is being called "Oppenheimer's revenge" for the way in which CGF conducted its defence, particularly the way it played the Anglo-De Beers connection

In addition to the slurs cast on both sides of the Atlantic (Minorco is pursuing Newmont's anti-trust suit in the US), this aspect means that both groups are now under scrutiny Anglo for the way in which the platinum market operates in the European Community, while De Beers has to explain the workings of the Central Selling Organisation cartel

Minorco, however, is happy enough at prospects of a speedy redeployment of the funds tied up in CGF and to take a profit of £384m on the book value of the stake dating back to the 1981 dawn raid Added to the £1,4bn three-year bank credit facility arranged for the CGF bid (but not tied to it), it has cash of nearly £3bn "The world is our oyster," said Edwardes

Which pearls will emerge are awaited but 36%-held Charter Consolidated and, in turn, that group's 38%-owned Johnson Matthey remain the market favourites — though the latter would require disposal of Minorco's investment in the Engelhard platinum marketing and fabrication business in the US

On the JSE, share prices of most of the companies involved — or potentially involved — firmed on news of the bid, including CGF, Minorco, Anglo American, De Beers and GFSA

Last week it seemed that 44 Main Street's hopes for expansion of its international interests were fading for the present It now looks possible that the group could be in an even better position than if the Minorco bid had succeeded From Minorco's standpoint, by agreeing to sell its stake in CGF to Hanson, the Luxembourg company has moved a step closer to its objective of relinquishing passive investments and gaining control over cash flow If this can be followed by acquiring selected parts of CGF from Hanson then matters will be even further advanced without any more contested bids at this stage

And the Hanson move has made the sale of CGF's interests in SA look more likely than ever Hanson, too, has a history of avoiding passive investments The SA interests in this category include not only CGF's stake of 38%-odd in GFSA, but the significant direct interests in certain group gold mines such as Kloof and Deelkraal, and in Northam Platinum (7%)

Unlike the stake in GFSA, there are not known to be any rights of first refusal or other sales agreements on these direct interests and they could be up for grabs by any local buyer And if the stake in GFSA should be sold by Hanson rather than Minorco, then Anglo and its associates could well enter the fray as potential buyers

That, of course, would assume that the Competition Board would not exclude Anglo from taking a significantly larger stake in GFSA Some of the more recent acquisitions taken by 44 Main Street, such as First National and Palabora, have been spread between Anglo and one or more of its associates Given Hanson's hard-nosed attitude, the price offered will probably determine a buyer for the GFSA shares Anglo has tended to treat many of its acquisitions as investments, but this may be a case when it would like to get more than that, the differences of personality and policy rankle

The ultimate intentions of Rembrandt and Gencor are likely to determine their attitudes too In both cases a passive holding would be of limited value, while a rationalisation between GFSA and Genmin could have a big impact on Gencor — as well as on the income which Rembrandt receives from its 30%-odd stake in Gencor Either way, big changes could now be facing GFSA and chairman Robin Plumbridge's management team

John Cavill

THE FINAL RETURN

By focusing single-mindedly on profitability of assets, chairman Lord Hanson and the chairman of the US subsidiary, Sir Gordon White, have built Hanson Plc into one of the world's major conglomerates

The success of the group's US arm, Hanson Industries, chaired by White, has been as spectacular as that of the UK operations led by Lord Hanson

A report by Hoare Govett shows that since 1973 Hanson Industries has spent over US$3,6bn on acquisitions — but disposals have recouped nearly $2,7bn or 75% of the original outlay For a net $941m, Hanson Industries has a portfolio which in 1989 is expected to generate trading profits of $588m

Targets are pinpointed not so much by the type of activity but a range of criteria "Watch the downside" is a maxim of White's which traces a common theme — basic under-performance — and is the starting point "One looks for a company which has fallen by the wayside, with assets which don't produce the sort of return that I can produce for them," he says Targets should be mature, asset-backed, making basic products not over-exposed to fashion and away from the arena of high-technology, "people businesses" or financial services

Return on capital employed (Roce) is the key Hanson financial target, both in assessing group performance and as the yardstick for managerial bonuses The overall group has achieved formidable success in driving up Roce — a level of 33,5% was attained in 1987, rising to 35,9% last year

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TML's R8,5m gets Thomson

By David Carte

TIMES Media Limited (TML), owner of the Sunday Times and other major newspapers, has bought Thomson Publications, the largest publisher of trade and technical journals in South Africa S/Times 2/7/89

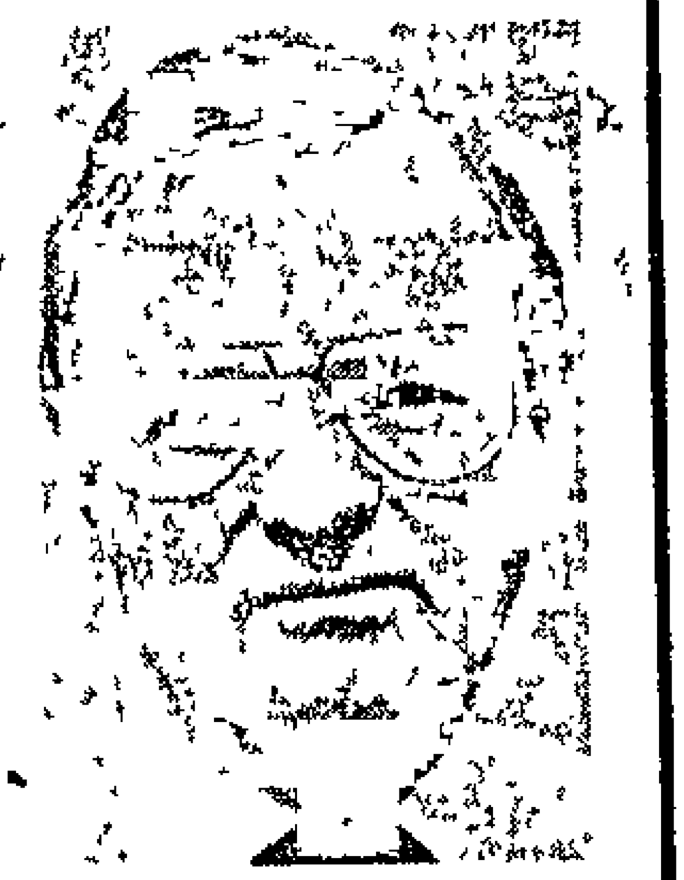
Thomson was previously owned by Thomson Publications of the UK, but was bought by SA management two years ago TML will pay R8,5-million — about 5,6 times forecast taxed profit

Thomson managing director Joe Brady says his company needs a strong partner to help it to develop promising projects

TML financial director Lawrence Clark says TML previously announced its intention of getting into specialist publications to reduce its dependence on mass-circulation newspapers and magazines

It has made isolated acquisitions, such as motoring magazine Wiel, truckers' guide Transport Management, MIMS, publishers of pharmaceutical and medical information, and Computaform, the computerised horse-racing form book

MIMS and Computaform are so specialised that they



JOE BRADY

will remain on their own, but Wiel and Transport Management could fit in well with Thomson

Mr Brady says Thomson comprises two arms — publications and Thomson Information Services (TIS)

The first arm, which publishes SA Mining, Food Industries, Computing SA and New Equipment News, among many other titles, accounts for 80% of turnover of more than R20-million Combined circulation is about 3-million copies

Mr Brady says TIS has outstanding prospects In its Daily Tender Bulletin, Thomson has published information about long-term government provincial municipal parastatal and mining-house tenders for more than 30

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TML buys Thomson

years 232

In 1986 it extended this service by buying Tirandata, which publishes short-term tender information. Later it picked up the wreckage in the Commercial Exchange, liquidation. Today TIS dominates information about the tender business, which runs to R60-million a day. Its hard-copy information about tenders goes to 2 300 subscribers S/Times 2/7/89

Now Tirandata offers tender information by computer Buying organisations, such as parastatals and mining houses, spell out their requirements in Tirandata's computer while hundreds of suppliers watch for opportunities Tirandata scans its database looking for items that suppliers would like to provide

Among the buying organisations that are on line are Anglo American, JCI and most of Eskom's power stations

Mr Clark says Tirandata fits in well with TML's desire to get into electronic publishing Tirandata supplies tender information to electronic information service ERNI.

The only competitor to Tirandata is Minelink, a company which has a joint marketing arrangement with Infonet, a subsidiary of Malbak. Mr Brady says Minelink is smaller and some years behind. Set-up costs and expertise are formidable barriers to competitors.

Some Tirandata clients have been told by anonymous fax that Minelink has merged with Tirandata, but Mr Brady denies it.

Mr Brady was vice-president, Europe, Middle East and Africa, of Bristol Myers. In 1986, he moved from a division making a profit of R85-million a year to Thomson SA, which had lost R4,5-million

Thomson's workforce was cut from 300 to about 100 and several publications were closed Thomson is now making a pre-tax profit of about R3-million

Mr Brady is supported by Rob Cooke, a chartered accountant who came in to help with the rescue of Thomson. Mr Cooke is head of TIS

His other chief assistant is Sue Castelyn, who heads the 50-man publishing operation Bruce Heath, who has been in the tender business for more than 20 years, provides technical expertise for Tirandata There will be no retrenchments and Thomson will continue to operate independently in Randburg

TML pays R8,5m for Thomson

Cape Times 3/7/89

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Own Correspondent

JOHANNESBURG — Times Media Ltd (TML) has acquired Thomson Publications for R8,5m in cash from its management shareholders.

Thomson is SA's largest publisher of trade and technical journals, including SA Mining, Computing SA and New Equipment News

An important part of the deal is the acquisition by a TML subsidiary of Thomson subsidiary Thomson Information Services (TIS), SA's major provider of tender information

TIS supplies information through the Tirandata computer network and publications such as Daily Tender Bulletin and The Commercial Exchange Bulletin.

TML company secretary Barrie Harris says the acquisition of TIS fits in with TML's aims of moving into the electronic provision of information.

TML will also acquire 51% of C&G Communications, which publishes two retail journals, and 50% of Tenderscan, which supplies information to the construction industry.

The newly acquired publications will be run independently, but will make use of TML's substantial resources.

They will provide the infrastructure and management to house other TML acquisitions, including the recently purchased motoring magazine Wiel and trucker's guide Transport Management.

The move constitutes the formation of a TML specialist publication division, says Harris.

TML's other recent acquisitions — MIMS and Computaform — are so specialised that they will remain on their own.

Thomson made a R4,5m loss in 1986, but has been turned around after staff reductions and the closing of unprofitable publications. It is now making pre-tax profits of R3m.

Its publishing side accounts for 80% of its R20m turnover Combined circulation is about 3mn

The acquisition is expected to improve TML earnings marginally in the year ending March 1990, but is expected to contribute substantially to earnings in the longer term

Cape Times 3/7/87

Rothmans boosts earnings by 30%

Own Correspondent

LONDON. — Rothmans International, the tobacco and luxury goods group in which Rembrandt's Swiss-based offshore arm Richemont has a 34% stake, has boosted year-end attributable earnings by 30%.

These increased to £175m (£134m), and yielded earnings per share of 52,3p (42,6p).

Although this year's results suffered marginally from the strenghtening of sterling, operating margins once again improved for tobacco, and more significantly for luxury products.

With improved results from both Dunhill and Cartier, luxury products and other activities now contribite 35% of net sales — £2,6bn this year — and 32% of total operating profit.

Dunhill's products include fashion accessories, watches, writing instruments and frangrances under the brand names of Dunhill, Montblanc and Chloe.

Cartier is a leading force in the market for luxury Swiss watches. It has also recently introduced a line of perfumes which are selling well.

Net interest income of £32m (£22m) increased significantly, reflecting both higher average cash balances and higher interest rates.

The bottom line was buoyed by an extraordinary item of £10,1m which escaped tax liability.

A final dividend of 8,8p (7p) a share was declared, making a total of 12,3p for the year.

Iscor details share scheme

Cape Times 3/7/89

232

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Own Correspondent

JOHANNESBURG. — Early feedback from employees on the Iscor employee share ownership programme (Esop) indicated understanding, acceptance and some enthusiasm, Iscor spokesman Piet du Plessis said at the weekend.

However Numsa, the largest union among Iscor's 58 000 employees, has expressed bitterness at not having been consulted beforehand on the scheme.

Employees and unions were briefed on the scheme, which has been in the pipeline for months as part of Iscor's privatisation programme, on Friday.

The 150m shares set aside for employees are expected to be worth R300m, assuming a R2 a share pre-listing price. This share bloc represents nearly 10% of Iscor's total equity.

This compares to the 3,5% of equity ultimately to be offered to Anglo American group employees in terms of its Esop launched 18 months ago. In the Anglo case, all shares are given free of charge to employees.

Government has promised to privatise at least 51% of Iscor's equity in the first phase of the corporation's privatisation.

However, it is understood the company is expecting outstanding results for the year to June 30, and this could increase the number of shares initially made available to the public.

(232)

Klipton's instrument division sold in cash deal worth about R3m

BDay 4/7/89

LIZ ROUSE

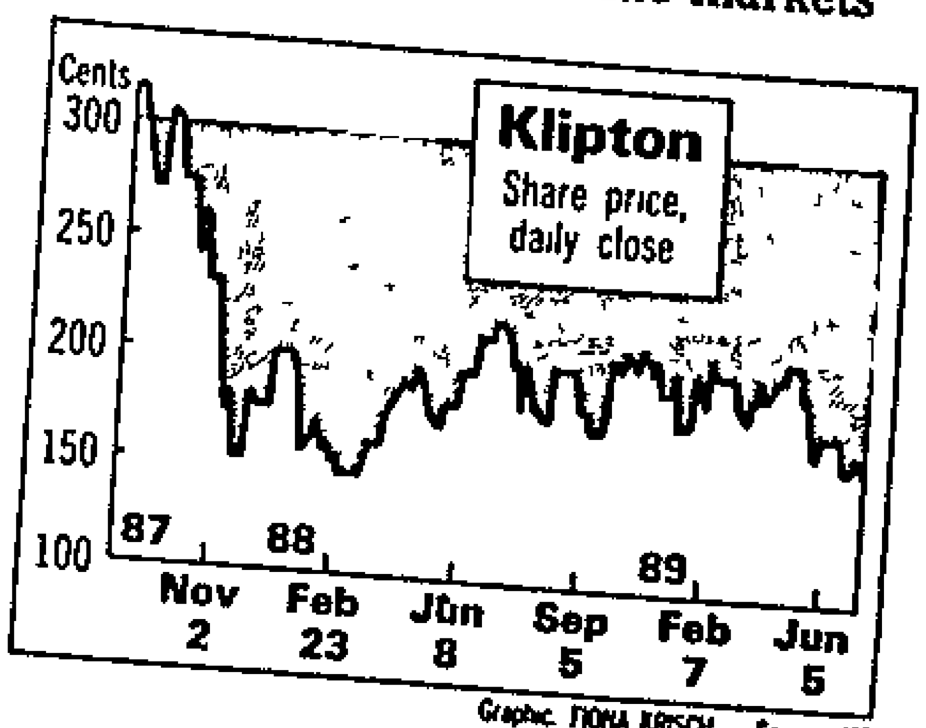
INDUSTRIAL holding company Klipton has sold the instruments division of Harvey & Russell to Control Instruments Group for cash.

An amount of R1,5m has already been paid The balance is subject to audit finalisation Klipton's joint chairman Nigel Mathews says he expects a total of about R3m in cash to flow back into the group as a result of the transaction.

This will have a positive effect on balance sheet liquidity and also on the group's ability to finance any acquisition it makes from internal resources.

The disposal will increase tangible net asset value a share by about 9c, or 5%, says Mathews

He says the first reason for selling the instrumentation division of H & R was that Klipton received an extremely good offer from Control Instruments, a competitor that will now have a dominant share of certain niche markets



Graphic: FIONA KRISCH Source: ISI

Second, Klipton has indentified a number of future growth areas relating to its Gardwel and Sapco subsidiaries and believes higher returns are available in these areas.

Gardwel, which manufactures protective clothing and equipment, has shown excellent growth in the past 18 months and is currently No 2 in the R100m market.

Mathews says he believes the safety, security and access control market would be a natural extension for Klipton The need for a safer working environment grows more important day by day

The Klipton board realises this is a competitive and generally speaking professionally managed industry, but the group is already on the periphery of it by virtue of Gardwel and is analysing some of the broader aspects of the industry, he says

Strong growth has also been experienced in Sapco, operating in the lifting market, and the company has also forecast a bright future in the export market

Robin Mathews, joint chairman of Klipton, is living in the UK. He recently put together an investment consortium that acquired 27% of London-listed steel trader and metal processor S W Wood At this stage, Klipton is not involved.

Cape Times 4/7/89 (232)

Liquor giants unhappy at govt move

Staff Reporter

CONSUMERS have welcomed a government order compelling producing wholesaler liquor merchants to sell off their retail liquor interests at the rate of 10% plus one outlet annually, to encourage more competition.

But several liquor industry giants are unhappy with the move.

Companies in the Cape to be affected include Gilbeys, which controls the 52 Rebel outlets, and Union Wine, controllers of the 50-store Picardi chain.

The assistant director of the Consumer Council, Mr Wander Hoon, said yesterday that the council welcomed any trends towards more competition.

An executive of the Distillers Corporation speculated that the government's decision was based on "the sound principle of keeping wholesale and retail divided".

Gilbeys' financial director, Ms Liz Shnugh, said the company was "terribly disappointed — Gilbeys will certainly be taking the matter further.'.

The financial director of Union Wine, Mr Chris Smit, said his company would also be carefully examining the new regulations.

Iscor plan a 'derisory bonus' for blacks

8104517/87

232 ALAN FINE

AS A purported attempt to use the privatisation process to redistribute wealth, the Iscor employee share ownership programme (Esop) announced last week was bogus, Numsa said yesterday.

Numsa official Bobby Marie said initial union impressions were that the Esop would mean a financial killing for Iscor management but was little more than a derisory bonus for black workers.

He said also if Business Day's assumption that Iscor was being valued at R3bn was correct, it would mean government was selling off the family silver at an undervalued price. Such an exercise would further skew the distribution of wealth in favour of wealthy investors.

Marie said Numsa's views were based on initial feedback from the union's nearly 10 000 members at Iscor, and on limited information received from Iscor.

He said Numsa was devising a comprehensive response to Friday's announcement, and was, for this purpose, seeking further information from management. He repeated the union's unhappiness at not having been afforded prior consultation on the structure of the offer.

The deal, in terms of which 150-million shares have been set aside for staff, includes 100 free shares for each of the 58 000 employees; a further allotment at a 20% discount on the listing price, with each individual's entitlement dependent on job grading; and an equal number of shares at the full price being made available on a preferential basis.

Marie said the most likely scenario was that most black workers would accept the free shares and sell them.

Columbia to sell stake in Contrav

232 ZILLA EFRAT Bday 6/7/89

COLUMBIA Consultants will sell its 80,43% stake in Concord Travel Holdings (Contrav) for R6,4m to its management

Columbia's 12 868 620 shares in Contrav, a company that focuses on corporate travel and corporate incentive travel, have been sold at 50c a share The management consortium — Alan Lunz, Julius Weinstein and Norman Steingold — will now hold 86% in Contrav.

It will extend a similar offer to Contrav minorities If all minorities take up the offer, sufficient shares will be placed to meet the JSE's spread requirements

FSI Corporate Services buys slice of Reichmans

B/Day 6/7/89 ZILLA EFRAT (232)

FSI Corporate Services, an FSI Corporation subsidiary, has acquired a 32% stake in international trade finance company Reichmans for R20m

In terms of the deal, FSI Corporate Services has bought 11 574 400 Reichmans shares for cash from Emzed, a company controlled by Reichmans non-executive chairman Milton Levine, who is living in London.

The purchase price is 175c a share, excluding the interim dividend to be declared by Reichmans for the six months to August A similar offer to be made to other Reichman shareholders, is expected to take the form of a stand-by offer.

In addition, FSI and Reichmans' management will form a company to acquire 20% of Reichmans, or 7,2-million shares, equally from management and from Emzed.

FSI chairman Jeff Liebesman says the terms of this purchase are the same as those in the FSI purchase.

Through an arrangement based on Reichmans' earnings growth until December 1991, management's stake in Reichmans could well increase to about 25%.

Pressure on finrand expected . . .

Biggest ever disinvestment from SA looms

CAPE TIMES 6/7/89

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From IAN HOBBS

LONDON — Hanson is expected to sign and seal his £3,5bn bid for Consolidated Gold Fields (ConsGold) unopposed within two weeks — and the biggest asset auction in British corporate history will follow

The sale of the century will start with the biggest ever disinvestment from SA — the shedding of 38% of Gold Fields of SA (GFSA) plus holdings in Driefontein, Kloof and other mines for some £450m, which will put intense pressure on the financial rand market

Hanson confirmed that a condition of its bid is that the Rembrandt group will retain first option to purchase the GFSA stake

It is confidently anticipated that GFSA will cash in its 7,5% interest in ConsGold for a whopping R1,5bn windfall, which will end the need for a rights issue and will finance essential and major new development programmes in SA — with cash left in hand

One stockbroker involved in the huge Hanson bid yesterday said "With a thumping great windfall of R1,5bn you can forget about GFSA using its stake in ConsGold to try and hard bargain with Hanson for an improved position They must be delighted "

A spokesman for Hanson said his board would be having talks with all companies involved as soon as possible They would be given "guidance and re-assurance"

Cashing in their 30% stake in ConsGold with Hanson has given Minorco the biggest consolation prize in British business history — a cheque for £1bn

A senior Minorco spokesman said they were delighted with the outcome following the bitter end to their own seven-month takeover bid

"This is an almost satisfactory situation for Minorco and all shareholders," the spokesman said

"We are now wiating for our £1m cheque, which represents profits of £400m — that is some £220m more than if we had sold our ConsGold shares last September "

He said Minorco's huge profit from the bid left them with a mammoth cash "nest egg" of £1,5bn

With a further £1,5bn available in untouched loan facilities of the next three years, Minorco had £3bn "to play with"

"We can now concentrate fully on looking for opportunities and transforming Minorco from an investment company to a major operating business "

He gave no indication of targets Minorco had in its lucrative sights, but confirmed that for commercial reasons SA was not involved in their plans

Market experts say Minorco will not be interested in acquiring interests in Hanson's although there has been strong speculation that they would want, at least, to buy Newmont Mining in the USA

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Privatisation: scrapping of posts outlined

B/Day 6/7/89

GERALD REILLY

PRETORIA — Significant progress had been made in government's aim to strip the public service of all activities which could be served by the private sector, Commission for Administration chairman Piet Van der Merwe said yesterday

The structure of the entire public service could change, he said

Recently announced was the privatisation over the next three years of catering, cleaning and horticultural services Currently 38 000 public servants were employed by these services

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Projects

The contracting out of road-building and maintenance would reach 75% by 1994/95 At present an annual budget of R2,2bn and 32 000 workers were involved in these activities

In addition to functions already approved for privatisation, more than 80 possible projects were in the pipeline Duplication and overlapping of functions in the public service was a cause for concern, but since rationalisation during 1979/80 much had been done to eliminate this.

He pointed out a personnel standstill was imposed in the service in 1978 in an effort to curtail staff expenditure Since then a large number of posts had been abolished

During last year the net result of all establishment changes was a reduction of 5 286 posts. The commission also recommended nearly 500 officers for early retirement.

In the drive towards greater productivity, work programming and financial incentive schemes had been implemented

Van der Merwe said in determining public service salaries, the point of departure was the levels of pay and other service conditions in the general labour market Job security enjoyed by the professional group in the service was taken into account

He stressed that public service salaries did not lead the market, but followed it

SATS TECHNOLOGY (FM) Finweek 7/7/89.

Rail-roading

(232)

SA Transport Services (Sats) is pulling out the stops to prove that it will meet all comers in a deregulated and privatised environment.

Proving its point, Sats will carry fully-laden, road semi-trailers by rail by 1992 The technology has been developed, but experiments to prove its economic feasibility will start next year.

Two systems, based on US thinking but using local technology, will be introduced: the Spoortrailer and the Abba.

(FM) (232) Finweek 7/7/89.

The Spoortrailer system involves strengthened road semi-trailers, which will be converted into railway trucks and hauled by rail, either coupled together to become unit trains or coupled to conventional trains. With the Abba system, conventional road semi-trailers will be loaded on to specially designed, flat-bed trucks with wells to accommodate their road wheels

Prototypes of Abba system trucks should be ready by early next year and of the Spoortrailer by August 1990 Ten Abba trucks are being built, five of which will operate in each direction as part of container unit trains between Bayhead in Durban and City Deep, Johannesburg

"We are giving ourselves a month to sort out any technical problems and then we will go for it," says Sats director, rolling stock, André Veldsman. "We have a R2m budget to develop the prototypes and are looking at development budgets of R21m in 1991 and R35m in 1992 After that, market acceptance will determine budgets."

Due for commercial use by March 1992, two full Abba trains a day will operate in each direction between Johannesburg and Durban

The programme for Spoortrailers is more flexible because of cost. Sats, or private entrepreneurs, may have to build some and lease them to clients before they become generally accepted

"We'll be a tax-paying public company by April 1990 and will be chasing after-tax profit We're interested in long-haul traffic usually conveyed by public carriers for gain, so are devising a scheme that will interest them," says Veldsman. ■

B/Day 7/7/89 · (232)

Warning that power privatisation might not curb price rises

PRIVATISATION of power may not be the answer to high price increases, according to a survey by the National Utility Service (NUS)

In its annual electricity price survey NUS says SA should learn from the UK power privatisation mistake British consumers are losing out while power distribution companies earn high profits

Higher prices are reducing trade competitiveness and acting as a hidden trade barrier "Precisely the same may be said of SA," warns Peter Cornelius of NUS

SA power costs are the lowest of the 14 industrial countries surveyed, but high price increases are eroding this advantage At 12,5%

NEIL YORKE SMITH

the SA increase far outstrips that of Norway, which at 7,7% had the second highest rate Pretoria and Johannesburg recorded SA's biggest price hikes

Unless costs are controlled, says Cornelius, SA will join the ranks of the most expensive electricity countries

Consistent price increases will force a complete review of SA power consumption, says, Cornelius

TIM COHEN reports Eskom CE Ian Mc Rae agreed last night that privatisation in general did not necessarily lead to lower prices.

He refused to answer questions about Eskom because he said he did not want to pre-empt the study about the desirablity of privatising the institution currently being undertaken

But he said privatisation could have advantages, especially regarding an institution's efficiency, its financial planning and long term strategic role

If the parastatal was being run on business lines and was being run efficiently, he said is was quite true that prices might increase in the short term because the institution would have to pay dividends

But in the long term, an institution might benifit greatly from being privatised, he said

Application to liquidate shoe giant

31 Dec 77/7/87

CHARLOTTE MATHEWS

AN urgent application for the liquidation of Edworks will be heard in the Rand Supreme Court on Tuesday Edworks, a household name in shoe retailing, will defend the application.

According to various creditor sources, the company's liabilities total about R50m. Trust Bank is owed R5,7m.

Edworks, established in 1914, has more than 300 stores round the country and the group includes Dodo's Shoe Company and Boutiques, Marcello Shoes and Pick a Pair. The company has factories in Port Elizabeth and Botswana.

The company is 100% owned by the Dodo family Total assets are not stated.

Between April and May about 800 members of the Commercial, Catering and Allied Workers Union (Ccawusa) went on a six-week strike. At the time Edworks MD Stewart Dodo said the losses resulting from the strike were substantial.

Jaguar MD Roy Eckstein, who is filing the application, said his company was owed between R4m and R5m.

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Option

"We have done business with Edworks for 20 years," he said. "They are an old family name in the SA shoe retailing market, but without any warning two or three months ago they were unable to pay any more, and we found ourselves not being paid by one of our larger customers"

Bolwear financial manager Alan Fleetwood said his company had not been involved with Edworks for some time and the amount it was owed was "totally insignificant"

One option for Edworks that has been mentioned is selling off the business.

"They are a very big business," said Eckstein "They have about 250 stores and a big manufacturing setup which makes more than 10 000 pairs a day We are one of the few groups that could if necessary take over a part of it. But our main aim at the moment is to recover our debts"

Dodo confirmed yesterday that a summons had been issued against the company, but added "As at 4 30pm today we are not in liquidation" He said it would be inappropriate for the company to comment at this stage

W Mail 7-13/7/89.

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This time Agnew gives go-ahead

THE directors of Consolidated Gold Fields this week gave their backing to Lord Hanson's £3,5-billion (about R14-billion) bid for the mining group, clinching Britain's biggest takeover.

ConsGold's chairman, Rudolph Agnew, agreed to give the bid his support after Lord Hanson increased the terms of his bid announced two weeks ago from £14,30 a share to £15,30 a share

The mining group, which has investments in South Africa, the US and Australasia, has been under siege since last September when Minorco, controlled by South Africa's Anglo American and De Beers, bid for ConsGold. Its bid was blocked by the American courts and lapsed earlier this year.

Minorco has given Hanson an undertaking that its 30 percent ConsGold shareholding will be voted in favour of the takeover.

ConsGold rejected the initial Hanson bid two weeks ago but tacitly accepted that a takeover was inevitable. Agnew has held a series of meetings with Lord Hanson and Sir Gordon White, who runs the US arm of the £8-billion Hanson empire.

A price was finally settled after two meetings this week at ConsGold's headquarters in London. The increased offer is in the form of £14,30 cash plus a warrant worth 60p and a promised 40p dividend for each ConsGold share.

Hanson is expected to break up ConsGold. All the gold mining interests, including ConsGold's 38 percent investment in Gold Fields of South Africa — which has put the UK parent under consistent attack by anti-apartheid campaigners — are likely to be sold

A holding in an Australian company which mines precious metals such as titanium and zircon is also likely to be auctioned. Hanson will be left with only ARC.

Hanson's approach of bidding for conglomerates and then breaking them up has left him controlling a range of operations stretching from London Brick and Imperial Tobacco to Ever Ready batteries and Jacuzzi baths. — The Guardian, London

Lovasz scheme approved

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Finance Staff

The conversion of Lovasz into Royal Corporation and the accompanying restructuring of the enlarged group was taken a step closer yesterday when Lovasz' shareholders in general meeting approved all the proposals necessary to implement the new structure.

The acquisition by the group of the businesses of the former Royal Beech-Nut and Manhattan Confectioners was sanctioned by shareholders while the Stock Exchange committee has granted the necessary listings to accommodate the proposed rights issue of 13 076 949 shares on a basis of 150 new shares for every 100 held at 150 cents a share and of 27 259 416 new shares issued in settlement of the acquisition of the former Royal Beech-Nut business from the Imerman family interests.

Star 7/7/89

The nil paid letters issued in respect of the rights issue will also be traded in from July 10 with the existing issued shares going ex-rights from that date

Richemont buys stake in Saint Laurent

Star 7/7/89

232

By Lynne Peach

Luxury goods and tobacco group Richemont, Rembrandt's overseas arm, has acquired a 6,1 percent stake in Groupe Yves Saint Laurent, the French fashion and perfume house, for FFr200 million (about R83 million).

Richemont acquired the interest in Group Saint Laurent through its Luxco subsidiary, adding to Luxco's stake in Cartier Monde, Piaget and Baume & Mercier.

Richemont's stake complements existing holdings and demonstrates the group's commitment to expanding its trademarks in the upper end of the luxury goods sector, a statement by Richemont said

Joseph Kanoui, an executive director of Richemont, has joined the supervisory board of Groupe Saint Laurent

Mr Kanoui is also chairman of Luxco SA and Cartier Monde SA

Group Saint Laurent, listed on the stock exchanges of Zurich, Geneva and Basel, was to be listed on the Paris Stock Exchange yesterday, but so many investors rushed to buy a stake that the flotation has been postponed until next week

Shares in the first French fashion house to seek a Paris listing were oversubscribed more than 250 times, broker Francois Dufour-Kervern said

The issue, representing slightly more than 10 percent of Saint Laurent's share capital, has been rescheduled for July 10

The offer price of FFr853 will remain, but investors will be asked to place deposits equal to the number of shares requested to prevent speculative bids

The shares on offer will put 10,9 percent of the company in the hands of the public, alongside the 37,3 percent already placed privately with institutional investors, including Richemont

Group Saint Laurent has changed radically from the small company founded in 1961 by Mr Yves Saint Laurent and Mr Piere Berge, the groups chairman, reports the *Financial Times*

Three years ago, it changed dimension and pumped up group debt when it paid $630 million to buy back the the Yves Saint Laurent perfume business owned by Charles of the Ritz

For 1988, perfume accounted for 86 percent of group sales of FFr2,63 billion and 73 percent of operating profits of FFr439 million — the couture business accounted for the balance.

Lovasz restructuring gets shareholder nod

ZILLA EFRAT

LOVASZ shareholders yesterday approved all proposals necessary to implement the conversion of the group into the Royal Corporation and for restructuring the enlarged group

On Monday, Lovasz's name will disappear from the JSE's boards with the introduction of the new name Royal Corporation, which will be abbreviated to Royal

At the same time, the listing will be transferred from the chemicals and oils sector to the industrial holdings sector

At a general meeting yesterday shareholders also sanctioned the group's acquisition of Royal Beech-Nut (RBN) and Manhattan Confectioners

The company said the JSE had granted the necessary listings to accommodate the proposed rights issue of 13,1-million shares on the basis of 150 new shares for every 100 shares held at 150c each and of 27,3-million new shares

The latter shares have been issued in settlement of the acquisition of the former RBN business from the Imerman family interests

Today is the last day to register for the rights offer

A statement issued by the group says the nil paid letters issued in respect of the rights issue will also be traded from Monday, with the existing issued shares going ex-rights from that day

The rights issue is expected to raise R60,5m to fund the group s acquisitions

In Royal's transmuted listing statement, directors forecast a turnover of R171m Pre-tax profits of R13,8m are expected, the equivalent to earnings of 8c a share for the year to February 1990

Detailed rights offer circulars will be issued in July and August spelling out the opportunity for shareholders to exchange their Royal Corporation shares for those in the proposed listed pyramid company Royal Group Holdings

The name Lovasz may return to the JSE boards in due course when proposals are implemented to list two of the group's subsidiary operating divisions, food and chemicals

A director said the listing of these subsidiaries had been deferred for a short time

Richemont scents Ff200m bargain

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BRUCE ANDERSON

RICHEMONT has paid Ff200m for a 6,1% interest in French perfume and fashion giant Groupe Saint-Laurent, makers of Yves Saint-Laurent products.

A spokesman for Richemont, Rembrandt's Swiss-based offshore arm, said yesterday the group had acquired the interest in Groupe Saint-Laurent through its Luxco subsidiary.

B Day 11 7/89

Groupe Saint-Laurent was listed on the Paris Bourse yesterday.

It was also announced that Richemont executive director Joseph Kanoui had joined the board of Groupe Saint Laurent.

Acquisition of the interest in the famous perfume and fashion house complements the substantial holdings of Luxco in Cartier, Piaget and Baume & Mercier.

The spokesman said the acquisition "demonstrated Richemont's commitment to the development of trademarks in the upper end of the luxury goods sector".

R200 000 hardware buy

BDay SYLVIA DU PLESSIS 7/7/89

DCM-LISTED Lanchem has acquired 100% of West Rand builders' hardware outlet Monument Hardware and Industrial Supplies for R200 000 in cash, the group announced yesterday

The group is also to acquire 26% of the issued share capital of ~~Industrial~~ Investment Holdings (IIH) for R1,04m (232)

FNB in bid to rescue Edworks

Star 8/7/89

232

GRAHAMSTOWN — Edworks, in the red to the tune of R50 million, was placed under a provisional winding-up order in the Grahamstown Supreme Court yesterday.

The action will allow the provisional liquidator to try to salvage the Port Elizabeth shoe company's operations for the benefit of creditors.

Yesterday, First National Bank, the major creditor, said it was attempting to put together a rescue plan.

Senior general manager Jimmy MacKenzie said in Johannesburg: "We are acting in the interests of suppliers and all parties involved with Edworks.

"The bank is attempting to find a way to keep the company operating, thereby ensuring its future.

"Proof of the bank's support is that the Edworks group's payroll was authorised for payment this morning".

Edworks, owned by the Dodo family, operates three shoe factories, a wholesale division and two retail divisions with 150 outlets in South Africa and Botswana.— Sapa.

Competition Board investigates R21-m deal

NORMAN CHANDLER

PRETORIA — The Government is looking into a R21 million business acquisition in which Argus Holdings Ltd has been involved, it was announced yesterday

A notice in the latest *Government Gazette* says the investigation is being carried out in terms of the Maintenance and Promotion of Competition Act

The notice does not state which acquisition is being investigated but it was ascertained yesterday that it involves Waltons Consolidated Investment Holdings Ltd acquiring CTP Holdings Ltd's stationery divisions and other assets

The Competition Board says the investigation is to ascertain "whether an acquisition involving Waltons Consolidated Investment Holdings Ltd (Walhold), Waltons Stationery Co Ltd (Waltons), Silveray Stationery Co (Pty) Ltd, CTP Holdings Ltd (CTP), CNA Gallo Ltd, Fincord Holdings Ltd and Argus Holdings Ltd has been, is being, or is proposed to be made"

It says the nature and extent of the controlling interest held or acquired, or being or proposed to be acquired, is also being looked at

The investigations division of the Competition Board says representations must be received within 30 days

Argus Holdings Ltd chairman Mr Hal Miller yesterday told the Saturday Star that the company was aware of the investigation

It is understood some aspects of the acquisition have been revised following notice of an intention by the Competition Board to investigate the stationery industry,

Acording to an announcement made on June 30 by the companies involved, Waltons has acquired "certain operating assets" from CTP, including its stationery divisions but excluding factories and manufacturing plants owned by CTP

Sage, Corbank link

232

MANAGEMENT of the R35-million Corbank Participation Mortgage Bond Scheme is being taken over by Sage Trust Company.

The move is in line with Corbank's aim to concentrate on providing specialised merchant banking services to the corporate sector. S Times 9/7/87

Sage Trust, a member of the Sage Holdings group which controls assets of R3-billion, serves a broad base of private investment clients and manages two participation mortgage bond schemes.

Managing director Alan Payne says: "We will eventually merge the Corbank scheme with our two existing schemes. Everyone will benefit from the deal."

There will be no change in terms or conditions of investments in Sage Trust or the Corbank scheme. Rationalisation should produce benefits over time.

All set for No 1 accounting firm after SA merger

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S/Times 9/12/89

Business Times Reporter

FOUR mergers between Big Eight accounting firms in the US and Europe have given birth to dominant giants in SA.

SA's biggest firm will come about if merger discussions between Deloitte, Haskins & Sells and Pim Goldby succeed.

The talks started on Friday after it was announced that parents Deloitte, Haskins & Sells and Touche Ross International had agreed in principle to a global combination of the two firms.

Colin Brayshaw, managing partner of Pim Goldby, and Tim Curtis, senior partner of Deloittes, welcomed the merger of their foreign associates They said there could be synergies in SA, but there were many areas to explore before a merger could be clinched.

Income

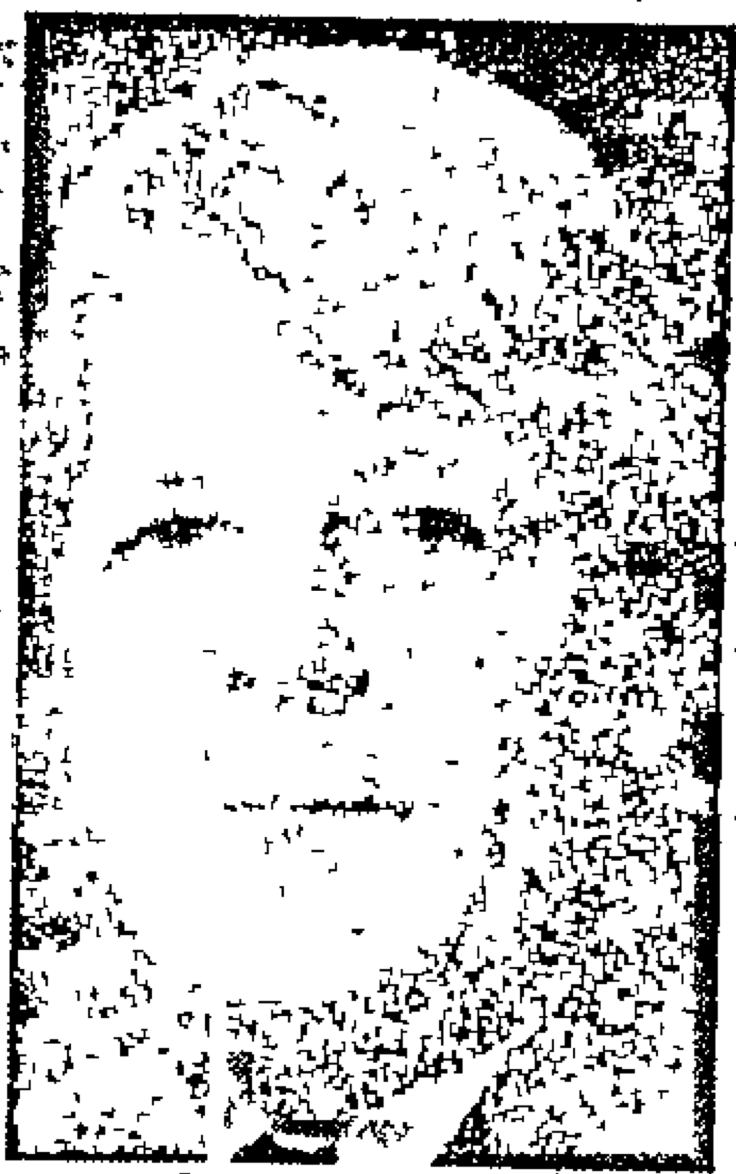
If Deloittes and Pim Goldby do get together, they will have 200 partners in SA compared with Ernst & Young's 175 in SA, Zimbabwe and Malawi.

Onc accountant estimates that Deloittes and Pim Goldby could earn fee income of R150-million compared with Ernst & Young's R100-million.

Ernst & Young merged after Ernst & Whinney and Arthur Young merged abroad.

Third biggest in SA will be Aitken & Peat, formed after the merger between Peate of the US and KMG of Europe.

Fourth-biggest firm by number of partners will be Theron du Toit, followed by Anderson & Price, which was formed this week after the merger of Arthur Andersen and Price Waterhouse.



TIM CURTIS

Wiehahn, Meyer Nel ranks fifth and Coopers & Lybrandt sixth.

Where SA firms have merged, their names have changed and their offices have been rationalised.

An accountant, who may not be identified, says that some clients are worried that after a merger they could lose contact with the partner or partners who had served them for years. Clients will probably find themselves dealing with the same partners as before, even if they move offices.

He says that merger mania among accountants internationally was triggered by the get-together of Peates, the biggest firm in the US and KMG, the largest in Europe. The merged firm is twice as big as its nearest rival and this caused the other big leaguers to jump into bed.

Consultancy

The globalisation of international business, the rising importance of consultancy as an income source for auditors and expensive information technology were other causes.

Internationally, the biggest firm will be the Arthur Anderson-Price Waterhouse combine with fee income of \$5-billion, followed by Ernst & Young's \$4,2-billion and the Deloitte-Touche Ross total of \$4-billion.

The Anderson-Waterhouse combine will employ 83 000 professionals, and the merged Touche-Ross and Deloittes group would have 65 000.

Union wrecks No 3 shoe firm

S/Times 9/7/89. 232

Business Times Reporter

EDWORKS, South Africa's third-largest shoemaker, has gone into provisional liquidation — the first large company to be broken by a strike

Creditors said a strike lasting from April to late June was the last straw that broke the back of the heavily indebted 85-year-old company The strike involved a claim which would have added about R20 a month to the pay packet of each worker

Devastating

Members of the Commercial Catering and Allied Workers Union (Ccawusa) demanded an increase of R125 a month, but Edworks would offer them no more than R105

The strike involved 800 employees in 80 stores and was devastating for both parties

Strikers staged a hunger strike in a shop in Eloff Street, Johannesburg Nine strikers were protesting against "starvation wages" and one was taken to hospital The company obtained a Rand Supreme Court order to evict strikers from its premises

The strike was settled on the company's terms in June Even though they were defeated, union members staged a march with banners down Eloff Street after the matter was resolved Their action chased away millions of rands of business from the country-wide chain

Now, unless someone is prepared to take over the company's factories and its 250 branches, staff may have to start looking for other jobs

Squabbling among three brothers — Stuart, Neville and Ralph Dodo — who inherited the company from their father was reportedly another factor in the company's slow demise Mr Stuart Dodo said he could not comment

Edworks has underperformed its rivals for years Papers before the Supreme Court in Grahamstown claimed Edworks owed R57-million — R26-million to banks and R31-million to trade creditors Its assets are not known to creditors

First National is the lead creditor with a claim of R12-million Standard is owed R5-million, Trust Bank R6,2-million and French Bank, Corbank and UAL R1-million each

Edworks has three factories in Port Elizabeth and three chains with 250 outlets

Jaguar

First National Bank senior general manager Jimmy Mackenzie said his bank was trying to save the company The bank would pay workers until Friday The company's fate would be decided this week

The banks said in their affidavit in Grahamstown they would consider providing finance to permit Edworks from being sold as a going concern

There was also a prospect that Edworks could be saved by an offer of compromise

Branches of Edworks operated as usual after the court order Sales personnel said they had no idea what was going on

Jaguar Shoes executive chairman Roy Eckstein said his company and its holding company Amshoe were owed R4,5-million They also had large orders from Edworks

He said first prize for Jaguar and Amshoe would be getting their money back Jaguar would consider making a bid for the remnants of Edworks manufacturing activities — if that would facilitate getting its money back Jaguar would be reluctant to pick up debt He said the doubtful debt would not affect Amshoe's earnings significantly whatever happened

Pickings

Mr Eckstein lamented the failure of Edworks His father ran Edworks' factory in Maritzburg before starting Jaguar, which prospered from day one and is now second in shoes after SA Breweries' Conshu

In its affidavit, Jaguar said that little of the debt was secured It had called a meeting of banks and creditors and had proposed that a joint committee be formed to confront the company The banks had insisted on seeing the company alone The banks submitted a separate urgent affidavit ahead of Jaguar's submission to the Rand Supreme Court

Observers say the best hope for the staff of more than 3 000 is that the manufacturing and retail arms

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● From Page 1

Edworks

(140H) 152 187 232

will be sold as going concerns

The Port Elizabeth factories produce an estimated 11 000 to 12 000 pairs of shoes and slippers a day

The 400 retail outlets are in practically every town and dorp

The main Edworks chain sells budget-bracket men's, women's and children's shoes The Marcello and Dodo chains sell more up-market shoes and the Pick a-Pair shops retail low-cost footwear by self service

Potential buyers are showing interest in the retail arm If the group goes into liquidation, bidders are expected to come from shoe retailers and from the growing number of speciality retailers

Market sources say one of the leading contenders for the retail chain is likely to be fast growing Focus Holdings, which has nearly 80 shops in niche markets including men's and women's clothing and bedding

Accounting firms look at local merger

O Day 10/7/89 (232)

KAY TURVEY

DELOITTE Haskins & Sells and Pim Goldby, Touche Ross's SA practice, are exploring a local tie-up following agreement in principle by the two firms to merge worldwide

Pim Goldby managing partner Colin Brayshaw and Deloitte senior partner Tim Curtis agreed that although potential synergies might benefit clients and staff, there were many areas to explore before a local merger could be formally considered

A decision will have to be taken by the two firms' 200 partners A big advantage of a merger will be a rationalisation of costs and expertise in Deloitte's substantial training department

The talks follow hard on the heels of the creation of Ernst & Young — the merger of Arthur Young and Ernst & Whinney, which was finalised locally two weeks ago

If successful, the Deloitte and Touche firm in SA is expected to have an annual fee income well above Ernst & Young's R100m, pipping the newly-formed firm as number one locally The combined Deloitte and Touche worldwide would generate revenue of more than $4bn

In another possible link-up of the big eight accounting firms, Arthur Andersen and Co and Price Waterhouse in New York confirmed reports that they had begun talks about a possible merger of their worldwide operations

If completed, an Andersen-Waterhouse merger would create the world's largest accounting firm, reaping $5bn a year in worldwide revenue, and eclipsing Ernst & Young's $4,2bn fee income

SAPA reports that although Deloitte and Touche Ross are the smallest of the big eight, they have posted the most rapid growth in recent years Between 1985 and 1988, their individual worldwide revenue jumped more than 88%, according to Bowman's Accounting Report

Merger on cards for two auditing giants

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Star 10/7/89

Deloitte Haskins and Sells International and Touche Ross International have agreed in principle to merge.

In view of international developments, the South African firm Deloitte, Haskins and Sells (DHS) and the local Touche Ross member firm have had preliminary discussions about a local merger.

GLOBAL

Colin Brayshaw, senior partner of Pim Goldby, and Tim Curtis, senior partner of DHS, welcomed the announcement at the weekend of the proposed global merger, but said while both firms believed that the potential synergies might benefit clients and staff, there were many areas to explore before a local merger could be formally considered.

Edward A Kangas, chairman of the executive committee of Touche Ross International, and J Michael Cook, chairman of the executive committee of Deloitte Haskins and Sells International, said on Friday that their respective international executive committees had agreed in principle to a global combination of the two firms.

PROMINENT

The new international firm will be called Deloitte Ross Tohmatsu International.

Tohmatsu Awoki and Sanwa is a prominent auditing firm in Japan.

The combined firms will have 1989 worldwide revenue exceeding $84 billion, will employ 65 000 people and will be one of the world's largest accounting and consulting firms.

According to Mr Kangas and Mr Cook, it will have a leading position in all major US and international markets. — Sapa.

Attempt to save Edworks is launched

Star 10/7/89

232

Finance Staff

Negotiations have begun between First National Bank and creditors of Edworks to save the company from liquidation

Edworks was placed under provisional liquidation in the Grahamstown Supreme Court on Friday, but Mr Justice van Rensburg ordered interested parties to show cause by August 17 why the company should not be liquidated.

Edworks owes creditors over R50 million, but two of the four liquidators indicated over the weekend that a number of prospective buyers were investigating an acquisition of Edworks, which would save the company.

First National Bank's senior general manager, Mr Jimmy McKenzie, also confirmed his bank's assistance to Edworks. "We will find a way to keep Edworks operating," he said.

Edworks is South Africa's third largest shoe manufacturer and retail chain, but a three-month strike by members of Commercial Catering and Allied Workers Union (Ccawusa), involving 800 employees at 80 stores, caused disastrous financial losses at the group.

Ccawusa demanded an increase of R125 a month, but Edworks was only willing to offer R105, and while the dispute ended with the strike being settled on management's terms, the lengthy stoppage and a subsequent boycott action caused millions of rands of losses.

Creditors also indicated in weekend newspaper reports that management differences between the three brothers running Edworks, Stuart, Neville and Ralph Dodo also contributed to the demise of the group

Imperial sets up pyramid company

Star 11/7/89 232

Shareholders in Imperial Group have approved the reduction of Imperial's share premium account to create a new trading company, Imphold Limited.

Imphold will hold the trading assets of the group — the group's car rental, truck systems and motor trading operations and its recently formed financial services and property division.

In fiscal 1987 and 1988 Imperial's earnings grew by 73 percent and 58 percent respectively and the group is forecasting another year of record earnings.

On a pro forma basis Imphold would have earned 24,9 cents a share in the year to June 25, 1989; it would have paid a dividend of 5,5 cents a share and have a net asset value of 82 cents a share.

Imperial shareholders are being given, for no charge, 100 Imphold shares for every 100 Imperial shares they hold.

The Johannesburg Stock Exchange has granted a listing for the ordinary shares of Imphold next Monday.

From that date Imperial's shares will trade ex the entitlement to the Imphold shares and the Imperial share price should adjust to approximately 75 per cent of the previous price as a result of the capital reduction.— Sapa.

Jaguar delays application

(232)

CHARLOTTE MATHEWS

JAGUAR, a major creditor in the Edworks provisional liquidation, has postponed its own application in the Rand Supreme Court, set down for today, until August 22, pending the outcome of the application brought in the Grahamstown Supreme Court, according to attorneys representing Jaguar

"We have no guarantees that the order might not be withdrawn," an attorney said. "But if the first application is confirmed on August 17 it has the same effect."

Jaguar CE Roy Eckstein said his company was the third largest creditor in the case, after the banks, and the highest trade creditor. He expected "a reasonable payout"

B/Day 11/7/87

Offer

He said several parties had shown an interest in buying the company

"At this point it seems there might be an offer for the whole business

"It is in our interests that whoever takes over the group pays a reasonable amount and ensures continuity of supply. We have a lot of orders which we think will be taken over by whoever buys the company"

Potential buyers of Edworks, Focus and Boltons refused to comment because they felt it premature at this stage.

□ Sapa reports that First National Bank (FNB), Edworks' major creditor for the sum of R12m, has been providing finance to enable Edworks to be sold as a going concern and has paid wages up to last Friday.

FNB senior general manager Jimmy McKenzie said no decision had yet been taken whether to continue paying wages

□ ALAN FINE reports Ccawusa general secretary Vivian Mtwa yesterday defended his union against charges reportedly made by Edworks creditors that the lengthy wage strike which ended last month was largely to blame for the shoe chain having been placed under provisional liquidation.

"It is mad to say we are responsible", said Mtwa He argued that, had management made a serious effort to compromise on the union wage demand, instead of taking a hard line, the strike could have been avoided altogether.

He estimated that fully meeting the demand would have cost an additional R720 000 for the financial year, compared to claims that the strike had cost the company R6m.

Mono-Die in liquidation after 'bad sale'

SUSAN RUSSELL

ALLEGATIONS that businessman Ivan Brownlees embarked on a scheme to strip assets from a company he acquired on behalf of JB Foundation SA of Luxembourg were made in papers supporting a winding up application in the Rand Supreme Court yesterday

Steel shaft manufacturers Mono-Die Engineers (Pty) Ltd was placed in liquidation yesterday after an application by Reichmans Ltd and two of the company's shareholders, Joseph Beno Annegarn and Joseph Mana Annegarn

Reichmans have a R1 985 759 claim against Mono-Die (232) (BD)

According to affidavits, Mono-Die's shareholders sold the company to JB, represented by Brownlees, for R5m last December 8/09/12/7/87

Lewis Freidus, representing Reichmans, said in his affidavit since then Brownlees or his nominees had had physical control of the company which had not been paid for

He said action had begun to set the sale aside

Freidus said Mono-Die also owed Iscor R1,1m and R513 075 to Scaw Metals, one of its major raw material suppliers.

Standard Bank has a R469 714 claim against the company

Freidus said the company had offered abnormally large discounts to customers

He said customers' money was not being deposited into Mono-Die's account

"It is clear that every attempt is being made by Brownlees and his associates to try and frustrate Reichmans' rights to collect Mono-Die's bank debts," he said

In an affidavit, Joseph Beno Annegarn said it became apparent during April this year that JB did not intend to pay any part of the purchase price for Mono-Die which had no ready cash to pay its debts

COMPANIES

FEDFOOD HUNGRY FOR SUITABLE ACQUISITIONS

BI Day 12/7/89

BRUCE ANDERSON

FEDFOOD, the food division of Federale Volksbeleggings, is on the threshold of further expansion and is looking for more businesses to augment its activities, Fedfood MD Jan du Toit says in his annual review

Du Toit says the company's financial position is such that it can bring suitable opportunities for takeovers to fruition more expediently

Since the establishment of the group in 1977, Fedfood has grown rapidly, primarily by means of a series of acquisitions.

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"The deliberate and planned entry into the different food sectors resulted in Fedfood becoming one of the most diversified companies in the SA food industry," Du Toit adds.

The weakening of the rand against the leading currencies was to a degree to Fedfood's advantage, particularly in the areas of the export of white fish and frozen vegetables

Under these circumstances, says Du Toit, Fedfood brand Table Top could establish its place in the export market

The rate of inflation in the food sectors in which Fedfood is active is somewhat lower than the official consumer price index

"Fedfood heeded the serious appeal to commerce by the authorities in February 1988 to limit price increases to a practicable minimum as part of the anti-inflationary campaign This is borne out by the relatively low increase of 14% in turnover in spite of real volume growth in all divisions," says Du Toit.

Star 12/7/84

(232)

Edworks: liquidation bid delayed

Staff Reporter

The urgent application, launched by Jaguar Shoes (Pty), for the liquidation of Edworks (1936) (Pty) has been postponed until August 22.

The order was granted in the Rand Supreme Court yesterday by Mr Justice M S Stegmann

An urgent application was part heard in the Cape division

Edworks trades from 157 Market Street, Johannesburg, which is why an application was brought before the Witwatersrand Local Division

Jaguar Shoes' financial director, Mr J P Ward, said in papers that Edworks' retail division owes the Maritzburg based manufacturer R1,9 million and the Edworks' wholesale division, R E Pashley, owes R15 176.

STOCK EXCHANGE

Mr Ward said the outstanding amounts related to shoes delivered to the retail division between November last year and June this year and for footwear delivered to R E Pashley between March and May this year.

Jaguar is a division of Amalgamated Shoes Ltd (listed on the Johannesburg Stock Exchange as Amshoe) Amshoe's chief executive, Mr R E Eckstein, and Mr Ward met Mr Stuart Dodo and Mr Neville Dodo to try and resolve the non-payment problem but were not successful

Mr Ward said the Dodo brothers said Edworks had a cash flow problem and asked if Amshoe wanted to acquire equity in the group of companies The financial details which were requested have not been completely supplied

Some of the reasons for Edworks difficulties were allegedly the poor running of the retail division, the substantial losses of the manufacturing division and a large strike by the retail division's employees.

At another meeting between the parties, a Mr Robert Schwartz said Amshoe should be satisfied that he had become associated with Edworks, but he refused to disclose any details, and said Amshoe should keep on supplying Edworks with shoes.

After this and a subsequent meeting on June 13, Jaguar Shoes consulted its attorneys who set up meetings with banks and other Edworks creditors After a series of meetings, Jaguar Shoes launched the application for liquidation

BDay 12/7/89

(232)

Inexperience adds to insurer's woes

SUSAN RUSSELL

THE short-term insurance business of Reinsurance Union Ltd was placed in provisional liquidation in the Rand Supreme Court yesterday

In terms of the rule granted after an application by the company itself, interested parties have until August 8 to show cause why Reinsurance Union's whole insurance business in SA and overseas should not be wound up

Most of the company's business (90%) was conducted overseas, according to court documents

The company's GM, Ralf Arno-Hefler, said in an affidavit that inexperienced underwriting in its marine department led to large losses

These were only discovered after the death of the department's manager in 1980

Hefler said the decline in reinsurance markets worldwide, aggravated by the decline of the rand had also been a factor.

He said shareholders injected about R8m into the company to try and rectify the position Reinsurance Union also stopped writing new business in 1985 and cancelled contract renewals

Hefler said the company's assets were R19,7m on December 31 last year.

Net liabilities from December 31 1988 to May 31 1989 showed an increase from R2,98m to R3,85m, Hefler said

"While it may be that sufficient funds exist to meet claims for the forseeable future, a stage will inevitably be reached when the company no longer has the resources to meet claims which arise," he said

THE BIG THREE: Behind the smiles are three of the world's richest financiers who are attempting the biggest takeover bid They are, from left Mr Jacob Rothschild, Sir James Goldsmith and Mr Kerry Packer.

Huge takeover bid sends shockwaves to SA

ARCUS 12/7/89

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By TOM HOOD,
Business Editor

A RECORD British takeover bid worth about R55-billion for the conglomerate BAT Industries has set up shockwaves felt in South Africa

Companies with interests as diverse as insurance and food could be put on the market if the takeover bid succeeds British financier Sir James Goldsmith, who is leading the BAT takeover bid, said he would sell off BAT's "unrelated businesses."

South African subsidiaries of BAT include SA Eagle (through Eagle Star Insurance), tobacco group Utico and Willards Foods.

BAT owns paper manufacturer Wiggins Teape, but the South African subsidiary was bought by Malbak at the beginning of the year.

In South Africa, BAT companies produce well-known brand names like John Player, Winston and Benson and Hedges cigarettes, Stimorol, Fresh-up Pure Fruit Juices and Willards Chips.

In tobacco, Utico (United Tobacco) competes with the giant Rembrandt group

Utico itself might well be retained by the new owners if the bid is successful, but SA Eagle and the food companies might be put on the market.

Share prices of local companies that could benefit were pushed higher on the JSE yesterday, when the offer for the former British American Tobacco Group sent prices in London soaring to their highest since the 1987 crash

Tobacco shares were given a boost, with Rothmans International surging 9 percent to 637p

Richemont, the overseas arm of Dr Anton Rupert's Rembrandt Group, owns 30 percent of Rothmans and its price rose 40c to R15,60 in Johannesburg, while the Rembrandt controlling company rose 20c to R8,40.

Cadbury Schweppes share price jumped by R3 to R17 in Johannesburg following a report of an American takeover bid in London for the parent company.

BAT operates in 90 countries and has interests in tobacco, paper production, retailing and financial services.

In London the Independent today reported analysts were sceptical about Sir James's chance of success with BAT. However many believed the bid would flush out another predator.

The terms were regarded as "a sighting shot" and some expected it to pave the way for the arrival of US leveraged buy-out specialists. These financiers used extensive borrowings to finance an acquisition, then repaid them through breaking the company up and selling it.

The group is regarded as undervalued Sir James claimed the failure of "the conglomerate approach" was demonstrated by the mere 4,1 percent compound growth in BAT earnings over the past four years bankers would be less likely to allow a favourable rescheduling of South Africa's international debts if they knew

will go to the Co with a position w fying sanctions

Applications granted against retail divisons of Edworks

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GRAHAMSTOWN — Two retail divisions of footwear company Edworks — Dodo's and Marcello Shoes — were today also placed under provisional winding-up in the Grahamstown Supreme Court.

The application was brought by the joint provisional liquidators of Edworks, which was placed under a similar order on Friday.

The applications against Dodo's and Marcello Shoes were granted separately by Mr Justice van Rensburg.

Star 13/7/87

Granting the provisional winding-up order, Mr Justice van Rensburg ordered that the claims of Edworks against Dodo's and Marcello Shoes be immediately vested in the provisional liquidators.

He further called on all interested parties to show cause by August 17, why final winding-up orders should not be granted. — Sapa.

Two divisions of Edworks liquidated

BDay 13/7/89 (232)

Own Correspondent

PORT ELIZABETH — Two retail divisions of footwear company Edworks — Dodo's and Marcello Shoes — were also placed under provisional winding-up in the Grahamstown Supreme Court yesterday.

The application for provisional winding-up orders against the companies was brought by the joint provisional liquidators of Edworks, which was placed under a similar order on Friday.

The applications against Dodo's and Marcello Shoes, which operate from 1-5 Somers Road, Sydenham, were granted separately by Mr Justice van Rensburg.

The provisional liquidators are Neil Bowman, John Carter Fourie, Basil Spengler van Zyl and David Alexander Morris.

They alleged in court yesterday that it was inconceivable that the two companies, wholly-owned subsidiaries, could continue to trade while Edworks, their holding company, was under a provisional winding-up order.

Both companies were "integral and indivisible" parts of the Edworks group of companies.

As a result of Edworks's bank account being suspended, the companies were unable to pay trade creditors and employees.

The provisional liquidators alleged the companies were indebted to their holding company for loans and advances.

Dodo Shoe Company, which operates 17 retail outlets throughout the country, owed

☐ To Page 2

Edworks

BIDay 13/7/89 (232)

☐ From Page 1

Edworks R1,3m and had further current liabilities of R1m, divided almost equally between trade creditors, long-term loans, and bank overdrafts

Marcello Shoes, which operates seven retail stores, owed Edworks R828 000 for monies lent and advanced

Marcello also owed R946 000 in current loans, R232 000 to trade creditors, and R83 000 on a bank overdraft.

Granting the provisional winding-up order, Mr Justice van Rensburg ordered that the claims of Edworks against Dodo's and Marcello Shoes be immediately vested in the provisional liquidators.

He further called on all interested parties to show cause by August 17, why final winding-up orders should not be granted.

B/Day 13/7/89.

British Prime Minister Margaret Thatcher and Albertina Sisulu of the UDF in London yesterday

B/Day 13/7/89

Firm's provisional liquidation granted

232

SUSAN RUSSELL

A JOHANNESBURG company, Cremark Chemicals (Pty) Ltd, was granted an order in the Rand Supreme Court this week placing itself in provisional liquidation.

Cremark's MD, Peter Mock, said in an affidavit that although the company's assets exceeded its liabilities by a relatively small amount it was in a position where it was no longer able to obtain funds to conduct its business activities

Mock said Cremark had assets of R7 850 000 against liabilities of R7 700 00

He said Cremark was acquired from Protea Chemicals Ltd in August last year for R3 333 915 R1m of the purchase price was to be paid in September last year and the balance in four instalments in May-August this year

A notarial bond was drawn up in terms of which Cremark acknowledged its debt to Protea for R2 234 000 As security the company bound all its stocks of finished goods, work in progress and stocks of new materials

Cremark was unable to pay the June 31 instalment which led Protea to obtain a judgment against the company enabling them to take possession of stock until Cremark recovered R1 739 230 from finished goods, work in progress and raw materials

Mock said it was essential to appoint a liquidator urgently to preserve the goodwill built up by Cremark over the years

Skirtskip makes R14,6m buy

BDay 13/7/89 (232)

CHARLOTTE MATHEWS

SKIRTSKIP has acquired an engineering and fabric company called Subnova for R14,6m and will apply to be transferred from the clothing sector of the JSE to the industrial holding sector under the name Nova

Skirtskip listed in May 1987 as a clothing manufacturer and wholesaler Disruptive production problems were experienced at its Lebowa factory and the company halved its attributable profit for the year to February 1989 compared with the previous year

With effect from March, MD Barry Berold bought the business as a going concern and Duros Merchant Bank, on behalf of its nominee Lemon Lane, bought Berold's 70% controlling shareholding at a price of 21c a share A similar offer is being made to ordinary shareholders

Subject to shareholder approval, Skirtskip will buy Subnova from Lemon Lane The offer depends on Subnova achieving a minimum consolidated profit before interest and taxation of R2,3m for the year to March 1990 If this profit is not achieved, the purchase price will be reduced

Skirtskip/Subnova will be renamed Nova Constantia The group forecasts earnings of 4,4c a share for the year to March 1990 and a dividend of 1,7c, covered 2½ times

Subnova has three subsidiaries — Manmark Fabrics, Table Bay Engineering and Teebeedee Sports The group also has a holding in Invicta Bearing Company

1 In SA it has developed the liquor | mond Ackerma

FM. 14/7/89

DEREGULATION (232)

Less fuss on farms

In a significant deregulation move, government is scrapping the need for permits to import a wide range of "controlled" agricultural products and materials

The change becomes effective on August 1 and means about 12 000 fewer permits will have to be issued annually, says chief plant and seed inspector of the Directorate of Plant & Liquor Control, Jack Lotz This represents about 60% of permits now issued

(232) Fmail

Up to now, importers have been required to obtain individual permits for "controlled goods" Though Lotz says the issuing of permits did not necessarily delay importers' schedules, the administrative process did cost the State time and money which will now be saved

In future, importers will merely need to ensure that the "controlled goods" they bring into SA comply with the requirements laid down in a government notice published on May 26 Lotz says the notice is, in effect, a "blanket permit "

The imports will still be subject to inspection at their port of entry, which is restricted to the main ports, airports and border posts Importers will be responsible for ensuring that the goods comply with health and other requirements laid down in the government notice

"Controlled goods" affected by the deregulation include a wide range of seed, vegetative propagating material, rooted greenhouse plants, fresh, frozen, dried and glazed fruit, tissue culture, fresh frozen and dehydrated vegetables, cut and dried flowers, timber and unmanufactured timber products, bark, cork, vegetable fibre, vegetable gums and resins, rattan and bamboo, leaf tobacco, tobacco leaf, stalks and tobacco dust, herbs, spices and other parts of plants meant for medicinal, human or animal consumption, biological material for composting, vermi compost, granulated beeswax and products containing beeswax.

Lotz says agricultural products now subject to strict quarantine requirements, such as grape vines, fruit trees and plants, do not fall under the "control goods" for which permits will not be needed.

The scrapping of the need for individual permits is in line with government's deregulation policy, but Lotz stresses that the move in no way exempts importers from the conditions laid down in the government notice.

The restructuring of the industry will form 1

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GOLD FIELDS OF SA

Prospects and priorities

■ A big question is how independent GFSA will be after the sell-off

Consolidated Gold Fields (Cons Gold)'s board has finally recommended acceptance of the takeover offer from Hanson Plc (see *Fox*). That has greatly hastened the long-anticipated sell-off of the London group's interests in SA including its effective 38% stake in Gold Fields of SA (GFSA). What does that mean for the SA mining industry?

Much will depend on the form of the deals struck when Hanson chooses to sell these interests, as seems almost inevitable. At least until that is known, and perhaps for a while after, question marks will hang over GFSA's future.

For prospective local buyers, there are also Cons Gold's direct interests in certain of the GFSA operations. Among these at end-June 1988 were 5% of Driefontein Consolidated, 13% of Kloof, 15% of Deelkraal and 13% of the new Northam platinum mine. They include some substantial investments, any one of which could make a useful addition to a mining portfolio. At present prices the value of these stakes is roughly Dries, R443m, Kloof R590m, Deelkraal, R192m, and Northam, R91m.

The timing and the manner of such transactions will exert a wide and heavy impact on local financial markets — not least because they will mean heavy pressure on the financial rand and affect share prices of internationally traded stocks on the JSE — for a while possibly quite radically. That is one reason some analysts are recommending shares such as De Beers at present.

But the really intriguing question centres on the fate of the GFSA stake. Ripple effects — quakes might be a better word — that will be determined by the identity and the strategies of the buyer (or buyers) will be large.

At the more dramatic end of the scale is the possibility of an effective merger of GFSA with, probably, Gencor. Discarding such ideas there is the possibility of changes to management strategy and perhaps to management itself. Not to be ruled out is the alternative that there will be no changes, at least for some time, with the new stakeholders content simply to receive dividend income and assess the position.

Rembrandt, of course, already owns an effective 10% and has right of first refusal on 30% of Cons Gold's remaining 38% in GFSA. That does not necessarily mean it wants the full stake. Even for Remgro, the deal would be hugely expensive, and would tie up a major — and maybe excessive — proportion of its assets in the mining sector.

Release this week of Remgro's accounts for the year to end-March, the first to be published since last year's separation of the foreign interests into Richemont, revealed that already 31,7% (25,8%) of net income was derived from mining interests, with 35,7% (38,3%) of capital employed in the sector. Under mining interests is included the 29% stake in the diversified Federale Mynbou/Gencor, with GFSA and the relatively small Trans Hex (50%).

In contrast with Federale Mynbou/Gencor, which derived about two-thirds of recent earnings from Samancor and Sappi, GFSA essentially represents a pure investment in precious metals. This largely explains what Remgro sees in the group. Even so, to lift the Remgro stake in GFSA to 48% would greatly increase the overall exposure to mining, which might be considered too dominant in the portfolio. On the other hand, Remgro will certainly want to protect its interests. Even if it does not emerge with the full stake it will want to ensure it gets the possible return on the investment in future. That leaves a variety of options for Hanson in structuring a deal.

London broker James Capel (house broker to Minorco) thinks that competition for the GFSA assets will be fierce, and that Hanson will be seeking to extract maximum value. In addition to Rembrandt, the firm believes the following parties are potentially interested: Anglo American, Gencor/Fedmynbou/Sanlam, Rand Mines/Barlow Rand/Old Mutual, and Driefontein/Asteroid (or GFSA itself).

Chairman Plumbridge . waiting of the dust to settle

The GFSA executive, the firm suggests, may wish to retain its independence by using the 7,8% holding in Cons Gold in the unlisted Asteroid vehicle as a platform to bid Hanson for the GFSA stake. This sounds far-fetched but GFSA's stake in Cons Gold — which seemed a gamble at the time — provides considerable leverage for new investment. Conversely, the holding in a foreign company is among GFSA's attractions for prospective local buyers.

The way Capel sees it, Anglo already has a 20% stake in GFSA and recognises the value of the West Wits line and the new property of Kalkoenkrans in the Free State. Gencor and Rand Mines both need to bolster their gold portfolios. Rembrandt is interested in further mining exposure. Not to be overlooked is Liberty, which has links with both Rembrandt and GFSA.

With these parties sniffing around the willingness of one or more to get involved in competitive bidding could be crucial. Since the Hanson bid was announced on June 23, GFSA's price has gained 2 150c to trade on Tuesday at R90. But Capel notes that good assets in SA are scarce and recalls that when the 10% stake in GFSA was sold to Rembrandt in July 1987 a 10% premium to the market price was paid. "Why should it be any different this time?" the firm asks.

One view is that if Rembrandt does emerge clearly holding the majority stake, or if the holding is spread between Rembrandt and Sanlam, then the next logical move would be to strike a deal with Gencor. This is on the basis that Remgro has no management in mining, and presumably would not seek to get directly involved in running a major mining house — even at board level.

And the argument continues, a 'partnership' or merger between GFSA and Gencor would mean the departure of GFSA's aloof and independent minded chairman, Robin Plumbridge. Nobody thinks that Plumbridge (53), a former Rhodes scholar who has spent his career at GFSA since starting there as a statistician some 30 years ago, and has been chairman since 1980, will meekly move into Gencor chairman Derek Keys' management team. A majority shareholding with a decisive Anglo influence could have a similar effect. Among the lessons coming out of Minorco's battle for Cons Gold was the poor personal relationship that evidently exists between Plumbridge and 44 Main Street.

However, to argue that Rembrandt would countenance a GFSA merger with Gencor simply because it does not itself have management in the mining sector might be to overestimate the current management influence of Cons Gold on GFSA's board. Plumbridge told the *FM* not long ago that since 1971 GFSA has operated independently of Cons Gold. 'They have two directors on (our) board in a non-executive capacity and I sit on their board also as a non-executive director,' he said. "We keep each other aware of our plans." By all accounts this fairly reflects the way things have worked.

The GFSA board has maintained clear strategies which have led to evident strengths and to some controversial policies, notably in the labour field. Unlike the other major houses (except Barlow Rand's Rand Mines), GFSA has avoided diversification into industrial sectors. The declared policy — which may or may not have emanated from London — is to confine activities to mining and beneficiation of minerals. The priority has been on development of its own projects rather than acquisitions, and, aside from the stake in Cons Gold, investments outside SA have been essentially avoided.

Despite efforts over recent years to diversify into other sectors in the year to end-June 1988 as much as 80% of group income was derived from gold with 12% from other minerals and the rest from financial and industrial, property and cash. Of the managed gold mines, Drie Cons and Kloof are among the industry's biggest producers, Kloof remains its richest gold mine, and four of the GFSA mines are among the five lowest-cost producers in SA.

Van Rooyen

A rights issue is on the cards, mooted to raise R500m-R600m raising funds for further development of Northam and a new gold mine. The group is not heavily geared and would have little difficulty raising equity funds for such projects as these. Bank finance has largely been avoided though executive director Basil van Rooyen says it would be logical to use loans to provide Northam with working capital to fund its refining pipeline immediately after start-up.

At present two major new mines are being developed. The Leeudoorn section of Kloof, effectively a large new mine, will roughly double Kloof's output. The deep Northam Platinum is scheduled to enter production in mid-1991 with an initial milling capacity of 150 000 t/month.

Gencor is considered the industry leader in controlling mine working costs. But, as SA mining houses go, GFSA is known for keeping a tight rein on head office costs. It is not known in the industry for paying particularly generous packages to such staff as managers and consultants. Management has indicated that because head office resources are limited, there will be no major new projects until at least one of these two is out of the way.

After that there are several possibilities. In his last review, Plumbridge commented on what is seen as a potential new gold mine in an area south of the old Free State goldfields. He said that on the information available the area concerned has a resource of about 1 150 t of gold. Analysts believe there is a potential mine in the Potchefstroom Gap area though its development looks further off.

The house has become more active in the base metals arena recently and there could be more to come. The disinvestment from SA by Newmont Mining enabled GFSA to buy 81% of O'okiep Copper; 80% of G F Namibia, which owns the Tsumeb base metal mines and 55% of Gamsberg zinc deposit. Gamsberg is SA's largest and richest zinc deposit, with about 10 Mt of zinc, and is bound to be exploited before long, probably with a listing. O'okiep is not listed on the JSE, though its shares are listed in American Depositary Receipt form on the American Stock Exchange with net profit last year of R45m, a local listing could be possible.

A GFSA strength has been its handling of cash and funding of capital expenditure. Mines such as Drie Cons and Kloof have steadily maintained massive capital programmes — they spent R512m last year — without the fluctuation in funding availability which has marred the planned spending activities in other groups. This has resulted partly from the policy of keeping retentions relatively high rather than paying out cash not absorbed by current spending. In more prosperous times some investors have criticised this policy as tight-fisted. On the other hand it's a conservative and logical philosophy that could fit in with Remgro's thinking.

GFSA's most controversial policies have been in the labour field, where it has often differed from other major mining houses. It prefers to apply a steep wage curve, paying relatively high wages for skills but unskilled workers get less than on other groups' mines. This has helped to maintain employment levels but has been out of step with the Chamber of Mines' policy of lifting average wage levels. GFSA's unwillingness to allow the National Union of Mineworkers to organise on its mines may have had short-term benefits, but mining analysts feel that it will eventually have to face up to this — and may have costs to bear.

Assuming that GFSA remains at least nominally independent, there may be few if any major strategic changes. Considerable progress has been made towards diversification beyond gold and there are big new projects in the pipeline. The policy of sticking to mining and related areas is apparently a local preference that followed some unsuccessful ventures into industry, so there need not be new investment boundaries set after the departure of Cons Gold. More tantalising is what changes of style may emerge, such as in the labour field — and how rigid a view the GFSA executive would take of its "independence" — following new appointments to its board.

Gencor took a long time to emerge in its present form after General Mining's stormy takeover of Union Corp, many eventually came to see the results as more of a takeover by Union Corp. Consequences of another merger of SA mining houses would be far-reaching.

Andrew McNulty

232 Finance 14/7/89

From betting to bidding: Profile of R55-bn raider

W/E Argus 15/7/89

Weekend Argus Foreign Service

LONDON — Sir James Goldsmith last week regaled an audience of notables from the City of London and industry, who were dining sumptuously at Claridges, with an anecdote which he claimed was all the rage in Japan

"A Japanese and a European, walking across the African plains, see a hungry lion coming towards them The Japanese promptly puts on a pair of expensive running shoes. 'Surely you cannot out-run the lion ?' says the European 'No but I can out-run you'"

As a tycoon, Sir James has been running faster than his rivals and bankers for 40 years He quit school at 16, bereft of academic qualifications but the envy of fellow Etonians because he had the £8 000 proceeds of a £10 accumulator bet in his pocket This week he made the biggest bet of his life, by bidding £13-billion for BAT Industries, the third biggest UK company

His offer is more than three times greater than the most expensive takeover ever attempted in Britain, Hanson's recently announced £3,5-billion bid for Consolidated Gold Fields In the world league table, Sir James' attack on BAT runs a close second to the buyout of R J R Nabisco, the food and tobacco group, by Kohlberg Kravis and Roberts

When Sir James was being feted last week at Claridges, Michael Marks, chief executive of a big securities firm, Smith NewCourt, offered him heartfelt thanks on behalf of the City for ending a decade of self-imposed exile and returning to the business of buying and selling British companies

The crumbs dropped by Sir James in his share raids are big business for Smith and its rivals News of the BAT bid gave a boost to investors' spirits and was responsible for an immediate 55,7 point rise in FT-SE 100 share index, adding £10,9-billion to the value of all British public companies

Sir James is being flanked in the BAT bid by his long-standing lieutenant and distant cousin, Jacob Rothschild. Heavy artillery is provided by Kerry Packer, Australia's richest man and former television tycoon, best known in Britain for his bitter row with the cricket establishment in the late 1970s The three superannuated musketeers attack companies for the thrill of the chase.

In this phase of Sir James' career, now he is a multi-billionaire, money is clearly being accumulated for its own sake But his appetites — for wealth, wives and mistresses — are famous

Making millions

He plans his corporate raids meticulously and has an intricate knowledge of takeover regulations Sir James always holds an extra pack of cards up his sleeve when he plays

Dismantling conglomerates has become Sir James' stock-in-trade since 1980, when he left Europe for America A citizen of both France and Britain, he had tired of berating the governing classes of both countires for strangling entrepreneurial ambition with the tentacles of the public sector

Sir James's public image had been tarnished by the collapse of his current affairs journal, *NOW*, and the incessant legal skirmishes with Private Eye over his connection with Lord Lucan

In America he could be born again Anyway, he had been distracted for too long from his metier of making millions Sir James became a pioneer of the leveraged bid, using borrowings to take big share stakes in undervalued companies

One billion dollar company after another faced his guerrilla attacks Hostile takeover bids were made for companies in basic industries, such as Diamond International, the cardboard box maker, and Goodyear Tyre and Rubber which had grown inefficient and therefore possessed an abundance of undervalued assets '

Sometimes he bought the company and sold the parts at a huge profit, as in the case of Diamond and Crown Zellerbach Or he would buy a big holding and sell it on for an equally huge profit.

Through many of his US ventures, he had the backing of funds from Jacob Rothschild.

Since the stock market crash of 1987, he has spawned too many imitators in the US

However, 10 years of Mrs Thatcher's government has made Britain a country fit for corporate raiders, in Sir James' estimation With considerable ceremony, he announced his return in March Within two months, he had joined forces with Packer and Rothschild to buy just under 30 percent of Ranks Hovis MacDougall The UK authorities may wish to put obstacles in the way of the bid for BAT, but Sir James has selected his victim with care

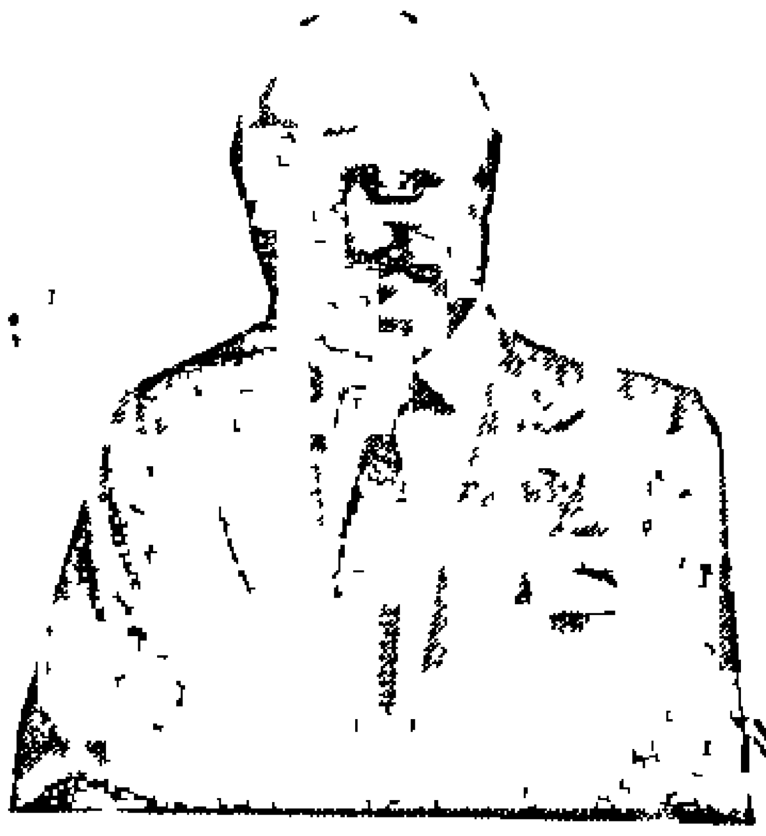
BAT's businesses are not strategically important to Britain Three-quarters of its assets are outside the country Moreover the Office of Fair Trading will find it difficult to argue that the offer will have a deleterious effect on competition

Sir James first hit the headlines as a 20-year-old in one of Britain's most romantic stories when he eloped with the daughter of a Bolivian tin millionaire in 1954

A London court action brought by the girl's parents prevented his marriage to the under-age Maria Patino in England

But the couple eloped to Scotland — pursued by the world's Press — where the English marriage law did not apply

Later, the parents accepted the marriage and all was forgiven But the story ended sadly the same year when his bride died giving birth to a daughter



NOW: Multi-billionaire, Sir James Goldsmith, who recently launched a £13-billion takeover bid for BAT Industries.

IN 1954: The 20-year-old James Goldsmith and his beautiful bride Maria, arriving in London after their runaway marriage in Scotland.

Court upholds UME shares payout

W/t Mail 15/7/87 (232)

Business Staff

THE Supreme Court has ruled in favour of the scheme of arrangement whereby Macsteel's 150c accepted offer by UME majority shareholders be applicable to all minority shareholders

Minority shareholders will be paid out soon and UME general manager, Mr Robin Dennison, said UME will continue to trade under its own name and staff will not be affected by the change in shareholder control.

Three Macsteel directors will be appointed to the UME board

UME was listed in December 1986 and traded above '250c at one stage

Minority shareholders went to court arguing that the acceptance of the offer by Macsteel by the controling Smaller family had not been in the interests of minorities and that delisting the company from the JSE was not in their best interests.

It was argued that the prospects of the company under the control of Macsteel were very promising. However, the sale by, in particular, joint chairman Mr Peter Smaller — who had emigrated to Australia — was an investment decision based on substantially different reasons to those of the minorities when they had acquired an interest in the company

However, in what was considered a "test case" by many, the Supreme Court has ruled that ordinary shares constitute a single class of share and cannot be differentiated on the basis of how they are voted

Waltons bids run aground

232 (Kaco)

S/Times 16/7/89

By Ian Smith

TOP company Waltons Stationery has hit a rough patch on its acquisition road.

A planned merger with Winky Ringo's Mathieson & Ashley group came to naught, a R36-million deal for the stationery operations of CTP Holdings has been stalled by a Competition Board investigation and protracted negotiations to buy the SA interests of the American 3M group have run into a brick wall.

Thoughts

The Minnesota-based company, No 34 in Fortune's 500 largest US industrial companies, is having second thoughts about disinvestment, according to US sources. Waltons managiong director Frank Robarts refuses to comment on the 3M talks.

The Competition Board's inquiry has led Waltons to withdraw its offer for CTP's stationery manufacturing interests, but it is going ahead with the purchase of stock and debtors of CTP's retailers.

Mr Robarts is confident that the company has a good case to put to the Competition Board.

"CTP came to us because their stationery side was losing R4-million to R5-million a year. If a deal had not been struck they would have been facing closure.

"Now their three factories are still operating and retailers have as much choice of supply as they ever had."

But if the factories are closed their choice will narrow.

Mr Robarts says the group's manufacturers deal even-handedly with independent retailers and the group's own retail outlets have no special buying advantage.

The terms of reference of the board investigation have been left wide so that other aspects of the stationery trade can be examined

Privatisation key to State finances

4A/232

S Times 16/7/89

By Robyn Chalmers

THE new investment requirements to replace precribed assets could lead to an acceleration of privatisation, says Senbank chief economist Johann du Pisanie.

Dr Du Pisanie writes in the Senbank Economic Review that Finance Minister Barend du Plessis' announcement earlier this year that prescibed assets would be abolished means a reliable source of funds for the Government has been diminished.

Options

He says the Government has several options to overcome the expected financing problem, such as raising loans on the capital market by offering higher interest rates, borrowing in the money market, increasing taxes or duties, raising funds by loan levies or reducing expenditure and selling assets.

He concludes, however, that the only escape route of consequence is privatisation because the other options are subject to restraints.

"If one considers the amounts the Government required in the past to finance its obligations, it is clear that raising loans on the capital markets could result in substantial upward pressure on capital market interest rates.

"Money market borrowing would tend to cause average real money market interest rates to rise. Higher taxes or duties are limited by political constraints and so is raising funds by means of loan levies."

Dr Du Pisanie says the Government's income can be increased by the sale of assets, which need not be limited to selling shares in public corporations, such as Iscor, but could spread to departments like forestry, the Government Printer and the Government Garage.

Selling off assets not only provides additional income in the year of sale, but can permanently reduce current expenditure — provided that the proceeds are used to reduce Government debt.

At present, Government debt stands at almost R69-billion and interest payments represent about 15% of total State expenditure.

Decreased

"If all privatisable activities of the public sector are privatised, not only can a significant part of the Government debt be redeemed, but a large portion of debt servicing can be decreased permanently.

"Furthermore, the current expenditure on the services to be privatised may be shed, particularly if the privatised institutions are to finance the services by means of user charges and not by payments from the Government."

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Guardbank makes a Gencor killing

SAGE bought Gencor shares, but wise Guardbank sold them even though both unit trust funds like the mining giant

The reason — Guardbank probably got more than R90 a share, but retained enough of the shares in its two equity portfolios to allow it to replace those sold at R75 in the rights offer and made a capital profit to boot

By Julie Walker

Guardbank Growth had a quiet June quarter, buying 20 000 Liberty Holdings and a bit of Government stock It eased positions in chemical companies Sasol and AECI, and sold out of Safcor as the share price rose

Its resources fund bought granite company Marlin, Amcoal and Winkelhaak golds and sold out of Randfontein and Rand Leases

Guardbank says that although the short-term outlook is uncertain, it is confident that in the medium and long term, blue chips will move higher

Sage bought De Beers, Samancor, JCI, Fedvolks, Walhold and Tongaat It sold some Vaal Reefs and FIT It noted sustained demand for equities

UAL's older funds were idle The general fund bought 50 000 Amic and Mining & Resources picked up Northam, ET Cons and Palabora It sold Barnex

But Selected Opportunities went on a buying spree, adding Crulife, T&N Holdings, Rainbow, Combined Motors, Kohler, Sunpac, Unitrans and Middle Wits

UAL fund managers expect "a more modest level of corporate earnings and dividend growth that interest rates are approaching a cyclical peak and that the dollar gold price is consolidating"

Well done to Metfund for bringing the little-traded Cadswep into its top five Cadswep jumped on a takeover bid for the British parent company

Metfund added to current holdings and bought Driefontein, Trimtex, Bid Corporation and NEI Africa as well as four property trusts

Its cash portion was reduced from 17,2% to 12,5%, whereas that of Southern Equity increased from 13,7% to 19,6% even though Southern says the medium-term outlook remains good

Value

Southern believes gold shares offer value, and it put its money where its mouth is in Western Deep and Amgold The mining fund added Driefontein and Gold Fields of SA Both sold Doornfontein, and Barplats was also disposed of

Standard remained cautious, and will try to preserve capital and maximise income It believes there will not be much more downward pressure on gold at $375, nor will it advance above $400

The Mutual fund portfolio managers did not trouble themsleves this quarter, and the Gold fund made trifling changes

More than R106-million of new money flowed into unit trusts in the quarter, both sales and repurchases growing

Assets in the 31 trusts are R5,6-billion — 51% up on a year ago, and there are 537 000 unitholders

Firm liquidated — R682 000 in red

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Star 17/7/89

Pretoria Correspondent

Star Trek Financial Holdings Ltd — described as a "revolving operation" — has been finally liquidated in the Pretoria Supreme Court

The company had to show cause before July 11 why the order should not be made final

Mr Justice Goldstein ordered last week that the company be finally liquidated

The provisional liquidation of the company on January 20 followed an application by Mr L A Seaman, who said the company owed him R13 500, paid as a raising levy for a R450 000 loan

Star Trek managing director Mr Edward Peter van der Schyff, now a prisoner in Cullinan's Zonderwater Prison, said in an affidavit his company could repay all its creditors

In terms of papers handed to court, the company owed 72 creditors more than R682 000

BDay 17/7/89 (232)

Hitches to 'director redress'

TANIA LEVY

CREDITORS in insolvent estates are deterred by the cost and practical difficulties involved in trying to prove company directors personally liable, attorneys and liquidators said on Friday.

They were commenting on criticism by Mr Justice Stegmann of a growing practice in the Transvaal of winding up companies "without proper use of the Insolvency Act or common law to allow creditors redress against directors who may be personally responsible"

The Judge took the unusual step in a Rand Supreme Court case on Thursday of directing a memo to creditors of a company alerting them to the need for a proper inquiry into its directors' conduct

On Friday a spokesman for a reputable trust company said liquidators would welcome greater participation by creditors who are inclined to let justice take its course

Coopers and Lybrand Trust director Clive Lansdown said creditors generally tended to stay away from section 424 of the Companies' Act because of the low success rate of proving directors' responsibility.

He said he knew of only one or two cases where applications had been successful

Wording

Lansdown said wording in this section of the Act made it difficult to prove a director's liability "How do you define 'recklessness', for example," he said

The president of the Johannesburg Attorneys Association, who asked not to be named, said it was difficult in practice to enforce the theoretical law

He said creditors in an insolvent estate reduce their dividend by spending money on investigations into directors' conduct

"Whether investigations will reveal further assets or prove directors' responsibility is always chancy," he said

"A liquidator's job is to get an estate wound up as soon as possible Taking action against directors can hold up this process," he said

He said in some provinces, like the Free State, attorneys took posts as liquidators Use of liquidation specialists and proper legal investigation would be useful

Lansdown said the law would have to be changed to encourage creditors to obtain redress against directors of insolvent companies

"For example, when liabilities exceed assets there could be an automatic presumption that directors were reckless until they proved otherwise In this way the onus would shift from creditors to the directors," he said

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More investors join bid for BAT

Own Correspondent

LONDON — Some leading players in international finance are on the verge of joining Sir James Goldsmith's £13bn bid for BAT Industries, the tobacco-based conglomerate

No deals have been signed and some potential investors may withdraw, but Goldsmith's call to provide his vehicle, Hoylake, with £870m of capital, will be heavily oversubscribed

The original plan was for the three key bidders — Goldsmith, Jacob Rothschild and Kerry Packer — to invest £250m each

But the trio has said other investors might be brought in to top up the equity to £870m

If the bid succeeds, Goldsmith and allies, advised by Michael Sorkin of Hambros, would own 31% of BAT

According to the authorative Sunday Telegraph yesterday, the list of possible investors include

● GEC, Lord Weinstock's electronics giant which is poised to relaunch its bid for Plessey

GEC vice-chairman Ronald Gierson is an Anglo director with tobacco experience, having been a director of R J R Nabisco, while GEC director Lord Rees-Mogg is a J Rothschild Holdings director

● The Agnelli family, Italy's foremost industrial clan who, led by Gianni Agnelli, control Fiat. The Agnellis have yet to flex their financial muscle in Britain

● Paribas, the French investment bank run by Michel Francois-Poncet, which participated alongside the trio in Goldsmith's purchase of the 29,9% stake in Ranks Hovis McDougall

● Pargesa, the Swiss and industrial group founded by former Paribas vice chairman Gerard Eskenazi Pargesa has recently increased its own equity base to $1,14bn

This international line-up has been attracted by the logic of Goldsmith's bid

BAT's strategy under chairman Pat Sheehy has been to use the cash flow from tobacco to diversify into highly-rated activities like financial services and retailing

But Goldsmith's backers argue that if these businesses are assembled within a more lowly-rated tobacco-based company, their capital value depreciates because their stock market rating is reduced

One potential investor says "The act of conglomeration reduces shareholder value I have no doubts about that Common ownership has added nothing to the companies inside BAT"

Goldsmith has not criticised the management of BAT's subsidiaries, but has instead attacked the conglomerate's strategy and the "architecture" of the group

A seasoned City player says "The most creative defence for Sheehy would be to demerge tobacco and give shareholders shares in it This would release the break-up Sheehy would then challenge Goldsmith to bid for both companies"

But the initial BAT defence will be regulatory Sheehy wants the junk-bond financed bid to be referred to the Monopolies Commission, while the Department of Trade and Industry might look into the ownership of BAT's financial services companies, Allied Dunbar and Eagle Star

In America, insurance regulators need to be persuaded that future owners of the £3bn Farmers group are "proper and fitting"

BAT acquired Farmers last year after an arduous campaign through the courts

The most popular cadidate is Hanson

In spite of offshore interests . . .

Cape Times 18/7/89

AAC a grassroots SA entity — Relly

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JOHANNESBURG — Anglo American Corporation (AAC) is "first and foremost" a grass-roots SA entity and has no desire to change this, says chairman Gavin Relly in his annual review

However, he says, the corporation's policy of building up its overseas interests within its own relatively limited foreign resources, and based on its technical and financial skills, will continue both directly and in support of Minorco

Although Hanson PLC's acquisition of Minorco's stake in Cons Gold will not promote Minorco's plan to become directly involved in natural resources management on an international scale, it will enable the company to take advantage of new investment opportunities from a powerful cash base

Anglo American, Relly says, is pursuing its investment programme in southern Africa.

- Some R200m will be spent this year on prospecting, much of which will be devoted to delineating new gold mining areas in SA,
- Several new mining ventures in the non-precious metals field are expected to be announced in the next 18 months,
- Mondi Paper has just announced a R110m greenfields timber project in the Eastern Cape and is planning a second Pulp line at Richards Bay and — Highveld Steel, with Samancor, is examining a project to produce stainless steel for export

Planned and projected capital expenditure by the corporation's gold, coal and industrial interests, he says, should be well in excess of R8bn in 1989/92

The corporation is keen to help develop Mozambique and may re-assume responsibility for part of the cashew nut industry which became a state activity after independence, he says.

In a more stable security climate opportunities would exist for forestry, mineral and agricultural development and the exploitation of natural gas.

The corporation's associates in Zimbabwe, he says, have been enjoying more prosperous times due to higher international commodity prices, and chrome, nickel and sugar operations have benefited.

Investments in Zambia have done well in local currency terms but the chronic shortage of foreign exchange has severely limited dividend remittances, he says

While favourable copper prices have enabled Zambia Consolidated Copper Mines to declare its first dividend in eight years, payment to shareholders has not yet been cleared.

In Botswana, Relly says, favourable prices and record production enabled Selebi-Phikwe copper/nickel mine to reduce its debt, the burden of which continues to preclude dividend payments

The R900m soda ash venture at Sua Pan near Francistown, in which Anglo American is participating with AECI and the Botswana Government, will meet Southern Africa's soda ash and salt needs, thus saving substantial foreign exchange, he says.

New equity investments by the corporation in the 1988/89 financial year included funding for the developing gold mine at Navachab, in Namibia. — Sapa

B/Day 19/7/89. (232)

Importer seeks liquidation

SUSAN RUSSELL

JOHANNESBURG importer and wholesaler Gailann Trading Company (Pty) Ltd, which has debts of R3,6m, was placed under provisional liquidation in the Rand Supreme Court yesterday

The company, which imports and sells watches brought the application for its own winding up

In an affidavit, MD Samuel Harry Newman said he held a 90% shareholding in the company while the remaining 10% was held by his wife

The company had assets of R970 000 against liabilities of R3 640 000 About R2,5m of this constituted loans to shareholders, he said

Gailann had traded profitably from its inception in 1971 until 1984 Between then and 1986, Newman said, the company suffered huge forex losses because of the drop in the value of the rand against the dollar

Further losses were incurred in 1986/87 when much of a large parcel of imported goods proved to be unsaleable

Newman said Gailann had not been able to raise urgently needed working capital

"I believe if the company should continue its business operations it will continue to incur loss to the obvious prejudice of creditors," said Newman

He added that if a winding up order was granted and the company's assets realised only 50% of their realisable value, creditors would receive a substantial dividend Return date of the application is August 29

Star 19/7/89 232

Wassenaar warns of possible corruption

Attack on State's privatisation plans

Own Correspondent

CAPE TOWN — Former head of Sanlam Dr Andreas Wassenaar, in a new attack on Government spending and bureaucracy, has warned against possible "manipulation and even corruption" in the issuing of shares to State employees when businesses are privatised

"The Government will have to keep a cool head and do some clear thinking if it wishes to avoid this possibility," he says in his latest book "Squandered Assets"

In fact the Government is not privatising, says Dr Wassenaar "It is disinvesting It is selling the family silver"

State spending

Cash raised from privatisation would "in all probability" give rise to a new spate of State spending and would "almost certainly" be used to defray current Government expenditure

Quoting from the White Paper on privatisation, Dr Wassenaar points out the outstanding understatement of the document as the following

"The attitude of personnel involved in privatisation measures is of vital importance to the successful implementation of the process"

As the personnel would be the buyers, they should not be permitted to have a deciding influence on deciding the purchase price, he said

It was self-evident that civil servants who lost their work in the process of privatisation should be compensated

But it surely was not the intention to assure civil servants that they would somehow be compensated simply because their jobs were changed from those of civil servants to employees in the private sector.

The references to personnel in the White Paper seemed to imply that the wholehearted support and co-operation of the bureaucracy had a question mark against it

"It gives the impression that concessions have to be made to obtain that co-operation"

The first document to be published after the White Paper was the Bill on transport services, which should be taken as an indication of the Government's intentions.

"The document gives the impression that the Government has learnt no lessons

He refers to the case of the service pension fund, when the only outside adviser the Government had, a consulting actuary, was sacked

The lesson was to do everything in the open and to make the maximum use of outside advice

"The Government should drop the idea of issues of shares for personnel only and at prices available to personnel only

"The Act should provide for the employment of merchant bankers to determine the price of any shares offered to the public and State personnel

"It is ludicrous of the Minister to determine the value of shares or assets of which he has no personal understanding He would be compelled to accept the advice of his personnel, who have a personal interest in the matter and therefore can't be objective"

In the last two years alone, the Government had borrowed R16 billion to meet current spending If the Minister of Finance continued to borrow sums of this dimension through the Budget, the Government would defeat its objective of redeeming the national debt

He called for a drastic cut in Government spending He said this could only be achieved through a substantial reduction in the civil service and lower salary increases

It's the end of the road for fax fly-by-night operators

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KAREN SUCHECKA

AFTER last year's rapid growth in SA's fax industry, the past few months have seen a number of changes, and indications are that a number of smaller operators may go to the wall

Underlining the imminent shakeout, Fintech has acquired 100% of Shadon Electronics, which is believed to have been up for sale for some time

Shadon MD Des Parker said "The takeover allows for more coherent decision-making than was possible when Fintech owned 50% of Shadon"

He points out that Fintech sees a strong future in the fax market, but stresses the importance of service and good quality products "The emphasis has become focused on Japanese manufactured products, rather than less reliable clones," he adds

Fastel group MD Grant Dunbar comments on the expected rationalisation in the industry "The shakeout follows similar trends in the PC market, where many operators made money by jumping on the bandwagon, believing the industry was the place to make a quick fortune However, after the shakeout, that market has been rationalised, leaving the larger concerns which are committed to the industry

We are now seeing a comparable trend in the fax market, which can be attributed to a number of factors not anticipated by the industry"

According to industry sources, a number of smaller fax operators are also in trouble

The shakeout is hardly surprising fax penetration, even when compared with some other Western countries, has been very strong in SA, with some 70 000 systems installed by the end of 1988

Until September last year, around 5 000 machines a month were being imported When Japanese sanctions on imports were imposed, Dunbar maintains that many distributors panicked and started to import large quantities of stock — through any available channel — in anticipation of a general stock shortage

"The market over-corrected, resulting in a glut of stock, and sales rocketed as importers discounted stocks to liquidate their holdings Some established players were left suffering market share losses," he said

Dunbar believes that although over-trading has continued throughout this year, creating a gross exaggeration of SA's market size, the situation has been exacerbated by large numbers of inexpensive Republic of China imports coming on to the market

"The SA industry expected to follow overseas trends and anticipated that growth would emanate from first-time buyers in small businesses, as well as orgaoic growth through demand from existing users

"But many operators did not take into account other elements inhibiting growth in these areas. Because of the weak rand, high duties and freight charges, SA consumers are paying up to six times the price of their American counterparts for machines," Dunbar claims

"The increase of GST and doubling of import surcharges, coupled with the deterioration of the rand/yen exchange rate and the hike in local interest rates has added to the situation

"Excessive competition in a shrinking marketplace has meant that many operators without adequate services, technical support and training facilities have left a large number of users high and dry," Dunbar said

Nashua marketing manager for fax and computer products Chris Scoble agrees

"With the perceived growth in the fax market last year, many people wanted to make money in the short-term They imported faxes and sold them at low prices, with no commitment at all to the market," commented Scoble

"Potential customers must beware of such operators and be sure to buy from recognised suppliers who have a good track record and who can supply essential service and back-up

"A very cheap initial price on a fax machine might mean an expensive mistake if vendors can't provide after-sales service"

This view is supported by a spokesman from Minolta and other large industry players

Sound finances

Dunbar adds that most banks are reluctant to lend money to prospective buyers unless suppliers have stable financial and after-sales and support track records, which means that suppliers must have the financial muscle to buy machines back from the bank if users cannot fulfil repayments

Both Scoble and Dunbar concur that management skills and not lucky breaks or price cuts will ensure survival in the fax market

"Against this backdrop, coupled with the fact that the market is levelling off rapidly, we believe casualties will be the order of the day," Dunbar concludes

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Supreme takes over Sam Steele for nearly R40m

B Day 19/7/89

CHARLOTTE MATHEWS

CASH-STRAPPED furniture company Sam Steele Holdings has been taken over by financial and industrial holding company Supreme Bond Trust in a deal worth about R40m

Supreme Bond Trust is the holding company of Supreme Industrial Holdings, previously Mewa Holdings

Sam Steele's main manufacturing division is Steel and Barnett, a veneered board, bedroom furniture and kitchen cabinet factory outside Johannesburg The retail division is the Protea Furnishers chain with 75 stores around the country

For the year to August 1988 Sam Steele posted an attributable profit of R2,3m against R1,4m for the previous year, but the total dividend for the year was 2c a share compared to 1987's 4c. Gearing was 152%, the highest for five years.

Supreme Bond Trust has acquired for R38m claims of R45m by banks against Sam Steele In addition, the 49% stake of Joe Berardo's Johannesburg Mining and Finance Corporation in Sam Steele has been bought for R1,47m, representing an offer of 20c a share. This will give Supreme an 88% holding in Sam Steele

Resume

An offer of 20c a share will also be made to the remaining shareholders, which, if taken up, would cost another R1,5m.

Subject to shareholder approval, Sam Steele will issue to Supreme 50-million shares at 20c each, by capitalising R10m of the claims of R45m

Sam Steele shares were suspended at 35c last week and trading will resume today

Supreme financial director Roque Hafner said last night the existing board members of Sam Steele would remain and they would be joined by Supreme chairman Edward Ronbeck, Herman Erdmann and himself

"In due course the main board will be reconstituted," he added

"Supreme is always looking for acquisitions We saw the opportunity and having the available cash resources we decided to buy the company to turn it around as a viable venture We already have manufacturing interests and this acquisition will give us a retail interest"

Supreme Industrial Holdings has interests in stainless steel products through Mewa Manufacturing, and in cold rooms, refrigeration units and insulated panels through Insulated Structures

B/Day 20/7/89 232

As market booms, new ideas arise

CREDIT Guarantee Insurance Corporation (CGIC) is to launch three new products tailored to meet the market's needs.

Its new policies are targeted at the large company, small businesses and those who require pre-delivery cover.

CGIC technical control and development GM Rodney Smit says CGIC sees much scope in the market for larger companies.

CGIC is now introducing an abnormal loss policy which will be offered to companies with tried and tested credit control management procedures.

Large companies are prepared to absorb a certain level of loss. The new policy covers abnormal losses above this set level.

Smit says it is a "catastrophe-type" cover with a relatively lower premium than would be the case if all losses were covered.

Another new product is targeted to meet the needs of the smaller business with an annual turnover of under R1m and fewer debtors.

In terms of the policy, the small businessman can approve any of his debtors up to R15 000 on the basis of a bank report or favourable past trading experience.

Fixed

He is permitted up to five creditors to whom he owes more than R15 000 and CGIC will isssue the limits on these.

The premium is fixed and is adjusted each year according to the incidence of claims on the policy.

The third new policy will cover pre-shipment requirements for both local and export orders.

CGIC's existing pre shipment cover for exports pertains mainly to political risks.

RODNEY SMIT

The pre delivery policy will cover both specific and non specific goods.

It extends the protection offered by CGIC allowing cover from the date a contract is received right through to delivery and payment.

The new policy covers insolvency of the buyer during the course of manufacture and repudiation or unwillingness to accept the order.

It also covers cases where orders are cancelled on the basis of adverse information received about the buyer. When this happens post shipment cover will be withdrawn but CGIC will pay out the preshipment cover.

Pre delivery cover must be taken out with the post delivery cover but the latter may be taken on its own.

Smit says CGIC has also restructured its organisation into fifteen business units on the operational side.

Each unit will look after a number of products in geographic and industry areas in order to develop a level of specialisation in them.

Interest

Previously, the short-term domestic division was separate to the export side. Now combined, each unit deals with the same policy holders no matter what their requirements are.

With the downswing of the economy, claims should increase and greater interest in credit insurance is expected, says Smit.

With stable economies overseas, changes in export business are not anticipated in the near future.

However, with negative political perceptions of SA CGIC's export business could even grow, says Smit.

Enter a new player

CREDIT Underwriting Agencies Limited (CUAL) entered the credit insurance market this month in competition with Credit Guarantee Insurance Corporation (CGIC).

CUAL MD John Manners says his company opened its doors on July 1 to offer an alternative in the market place.

Last year, the premium volume of domestic credit insurance was R40m, which covered trade transactions of R5bn.

But Manners believes the market remains largely untapped and because of this scope CUAL's entry into the market will not result in a premium price war.

However he says the competition will be healthy for the industry and the consumer.

Manners says CUAL has the necessary skills it requires as a domestic credit insurer. It also has a comprehensive information base to underwrite risk and the expertise to assess risk.

Its major shareholder is Commercial Union with a 35% stake, followed by Hollandia Reinsurance and Kreditinform, both with 25%. Management holds a 15% stake.

Manners says CUAL can widen its base of business through sophisticated computer systems and with the support of its specialised brokers.

Its computer systems will enable it to take on the credit insurance administration and have access to information which can be manipulated and fed back to clients in the format of dynamic management information.

The system will also allow CUAL to monitor a client's book debt performance and relate back to him information on the industry in which he operates.

'We believe our computer system gaurantees the speed and quality of service essential in the volatile field of credit management' says Manners.

CUAL offers the full range of traditional credit insurance products, as well as a range of innovative products not yet offered in SA but available in Europe.

At this stage the new company will only offer domestic credit insurance but intends to move into the export market in the future.

'We collect, they cry'

EX BOXER and debt collector Jimmy Abbott believes he is more successful than other collectors because of his reputation as a "bad guy".

Abbott is a manager at Jumbo Debt Collectors, which specialises in debt tracing, special investigations and actual debt collection.

"We collect and they cry. A lot of people know me as a bad guy and this helps my business a lot," he says.

"I am not interested in any violence. The other guy may, however, get a bit nervous because he thinks that I am going to break his legs."

Progress billing works

PROFESSIONAL firms and suppliers of services do well by adopting a progress billing philosophy".

Aiken & Peat management consulting director Dion de Beer says professional firms from engineers to auditors and management consultants add value to the remuneration paid to individuals.

As salaries increase with high inflation and the need to retain the best personnel firms cannot afford to build up work in progress and only receive payment months after work has been started.

Good credit management demands that they bill clients progressively as work is completed and before delivery of the final product.

This requires clearly defined contractual agreements and trust that delivery of the completed service will take place says de Beer.

"The progress billing philosophy also enables the professional firm to withdraw temporarily or permantly if payment of the progress billing does not take place' says de Beer.

The first step to collect

THE first step in collecting an account receivable is ensuring that the credit has been carefully granted. And collecting efficient information must precede any sound credit decision.

Kreditinform says in the past credit managers concentrated on whether payments were likely to be received at all.

Modern credit managers however take into account the possibilty of material loss to their company from slow payment.

The increased cost of carrying slow accounts due to higher interest rates is the reason for this change in attitude.

The task of the credit manager is to determine the risk his company should take in the extension of credit.

Kreditinform believes that the endeavour of the credit manager is not to reject a potential customer that may be somewhat marginal but to find ways in which his company can profitably do business with that company.

It is this degree of risk that will determine the amount of information required in order to make a profitable credit decision.

Kreditinform says a question not asked often enough is whether a creditor can profitably sell even more to a particular debtor. The effective use of credit information can go along way to address this problem.

The amount of credit to be extended is an important factor in the decision on the amount of credit information that needs to be collected.

It would be a total waste of money to obtain indepth information on a customer when the amount of money at risk is very limited.

Kreditinform says the net profit a company makes on a sale will affect the amount of credit information required because a sale with a high degree of profit gives the company a little bit of extra leeway in the event of a slow paying account or even a bad debt.

In other words a company that has a high profit element can afford to be slightly more lenient in the granting of its credit and càn take a higher risk than a company with very small margins.

Overtrading is prevented

MOST businesses have gone through a cashflow crisis at some time in their history and, it is too easy to kill a business unnecessarily because it has a cashflow problem

Robertson Reports' head Emlyn Robertson says credit bureaux, therefore, have a responsibility to the company or individual who is being assessed

Irresponsible reports can put the company investigated out of business. B|Day 20|7|87

However, correct assessment by looking at the total picture can at times prevent the credit seeker from overtrading and destroying his own business

Robertson says alternatives can often be offered to stop a viable company with cashflow problems from going into liquidation while still allowing the creditor to secure himself (232)

Possibilities for takeovers limited by tight controls

B|Day 20/7/89

(232)

NEIL YORKE SMITH

SA COMPANIES afford prime opportunities for aggressive investment tactics, says an analyst for a leading stockbroking firm.

Many trade at below net asset value, are overgeared and have strayed from their core business.

But UAL Merchant Bank's Alister Colquhoun says the potential for SA takeover artists is limited by concentrated control of SA business and the use of corporate pyramids to control companies and ward off predators.

Under such circumstances independent investment teams have little chance of influencing company policy.

This is in contrast to America and Europe where undervalued companies are prone to takeovers and "strategic block investing" techniques which yield high returns for investment teams.

A Fortune Magazine article discloses how dynamic investment groups look for overgeared but undervalued companies in which their "strategic block investing" technique can be used to generate large profits.

The team acquires a large portion of the target company's shares and uses its leverage as a major shareholder to influence management decisions.

The team requires management to act in the shareholders' best interests. This involves restructuring the undervalued company and ensuring a re-rating of the share price.

Management is encouraged to slash expenses, sell underperforming assets and improve returns on shareholders' equity. Overheads are cut, operating margins improved and the company becomes highly profitable.

Selling under-performing assets and non-core businesses enables the company to strengthen its balance sheet and reduce debt.

Debt is reduced and excess funds are used to finance further profitable investments. The interest bill is reduced.

The "strategic block investing" technique is used to transform an inefficient company into a lean, profitable and often acquisitive group.

The company undergoes a market re-rating and the investors dispose of their holdings, earning high profits.

Edworks creditors keep business going

CHARLOTTE MATHEWS

EDWORKS' creditors were financing its continued operation to ensure the highest price was obtained for the business as a going concern, the company's liquidators said last night. (232)

"If we closed all shops we would wipe out huge goodwill and the ability to sell the assets at a reasonable price," they said. (BDay)

Several buyers have shown interest in the company. B/Day 20/7/87

FSI Corporate Services has secured the shares from the Dodo family, attorney Michael Krawitz and jeweller Robert Schwartz, but possible buyers for the assets include Conshu, Amrel and Beares.

"Although Edworks is commercially insolvent because it has a major cash problem, it still has balance sheet solvency," the liquidators explained.

Union in talks with Mobil on workers' trust fund

CAPE TIMES 26/7/89

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Own Correspondent

JOHANNESBURG — The Chemical Workers' Industrial Union (CWIU), which has already won from US-based Mobil a R6,5-million payout for employees as compensation for disinvestment, yesterday met a senior company executive to discuss massive financing for a trust fund

General secretary Mr Rod Crompton confirmed the meeting here with Mobil's international employee relations manager Mr Don McLucas, held to discuss "the two outstanding issues demanded to ensure a fair disinvestment procedure".

The second demand is for disclosure of the contents of the agreement of sale between between Mobil Corporation and Gencor

The union previously expressed its desire to establish a trust which would fund a variety of social projects

Mr Crompton said the parties had agreed not to make public the contents of their "frank" discussions

But, he said, Mr McLucas had listened carefully to the union's views

Mr McLucas could not be reached for comment

Creditors can check directors' liability

B/Day 20/7/89 (232)

SUSAN RUSSELL

A RULING by a Rand Supreme Court judge yesterday will enable creditors of three insolvent companies to ascertain whether or not the directors and officials of the three are personally liable for claims due to fraud, negligence or recklessness

In each instance the companies — Trueboard Furniture, Equipment Purchase & Progress Services and Ian Grant Construction — had applied for their own winding up on the grounds that they were unable to pay their debts in full

Mr Justice Stegmann provisionally wound up two of the companies and extended the return date of the third to allow compliance with his ruling

The judge also instructed the Master of the Supreme Court to ensure that the reports from liquidators to creditors contained full particulars as to whether the books and records and information from creditors themselves revealed

☐ The earliest date on which the company lost its issued share capital,

☐ The date on which each director and official knew the company had lost its share capital and was trading in insolvent circumstances,

☐ Whether any director or official caused the company to obtain any goods and services on credit without first disclosing to these suppliers that the company was trading in insolvent circumstances

A copy of the provisional winding up order of each company is also to be served on creditors by registered post

Mr Justice Stegmann's ruling yesterday comes after he made an order in a similar application last week in which he directed a note to creditors showing they could investigate obtaining redress for their claims from directors personally

Last Thursday Mr Justice Stegmann asked counsel acting for the three companies referred to in yesterday's judgment to address argument as to why a similar note should not be sent to creditors

In his judgment, Mr Justice Stegmann said debate had shown another way to ascertain personal liability of company directors and officials

☐ To Page 2

Liabilities

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☐ From Page 1

"The Master of the Supreme Court supervises the liquidator's functions," he said

"It may be sufficient to direct the Master's attention to a case in which there appears to be evidence before the court suggesting a proper performance of the liquidator's duties must be insisted upon in the interests of creditors

The judge said the facts determining the personal liability of directors and officials must be extricated from the company's books and documents and recorded in the liquidator's report to creditors

Mr Justice Stegmann said cases where this approach was applicable were those where the applicant creditor seeking liquidation of a company was a director of that company, and companies which applied for their own winding up on the grounds that they had lost their issued share capital and were unable to pay their debts

Mr Justice Stegmann said a company director carried on business fraudulently if he knowingly exposed creditors to the risk that their claims might not be paid in full on the due date

"This he does whenever he knowingly causes the company to trade in insolvent circumstances and orders goods and services on credit without previously disclosing to the supplier the risk of non-payment" said the judge

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Business Day SURVEY

*In 20 years the nature of business and the credit environment has changed drastically Also, liquidations and sequestrations are climbing steadily as high interest rates and a cooling economy begin to bite. Fraud, credit insurance, massive bad-debt records and the antics of ex-boxer and debt collector Jimmy Abbot are some areas covered by **ZILLA EFRAT,** who reports on credit control and management.*

Warning signals

AS MONEY gets tighter, people generally become more alert for credit fraud, says SAP HQ commercial division's Maj Jan Herholdt

Herholdt advises companies to:

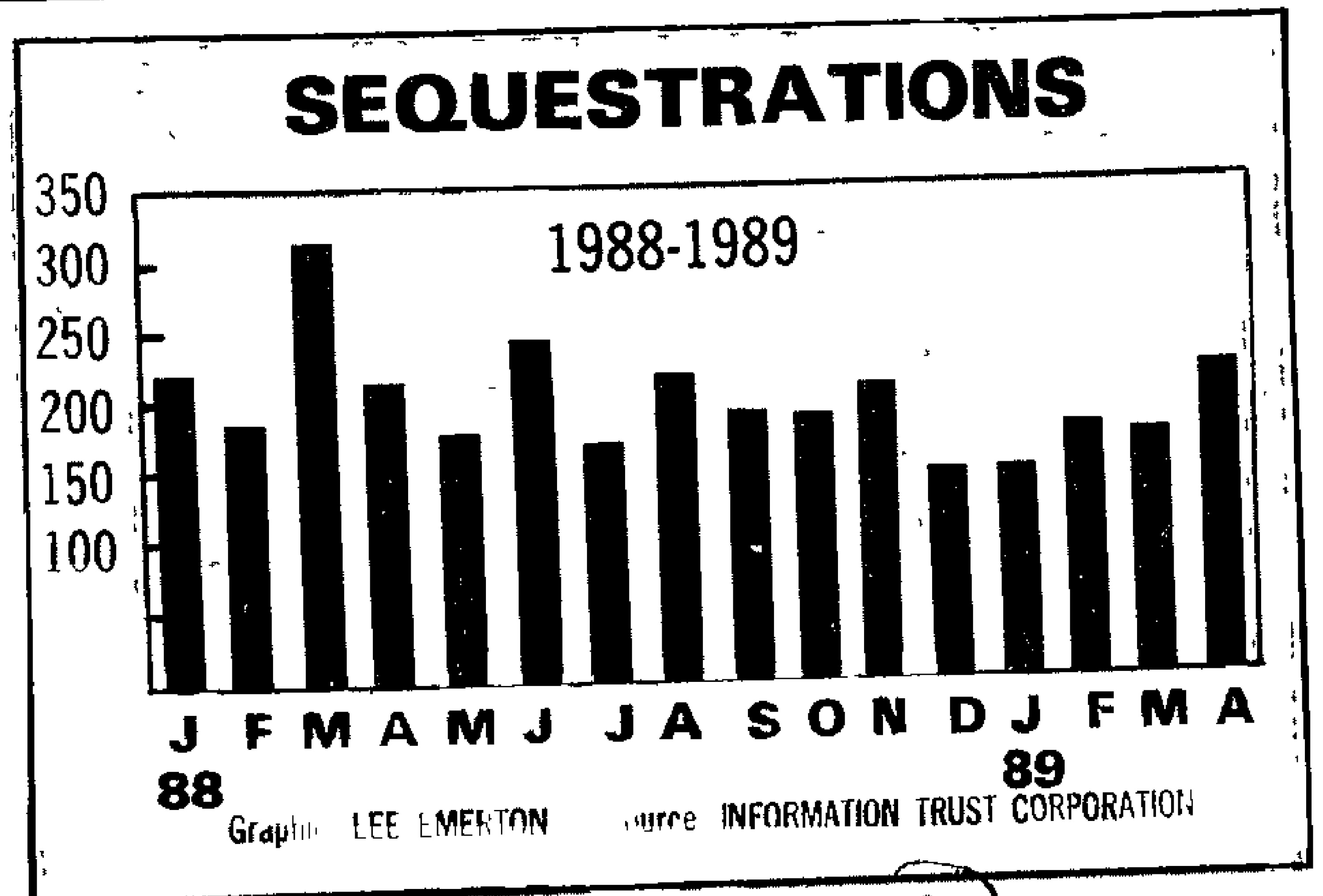
- ☐ Check credit references thoroughly as they may be pre-arranged,
- ☐ Check a trade reference's phone number against that listed next to its company name in the phone book;
- ☐ Ask trade references for records of their dealing with the company applying for credit,
- ☐ Evaluate the person who is giving the reference in terms of credibility,
- ☐ Check how long a company has been in existence;
- ☐ Ask for a company's articles of association;
- ☐ Not to be taken in by titles like company director;
- ☐ Ask individuals applying for credit to produce their ID numbers, and
- ☐ Ask to see the books of a company requesting credit.

He also says the final credit decision should lie with the credit-control manager, not the sales person, who has a vested interest in targets and commissions

According to Kreditinform, warning signals for credit fraud include

- ☐ Use of long-registered companies as a vehicle for an operation to establish credibility,
- ☐ Deliberate build-up of sources of supply to include major "blue-chip" companies which receive prompt payment to enhance credit track record;
- ☐ The confusing use and transposition of first names of company directors to avoid requests for payment,
- ☐ The lack of stock visible to any suppliers who visit a warehouse and the immediate transhipment of incoming goods,
- ☐ The total refusal by a company to provide security requested for credit or to operate on a COD basis;
- ☐ The provision of inadequate trade references, which includes dubious small companies, and
- ☐ The spreading of misinformation

4 September 1989.



Scoring in the future

CREDIT scoring is fast becoming part of consumer credit-granting in SA and 50% of all consumer credit will be passed through credit scoring of some kind in five years' time, says Kreditinform MD Ivor Jones

In the USA, about 80% of all credit goes through such a system

Jones says it is vital for companies to maintain their turnover growth At the same time, they must balance the risk of granting credit against losing a sale

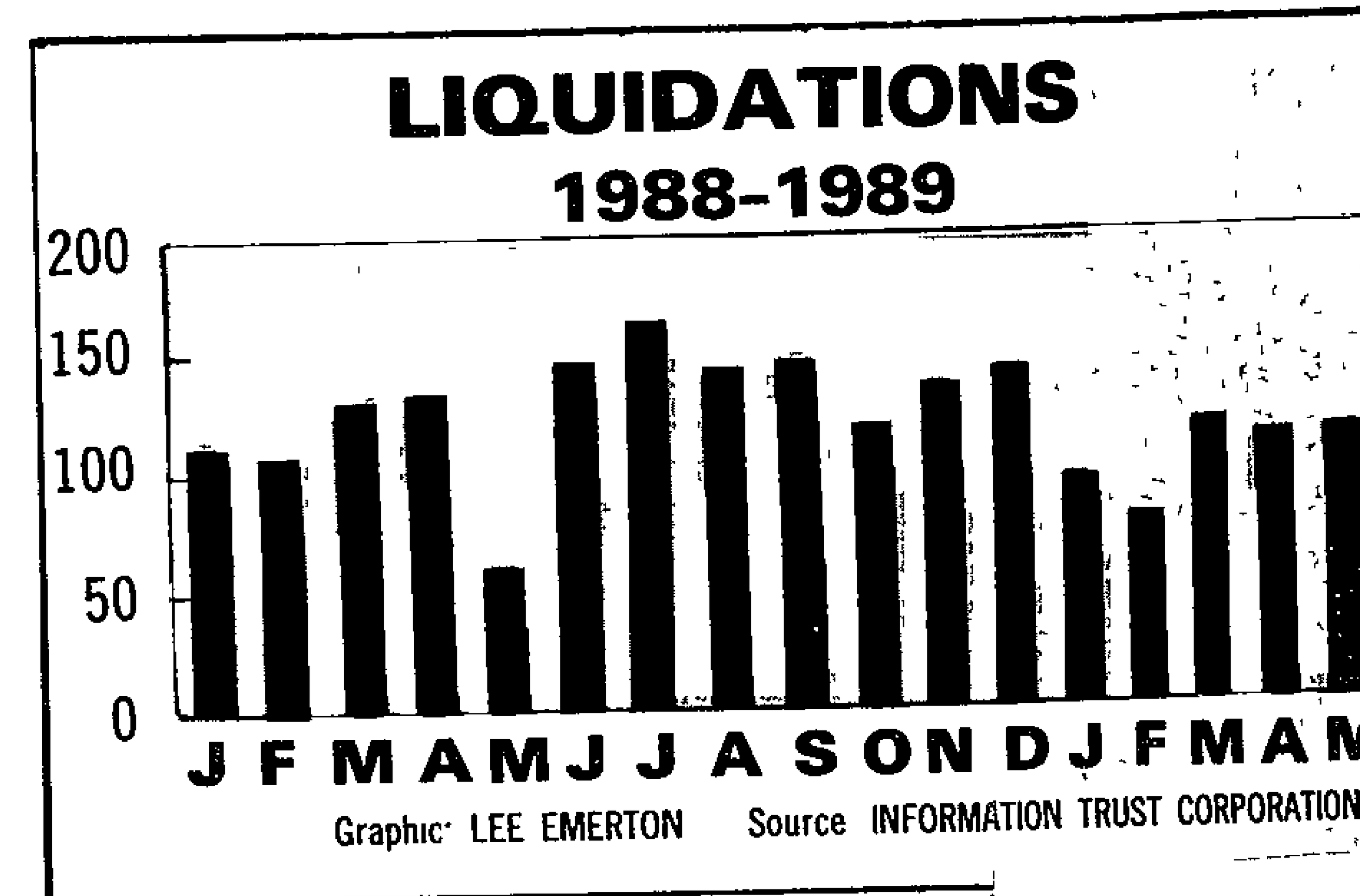
Kreditscore, a revolutionary software package, is an important consumer credit vetting tool and is suitable for use on PCs and the largest computer networks in the biggest of retail chains

It operates on a statistical-model basis, taking into account geographic, demographic and psychographic information

It rates the individual according to the company's existing debtors' profile

It records all the consumer data for invoicing and subsequent database analysis, allowing companies to monitor payment trends and identify profitable market segments for marketing promotions

Kreditscore is specifically designed for the SA market



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Credit control: a matter of survival in the 1990s

THE slowing down of the economy, high interest rates and inflation make good credit control and management essential if companies are to survive in the harder periods ahead

Today's credit managers operate in a changed environment with their decisions influenced by interest-rate fluctuations, changes in business morality and increased fraud

But many sophisticated tools exist to enhance a company's credit control and management in order to reduce the risks of delayed payment, bad debt and fraud

These include huge databases of on-line consumer and corporate credit information, indepth credit reports and advanced statistical packages to analyse industry and consumer credit trends

Factoring, fast growing in SA, offers companies the opportunity to factor their debtors books for raising funds required for growth, while at the same time benefitting from the credit management expertise of factoring houses

Credit insurance also offers valuable protection against the devastating effects of debtors defaulting or going into liquidation

With the downturn in the economy, a higher incidence of companies over-extending their facilities is generally expected, but the massive liquidations experienced in 1985 and 1986 are not anticipated

IVOR JONES

Trends

Kreditinform's "Kiss" system shows that in all industries, there is an overall worsening payment trend at present

A recent Kreditinform survey shows that most companies are expecting stable to deteriorating payment trends across all industries in the next six months

Liquidations of companies and sequestrations of individuals are also beginning to climb, but off a low base

SA's economy has been stronger over the last two years compared with the recessionary period of 1985 and beginning of 1986

Figures obtained from Information Trust Corporation (ITC) show that company liquidations increased 2,6% in May to 118 from 115 in April this year

Individual sequestrations rose 26% from 173 in March to 219 in April

However, the overall trend seems to be down on last year

The 534 liquidations in the first five months of 1989 is slightly lower than the 556 in same period of 1988 And the 721 sequestrations in the first four months of 1989 is 21% down from the 941 in the same period in 1988

But the industry is generally expecting an upward trend for the rest of this year

According to Kreditinform, companies should be taking a critical look at their debtors ledgers and evaluating debtors from a risk point of view

Advice

They should be re-establishing accurate credit limits and ensuring that on the higher risk, larger exposure debtors have some kind of surety or insurance to offer

Kreditinform MD Ivor Jones advises companies not to manage by exception, but to manage their entire debtors' book as professionally as possible

An important factor within a company is the prominence given to its credit control department It should never be over-ridden by the sales department, which has vested interests in achieving targets and commission

Jones says that in his 17 years in credit control, he has seen the stature of the credit manager change from a back-room operator to the situation where a number of listed public companies have credit directors

More going bust

LIQUIDATIONS of businesses and sequestrations of individuals are beginning to climb as the effects of higher interest rates and a slowing economy begin to bite

Information Trust Corporation (ITC) executive chairman Paul Edwards says the latest statistics for May show an increase of 2,6% in business liquidations and a 26% rise in individual sequestrations for April

However, he says these are off a low base as individuals and businesses have been in a much stronger financial position over the last two years compared with the record level of failures in 1985 and 1986

In fact, comparing the first five months of 1989 to the same period in 1988, the total number of company liquidations is down by 4%

A similar comparison with individual sequestrations shows 21% fewer sequestrations have taken place in 1989

But Edwards expects the trend to be upwards for the balance of 1989

"There is a six month lag after the start of a recessionary phase in the economy Right now our research indicates that more and more businesses and individuals are experiencing cashflow problems"

Edwards, however, believes there is still a strong underpinning of demand in the economy

Enquiries into ITC's credit databases, which provides credit information used by the banking, commercial and retail industries, have remained strong, indicating that the demand for credit is still strong

Interboard docket linked to Hill inquiry

15 Wm 21/7/89 EDWARD WEST 232

A POLICE docket on Interboard's financial affairs, already handed to the Witwatersrand Attorney-General's office, is to be studied by the public prosecutor formulating charges against insolvent South African businessman Oliver Hill.

Witwatersrand Attorney-General Klaus von Lieres und Wilkau said the prosecutor had asked to see the Interboard docket to aid his preparation of a case against Hill.

Von Lieres said a parallel inquiry into Interboard's affairs was in progress

He would not disclose further details as the official handling Hill's case was on holiday

A warrant of arrest has been issued for Hill, who is in London

Hill is alleged to have committed foreign exchange frauds involving to R170m

In a recently-published interview, Hill claimed his forex transactions were legal in terms of exchange control regulations applicable at the time

In August 1987, a financial magazine alleged in an article that Interboard was under investigation by the Reserve Bank for forex irregularities

Newly-appointed Interboard chairman Dave Olson said from London that it was the policy of its main shareholder — Netherlands-based Interboard Holdings BV — to re-invest all its dividends through the finrand mechanism

"These transactions have the approval of the SA Reserve Bank," Olson said

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EUREVEST BUYS COMPUTERMATIC SUBSIDIARIES

CHARLOTTE MATHEWS

EUREKA subsidiaries Eurevest and Computermatic have announced Eurevest's acquisition of Computermatic subsidiaries TL Electronics, Micrographix and The Video Facility House for a total consideration of R16m.

They said today part of the purchase price would be settled by Eurevest's issue of 7,2m ordinary shares of 1c each to Computermatic. Computermatic undertook to distribute its right to 7,166-million of the Eurevest shares to its own shareholders on the basis of 35 Eurevest shares for every 100 Computermatic shares held.

Eurevest entered the JSE as a split-off from Ronnie Price's company Eurefin in September last year. Its wholly-owned subsidiaries are machine tool company Atlas-Utas, plastic outdoor and leisure furniture company Durafurn, and investment and financing company Utas Investments.

Eurevest directors say these acquisitions will broaden Eurevest's distribution and service activities. They will enable Eurevest to be better prepared for cyclical swings.

For the year to February, Computermatic reported increased market share for both Micrographix and TL Electronics, but Computermatic Bureau, which is being retained, had problems with software development and the performance of new hardware.

Motor spares firms in merger rumours

B/Day 21/7/89 (232)

EDWARD WEST

THE growing R5bn motor spares industry is becoming increasingly polarised as inflation takes its toll and fewer people are able to afford new cars.

Analysts said yesterday tangible evidence of the rationalisation of the spare part industry were four cautionaries announced in the past two weeks by four spare parts retailers and wholesalers listed on the JSE.

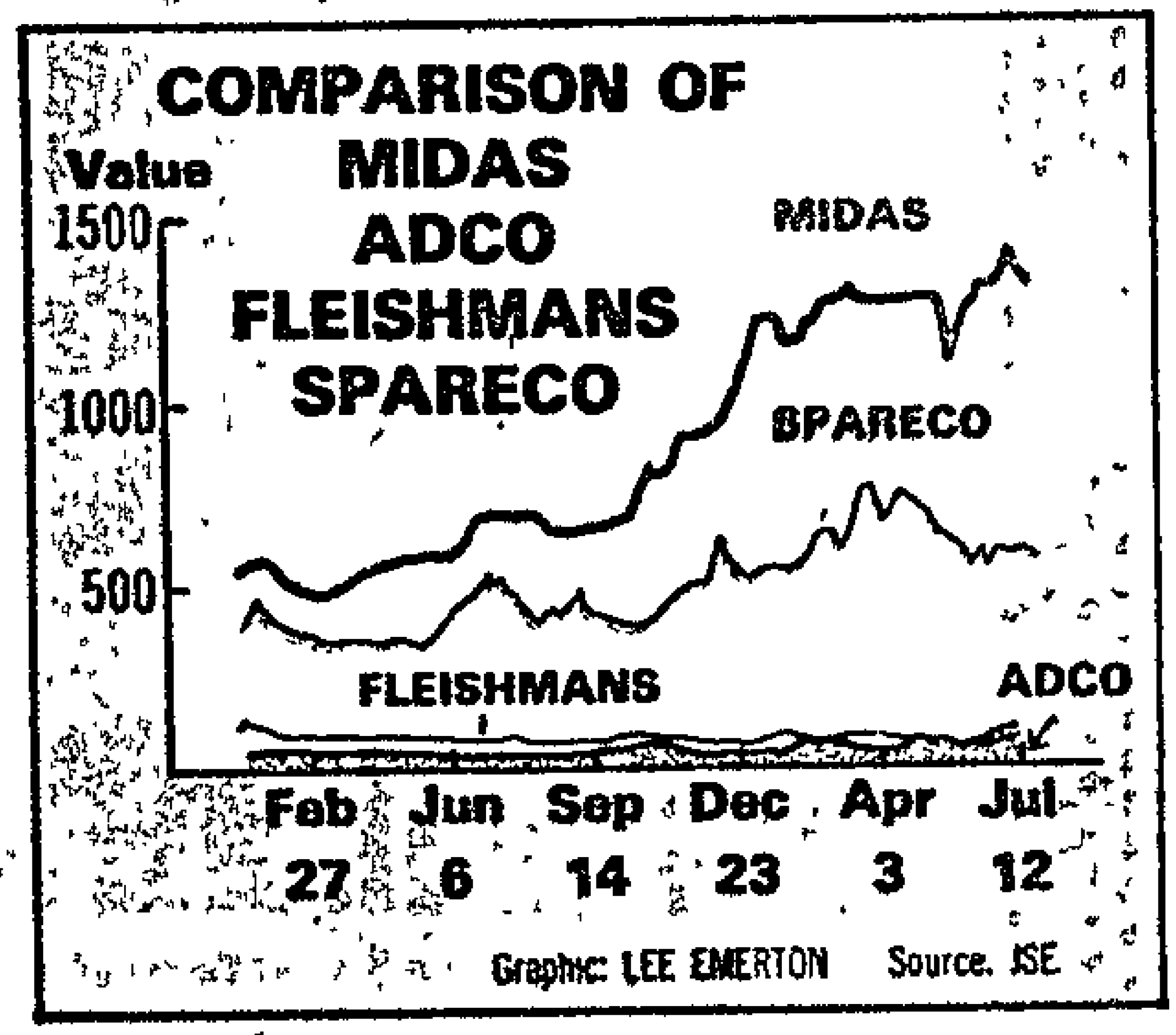
Motor vehicle spares retailers and wholesalers Associated Diesel (ADCO), Midas, Spareco and Fleishmans issued announcements warning investors to exercise caution in dealing in their shares.

Speculation is rife in the Press and on the market as to which of these companies will acquire the other. One speculating analyst said all four could combine.

Spareco, one of the fastest growing companies on the JSE, is believed to be looking at acquiring Fleishmans, while leading motor parts distributor Midas is believed to have its sights on Adco.

Fleishmans plans to develop more retail outlets. Adco may expand its manufacturing operations, possibly in conjunction with an overseas licenser. Midas and Spareco are both looking for acquisitions. Spareco and Midas are involved in a marketing tie-up which could see Spareo's turnover reach R100m by the end of the year.

The latest Bureau for Economic Research quarterly analysis says spare parts dealers "again enjoyed vigorous sales and are brimming with confidence". Orders for spare parts continued to grow but are expected to level off in the third quarter.



Spareco MD Errol Wupperpfenig said yesterday the spare parts industry was becoming increasingly competitive. Vehicle manufacturers were also entering the spare parts market. Prospects for the industry were bright with inflation pushing the price of new vehicles out of the range of most of the public. More people were keeping vehicles for longer.

The do-it-yourself spare parts market was growing fast. It was becoming increasingly expensive for the public to send their vehicles to garages to be repaired.

Fleishmans MD Geoff Ernshaw said the industry was growing rapidly. The growing black taxi and second-hand car market lent itself to the growth of the industry.

Richemont in £21,2-m sale

Richemont has sold its entire shareholding in Fosforers Espanola SA to Mr D Ildefenso Fierro Jimenez-Lopez and other associated parties at an aggregate price of £21,2 million

This transaction should result in an annualised profit for Richemont of some 30 percent of the funds invested

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More go to the wall

Q32

S Times 23/7/89

LIQUIDATIONS of both individuals and companies showed a marked increase in May, says Information Trust Corporation executive chairman Paul Edwards

Company liquidations in May were up by 2,6% on the previous month and individual liquidations rose by 26%

Mr Edwards says the increase is a result of the slowing of the economy and higher interest rates, but points out that it is off a low base

Businesses and individuals are in a much sounder position than they were in 1985 and 1986 when failures were at record highs

However, the number of company liquidations in the first five months of this year was 4% down compared with the same time in 1988 The number of individual liquidations fell by 21%

teens."

Freshmark rents its premises, but it has taken over about 100 trucks, most of

fast, efficient distribution should increase this trend and open up new opportunities for us."

FSI in Edworks bid

JEFF Liebesman's FSI Group has made an entrepreneurial swoop on the shares of Edworks, which is in provisional liquidation. (232) ST Times

It has agreed to buy the shares of the Dodo brothers even though they do not appear to have much value. 23/7/89

As a shareholder, FSI would have considerable say in the fate of Edworks. Shareholders, as well as creditors, vote on schemes of arrangement.

FSI director Terry Rolfe says FSI would be interested in Edworks manufacturing and retailing interests "at the right price".

Analysts say FSI's approach to the Dodos must be conditional because if offers of compromise from other parties, such as SAB, Amshoe, Jaguar or Focus were to succeed, the shares would be virtually worthless.

By Ian Smith

Checkers sells veggie arm to ex-managers

S Times 23/7/89 232

SUPERMARKET giant Checkers has hived off its fresh produce division in a multi-million-rand management buy-out.

Eight former members of the staff, backed by Standard Merchant Bank, now control independent company Freshmark, which is on course for turnover of R150-million to R200-million in its first year

Its biggest customer is Checkers Freshmark supplies and stocks the fresh-fruit and vegetable departments of the 172 supermarkets in the chain

Freshmark deputy managing director Brian Kusel says "But we are free to supply other organisations"

Mr Kusel was general manager, fresh produce, at Checkers

Equity

Freshmark managing director Danie Kieviet was on the main board as group director, service companies, and he was managing director of Checkers Meat Market until the takeover on July 1

Standard Merchant Bank structured the deal and financed the management consortium The bank has retained a stake in the new company, but it can be diluted when debt is reduced Control remains with the consortium

Checkers deputy managing director and chief operating officer Sergio Martinengo says the move is in line with the group's decision to "stick to its knitting"

"We are in the supermarket business, but we inevitably became involved in other operations which provided essential services for our stores It is our policy to let these go free wherever possible, but we can still buy the services we need from them

"This policy enables us to remain dedicated to our core business and gives us more flexibility At the same time it enables the management and staff of the 'privatised' companies to become more motivated They can break out into the big wide world"

The first division to be taken over by a management buy-out was a small shop-fitting division established by Checkers and operated in the group before going on its own in 1987

Depots

It was followed by a small ice-cream manufacturer Both operations still supply Checkers supermarkets

"We are pleased with our relationships with all the MBO companies," says Mr Martinengo "Freshmark has started well We hope to have some preferential service from them, but they are free to do their own thing"

The early MBOs were much smaller than the fresh-produce division

Freshmark has a staff of more than 600 and six depots — in Johannesburg, Durban, Port Elizabeth, George, Cape Town and Bloemfontein — from which it will supply customers

Mr Kusel says "We will buy, package and distribute fresh produce to retailers and any other organisation that will deal with us"

BRIAN KUSEL

The company will concentrate on the catering industry and the institutional market, including mines and canteens

Freshmark rents its premises, but it has taken over about 100 trucks, most of them refrigerated or insulated, to handle distribution

"We are backed by 350 farmers and co-operatives who supply us direct, and we have buyers at all the main produce markets," says Mr Kusel

The company's buying policies are already showing dividends, with a negative inflation rate over last year in the early weeks because of much bigger volumes

"The response to the takeover from the staff has been tremendous Fruit and vegetable consumption in SA is not high by world standards, but it is increasing.

"Good buying, packing and fast, efficient distribution should increase this trend and open up new opportunities for us"

FSI in Edworks bid

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232 187 S Times 23/7/89

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Iscor: buy of a lifetime

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Diagonal Street

Star 25/7/89

DEREK TOMMEY

Are you planning to invest money in shares in the near future?

If you are you should wait until Iscor makes its share offer in October.

Early indications are that the issue could be the bargain of the year — and possibly the decade

Iscor directors were not too forthcoming about the share issue at a briefing in Pretoria yesterday

There were too many details still to be decided, they said

Before they could be more specific about the terms of the issue they needed to a get a better idea of how many Iscor shares the market wanted to take.

But some important points did emerge

The first was that the offer was likely to be extremely attractive.

It was suggested that the price was likely to be pitched so that the earnings yield exceeded the inflation rate of 15,7 percent

This means that the issue price is likely to be six times earnings, which will make the share well worth having

Highveld Steel is standing at a P/E ratio of 8,8, while Usko, owing to its new investment in vanadium, is on a P/E of 19,7.

Shares in Amic, a company of similar stature to Iscor, are on a 9,9 P/E. Another major company, Barlows, is on a P/E of 11,2 and Murray & Roberts on 16,9

A second point was that the small investor would get red-carpet treatment.

It is planned to have two share allocations — one for the financial institutions and one for the private investor.

Iscor's chairman M T de Waal made it clear that small investors would be favoured — even if this meant Iscor finished up with 150 000 shareholders.

The third point is that Iscor is riding the crest of a wave that is likely to lead to strong profit growth for several years ahead.

The steep increase in the oil price in the early 1970s plunged the world's steel industry into a major depression.

It only began to emerge from it two years ago when the mass closure of high-cost mills together with heavy investment in increasing productivity and product quality began to pay off.

This has has given the steel industry an edge over substitute materials, which it seems unlikely to lose.

The edge is already paying off handsomely for Iscor.

Profit figures for the financial year to June 30 will not be issued until mid-September.

But hints dropped by the directors suggested profits could be at least 40 percent higher than in 1987-88.

A further sharp increase in profits is expected in the current year, a trend that should continue intoe.

All told, the Iscor share issue looks like being an overwhelming success.

This is the time, therefore, for everyone, and not just investors, to start saving up in preparation for what is increasingly beginning to look like a once-in-a-lifetime opportunity to buy a stake cheaply in what seems destined to be one of South Africa's most profitable enterprises.

Star 25/7/89

Economic growth linked to privatisation

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By Jabulani Sikhakhane

South Africa needs privatisation and deregulation to strengthen its market mechanism if it is to continue enjoying economic growth and remain a capital exporter

The Bank of Lisbon *International-Economic Focus* says SA needs to improve the scope of entrepreneurial activity and facilitate a more efficient allocation of resources

If developing countries are to make an improvement in current account positions, while maintaining adequate growth rates, they need to direct more resources to improving their balance of payments situations

However, the *Economic Focus* warns that the greater the role of the public sector in the economy, the more difficult it can be to re-allocate resources

Similarly, the relative size of the public sectors in debt-burdened countries influences the ease with which economic adjustments can take place

South Africa's economic adjustments in recent years have been hindered by increased public-sector spending

Government consumption expenditure rose to 19,4 percent of total gross domestic expenditure in 1988 from 14,9 percent in 1980

The Government should have cut its spending, rather than penalising the private sector by means of a loan levy, the *Economic Focus* says

Small investors to get big chance

(232)

BDay 25/7/89

Iscor's JSE listing set for November 8

ROBERT GREIG and CHERILYN IRETON

ISCOR will be listed on the JSE on November 8.

Institutions and small investors will be invited to participate in two separate share offers before the flotation.

MD Willem van Wyk said in Pretoria yesterday: "There is no reason for the state to continue to retain control of Iscor. It has been run and managed successfully as a private company."

Iscor's initial capitalisation is still undecided and will depend on the 1989 financial results due out in September.

Small investors will also be favoured if the offer is oversubscribed.

Van Wyk said government would not underwrite the issue and the decision on underwriting would be made in the light of institutional investor attitudes.

State merchant bankers are canvassing views of potential institutional investors.

No special mechanisms to persuade small investors to keep their shares were being considered, said the Privatisation Unit's Peter van Huyssteen.

However, the terms of the offer limited domestic, corporate and foreign shareholding to 20% each. This would also help to spread Iscor share-ownership.

This approach is compatible with the employees' share scheme which will seek to place 10% of Iscor's shares on offer (150-million) in the hands of 58 000 staff.

These in turn would partly depend on Iscor's results. They were expected to "continue the trend of considerable growth shown in the year to end-June in pre-tax profits and adequate real after-tax profits".

The state plans to sell a minimum of 50% of Iscor in an initial tranche. The timing and size of later tranches would depend on ruling market conditions.

Van Wyk said it was possible the 50% could be worth "considerably more" than the R3bn referred to last year by Privatisation and Deregulation Minister Dawie de Villiers. Van Wyk put Iscor's net asset value at R4,5bn.

Iscor will issue its prospectus when the share offers open at the beginning of October. The offers close on October 27.

See Page 8

Big 8 mergers may confuse restrictions

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BI Day 25/7/87

ROBERT GREIG

MERGERS among SA's Big 8 auditing firms will make restrictions on those firms doubling as consultants for the same State bodies harder to enforce, says auditor-general Joop de Loor.

"The State policy that private sector auditors may not also provide consultancy services to their public sector clients, and vice versa, will be be reviewed from time to time. But for the time being there is no reason for change," he said.

Price Waterhouse and Arthur Andersen, Pim Goldby and Deloittes, Arthur Young and Ernst & Whinney, Peat Marwick, and Aiken and Carter are all Big 8 firms which have merged or are considering mergers.

"This has a significant effect on the work they do for the public sector where joint audits are involved," said De Loor.

For example, Pim Goldby and Deloittes are the Reserve Bank's joint auditors. If their merger comes off, a new joint auditor will have to be found.

In some of the mergers, one partner

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Mergers

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BI Day 25/7/87

☐ From Page 1

performed consultancy work while another audited The new entity would have to resign either the audit or the consultancy in terms of present rules

Accounting mergers are good and bad news for the public service The bad is that the number of large, resourceful firms available for public service work shrinks.

De Loor said that this could spread work to the smaller, less prominent firms identified internationally as the profession's innovators

De Loor said the Big 8's international links were one of their major attractions to the public service, especially as the public service emulated Western trends by adopting private sector-type accounting disciplines and procedures where appropriate

Auditors argued that the insights of consultancy gave added value to the statutory audit and could smooth the expensive initial learning curve. They added that a "Chinese Wall" between audit and consultancy functions preserved the independence of the audit.

Bivec, Elcentre in merger rumours

CHARLOTTE MATHEWS

RUMOURS in the market are linking last week's cautionary announcements by Bivec and Elcentre to a possible merger between the two groups' manufacturing interests.

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Berzack Illman Investments Corp (Bivec), the holding company of Berzack Brothers, has interests in plastic and cable products for the mining, construction and agricultural markets and the supply of industrial and domestic sewing machines. BDay 25/7/87

Interim results to December reflected an operating profit of R22m (R14m).

The Elcentre group includes an electrical and electronic cable and wire and commercial and industrial lighting division as part of its electrical and electronic range.

For the year to February, Elcentre posted operating profit of R61,4m, of which R26,3m was derived from the first six months.

Various analysts speculated the negotiations would involve a rationalisation of the cable interests of both companies

Elcentre director Nathan Mowszowski said there was no connection between the two groups and he could neither confirm nor deny the rumours of negotiations between them.

Bivec director Myron Berzack said his company had issued a cautionary in terms of JSE requirements and he was not at liberty to say anything about discussions in progress.

PRIVATISATION

Argus 25/7/89 232

Iscor aims to sell off 80pc

From ROY COKAYNE

PRETORIA — Iscor chairman Mr Marius de Waal expects the government to sell off at least 80 percent of the corporation via its listing on the Johannesburg Stock Exchange on November 8 — and is optimistic the share offer will be oversubscribed

But if the issue is oversubscribed, it will favour the small investor, said Mr Pieter van Huysteen, head of the government's Privatisation Unit at a briefing in Pretoria yesterday

The prospectus for the share offer is to be issued at the beginning of October and the offer will close on October 27

Mr van Huysteen said the share issue would be in two parts, with one part set aside for the small investor in such a way that it will not involve competing with the financial institutions

"The small man will have the best possible chance of getting a substantial stake," he said

Mr de Waal said Iscor's financial results for the year to June 30 were not yet available — they are scheduled to be released on September 21 — and the value of shares could therefore not yet be determined

However, he said Iscor's pre-tax profits for this year were up on last year and there had been a considerable growth in pre-tax profits In addition, after tax returns had shown adequate returns in real terms and the budget for next year showed a continuation of this trend, he said

Mr van Huysteen said they were currently engaged in determining what the "appetite for shares" was among investors such as the financial institutions

He said only once they had completed sounding out the financial institutions would it be possible to state how much of Iscor the governement could realistically expect to be able to sell off

Mr van Huysteen said it was impossible at this stage to put figure on the total cost of the listing project but said they were working in terms of percentages and their projections were well within the experience of other countries

He said in Britain the cost was between 2 to 4 percent of the total cost of the issue and "we're well below 5 percent and nearer the middle mark"

Mr van Huysteen said a decision had not yet been taken on whether the share offer would be underwritten

Iscor general manager in charge of finance, Mr van der Merwe, said investors could expect a real return on their investment However, it was difficult to put a figure on the expected return because this touched on the capitalisation value of the corporation

But Mr van der Merwe said Iscor's return on total assets was 13,5 percent in 1988, 19 percent in 1989 and "we're expecting something better than this in the years ahead"

He said Iscor would have dividend policy that would satisfy shareholders

Iscor MD, Mr Willem van Wyk, said the corporation had worked its debt down to a very conservative level and for the first time since 1984 could start pending money on expanding its capabilities to improve the value of the end products they produced

Privatisation would open the way for further diversification, he said

Waltons plans acquisitions

CM+ 7mD 25/7/89 232

By BRUCE WILLAN.

IN spite of the slowing down of the economy, Waltons, the stationery giants are expecting a good year

However, shareholders cannot expect an increase in earnings similar to the mammoth increase recorded in the last year

The company is operating off an extrememly high base with turnover in the last financial year topping the R550m mark and according to MD Frank Robarts this figure is expected to be in the region of R650m for the current year

At the annual general meeting yesterday chairman Maurice Parrington indicated there were possibilities of further acquisitions

In an interview later he said that growth was expected to continue with a possibility of a better than average increase in the core business of stationery as the business world becomes more efficiency orientated with continuing computerization and more recording keeping

In the past, doubts have been expressed about the ability of the Walton group to continue to improve its performance

But it has consistently managed to do this each year with excellent results

Robarts says that in the current year there should be an increase of about 25% in earnings after interest and tax, depending on the rate of interest and tax

He added that he felt very positive that the group would be able to achieve good results

In an effort to attain a better gearing Robarts said that a restructuring of Waltons would take place but declined to reveal any further details

At present the group is trading ahead of budget and there is no reason to doubt that there will be another excellent return for investors in this company

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INVESTEC BUYS CONTROL [illegible]

LIZ ROUSE

INVESTEC has acquired an 80% interest in I Kuper and its associate company, Kuper Computer Management Services, for R4,4m.

An amount of R1,5m will be paid immediately and a further payment of R1,9m will be made in April 1990.

Investec has a call option and the management a put option on the remaining 20% of the equity of the Kuper companies.

Maragement members will remain in their present positions under long-service contracts.

The acquisition is consistent with Investec's strategic objective of developing its four major areas of operation, namely merchant banking, general banking, Metboard and property.

Although the acquisition would have had a minimal impact on Investec's earnings and net asset value had the deal been effective for the year to March 1989, the Kuper companies should make a positive contribution to earnings in future.

Investec buys control of Kuper organisation

Star 27/7/89

(232)

Finance Staff

Investec has acquired an 80 percent controlling interest in property brokers I Kuper and its associate Kuper Computer Management Services

The takeover, for R4,4 million, makes the enlarged Investec property arm one of South Africa's largest independent operations and emphasises the group's commitment to expanding property interests.

Investec executive chairman Bas Kardol says: "Important considerations for the acquisition were the high calibre of the key personnel within I Kuper, a valuable portfolio of clients and their efficient property management computer system.

"The Investec group is developing its four major areas of operation: merchant banking, general banking, Metboard and property. The acquisition of I Kuper fits in with our strategy of developing each area to its full potential."

The Kuper acquisition brings an element of more stable earnings to Investec's property arm, which last year contributed 12,8 percent to net income.

A major portion of Kuper's income is derived from a landlord portfolio comprising some 700 properties built up over the past 55 years

I Kuper's executive chairman, David Kuper, and his entire management team are staying on and Kuper will continue operating from its existing premises

Mr Kuper says "In establishing this link with a dynamic banking group which has a strong property arm, new opportunities present themselves for the staff and businesses of both parties"

Old Mutual calls for deregulating social security funds 232

BDay 27/7/89

ALAN FINE

OUTLINING plans that could revolutionise employee benefit schemes and create a new social security structure for SA, Old Mutual employee benefit GM Gerard van Niekerk called yesterday for the effective deregulation of constraints limiting the options of benefit funds

At a media conference in Johannesburg, he and other Old Mutual managers addressed the need for new methods to deal with the pension vs provident fund issue, the unaffordability of medical aid schemes and the use of fringe benefit contributions to help alleviate the black housing crisis

"We need more flexibility between the different types of funds to allow them to address the changing individual needs of employees," Van Niekerk said "We are seeking ways now of doing this, given the constraints The lawmakers will follow"

Group marketing manager Eric le Roux said employees needed to be able to defer for as long as possible having to decide between the annuity retirement benefit associated with pension funds and the lump-sum benefit allowed by provident funds

This would help ensure that people eventually received the kind of payout most appropriate to their needs And this flexibility should be contained in "a collectively bargained set of benefits", he added

Van Niekerk warned the thorny question of preservation would not be solved until funds were allowed to permit members "hardship access facilities" — loans to carry them through life crises

This, he said, would remove the pressures on members to resign from jobs to gain access to needed funds He stressed the compulsory preservation principle proposed by government several years ago — which sparked numerous strikes — was not the answer

Assistant GM Henk Beets said wherever the blame lay for sharply escalating medical costs, the Medical Schemes Act made it impossible for individual members to choose structures that suited their requirements and their pockets

The schemes could not offer lower cost structures, and the Act contained no incentives for limiting unnecessary treatment

The Act excluded the possibility of, for example, no-claim bonuses, the exclusion of non-essential benefits in return for lower premiums or the operation of an excess system similar to car insurance

Beets envisaged a future of greater flexibility and the removal of payment guarantees He also spoke of the establishment of health maintenance organisations where salaried doctors are contracted to supply health care to members — a system likely to discourage the "over-servicing" many believe happens today

On housing, Beets warned against the investment of retirement fund capital where the return would be lower than market rates However, he proposed another type of flexibility whereby retirement fund members would be able temporarily to cease contributions to the fund and instead use the money, including employer contributions, to help finance bond repayments Accumulated amounts in the fund could be used as a deposit

(232)

BUSINESS

A cast-iron candidate for the state's first sell-off

The government is taking no chances on its move into privatisation Casting around for a likely candidate, it has come up with Iscor — a successful enterprise operating in a healthy market. By HILARY JOFFE

THE listing of Iscor, due on November 8, is clearly intended to be a model privatisation exercise

The government is taking the best of the candidates for privatisation and selling it first It s setting up the offer in such a way as to counter as many of the criticisms of privatisation as possible

The one criticism it can't counter is that the primary motivation for selling off its assets is to raise revenue Nor can it counter the criticism that the private sector funds which will be going to buy Iscor shares might, in theory at least, have been invested in new productive assets and new jobs, rather than being spent on "paper assets"

Going private is likely to make little difference to Iscor, which is already run as a commercial enterprise — "as if it were a normal public company", as Iscor chairman Marius de Waal put it this week. In terms of the efficiency or productivity alleged to flow from privatisation, there's little reason to sell Iscor

On the other hand, there's little reason not to sell Iscor As De Waal said, "There is no reason why the state should retain shares in Iscor It can get the monies released for other uses"

The corporation produces steel for domestic and international markets — and now does so at a substantial profit and even pays tax It does not provide electricity at a loss to rural markets, as does Eskom, or essential rail services at a loss to commuters, or postal services — again at a loss — as does Posts and Telecommunications That makes it politically an easy candidate for privatisation The others may not be as easy

But the government will be attempting to market Iscor as the test case and boost its credibility — not only in the eyes of business people, many of whom believe fervently in privatisation anyway but also in the eyes of the general public

It is limiting ownership by any one investor to 20 percent of the shares, countering the charge that privatisation will lead to further concentration of economic power in South Africa. Individual foreign investors are limited to a maximum of 10 percent each and total foreign ownership to 20 percent

It will divide the share offer in two — institutions and individuals — to ensure small investors can buy into Iscor and we can no doubt, expect an intensive marketing drive once the prospectus for the Iscor share offer is published at the beginning of October If the shares are oversubscribed, the allotment will favour small individual investors, De Waal said

The objective of wider share ownership will also be pursued through the Employee Share Participation Scheme, which will be part of the listing The result could be up to 150 000 Iscor shareholders, say the corporation's executives — the Johannesburg Stock Exchange is estimated to have only about 100 000 to 150 000 active shareholders — although it's not clear whether employees will hold on to the shares allocated to them or will sell them at a profit as soon as they can

The government has made it clear that it will sell off 50 percent or more of Iscor's shares, depending on the state of the market — countering charges that it's trying to raise revenue without relinquishing control Director of the government's privatisation unit Pieter van Huyssteen said this week the government would not underwrite the offer This prevents a scenario in which the government ends up keeping unsold shares, if there is not enough investor interest

Iscor's MD W van Wyk (left) and chairman M de Waal ... prospects

The government has also had the Competitions Board investigate Iscor for possible abuse of its dominant position in the industry Iscor's share of the steel market is over 75 percent and it also owns iron ore and coal mines

The board found there was nothing to be gained by breaking up Iscor No additional competition would be created if its mines were separated from its manufacturing interests The board recommended no measures were needed to regulate a privatised Iscor, other than that an agreement it has with the SA Transport Services (the McDonald award) should be cancelled and a limitation imposed on shareholding to prevent economic over-concentration.

The government has stressed too that the proceeds of privatisation will be used to reduce the public debt, rather than for current expenditure Its rationale is that assets, such as those in Iscor were funded by borrowing in the first place, so that privatisation is in effect returning the capital to the private sector

But reducing the public debt — which stood at some R67-billion in 1988 — should also reduce the costs of servicing that debt, the second largest item of this year's budget accounting for 14 percent of total government spending That means there could indeed be more money for other things — and given the costs particularly of the government's reform policy, that might be welcome

The proceeds of privatisation may also, the minister of finance has said, be used to finance infrastructure in development areas and to fund development of small industries and small businesses via the Small Business Development Corporation or Industrial Development Corporation

One advantage De Waal cited of private ownership was that it opened the way for the corporation to diversify further without increasing the public sector's share of the economy Van Huyssteen argued that private sector shareholders might have a more interactive relationship with the corporation — as in public companies — whereas the government had been a rather passive shareholder

But ironically the fact that shareholdings will be limited to 20 percent is likely to mean that a private Iscor is controlled by its management, with no one investor having a controlling share — in contrast to most South African public companies, where the dominant shareholder exercises control through a stake of well over 50 percent

Iscor values its assets at R4,5-billion It uses the current cost method of accounting, revaluing its assets each year taking inflation (measured by the producer price index) into account Its valuation and its financial results are therefore more realistic than those of most South African companies which don't take inflation into account and therefore probably overstate profits

This doesn't mean the government will raise that much with the privatisation exercise It will depend on what percentage of the 1,5-billion Iscor shares are sold off and at what price

How many of the shares are put on the market in November will depend on the state and size of the market ?' the time and the "appetite of investors" — the government wants raise as much money as possible , will want to avoid flooding the market It could, for example, sell just over 50 percent now and more later It will be listening carefully to what the financial institutions (particularly the life assurers') investment people think as their support will be crucial in the success of the share offer

The pricing of the share is likely to be kept a state secret until after Iscor s results for the latest financial year, which ended on June 30, are published on September 21 The share price will depend on what kind of return investors expect on their shares

At a press conference at Iscor's Pretoria headquarters this week, the corporation s management were tight-lipped about things financial However, senior general manager (finance) Eric van der Merwe indicated the return on total assets was expected to rise to 19 percent this year, compared to 13,5 percent at the 1988 year end

Last year the Iscor Group s turnover increased by 16 7 percent to R4,8 billion and its profit before tax to a record R341-million based on current cost accounting Based on conventional historical cost accounting, its profits would have been R757-million

Iscor Limited paid tax — of R81 million — for the first time since 1972 since all its accumulated losses had been wiped out Iscor Group s tax totalled R92 million De Waal commented that "paying tax is also a measure of success

City workers win 'living wage' demand

By CARMEL RICKARD, Durban

DURBAN municipal workers have won an arbitration award which for the first time officially sets a "minimum living wage" for city employees

About 12 500 workers are affected by the award which will add R9-million to the city's wage budget of R408,6-million

The council had offered a 15 percent increase for graded (skilled) staff and most of the unions and committees representing the municipal workers accepted the offer

However, the Durban Integrated Municipal Employees' Society (Dimes), held out for the 20 percent increase it had demanded, refused to accept the council's offer and asked that the matter be referred to arbitration

In his ruling, the arbitrator, Martin Brassey, reviewed the minimum wage level statistics provided by various institutes

Brassey decided to award the lowest grade of unskilled staff a minimum living wage of R680 a month, with effect from July 1

In addition graded staff were awarded a 20 percent increase since he decided Dimes had proved its case on this issue, and pointed out that there had been a significant increase in the productivity of council staff

Other significant demands made by Dimes, including the recognition of May 1 and June 16 as paid public holidays, are to be negotiated between the council and the workers

The chairman of the council's [illegible] agement committee Ja Venter, said the council could have raised the extra money through a rates increase, but instead Manco had opted for finding the money through cost cutting in the staff estimates, such as not filling empty posts

WM 28/7-3/8/89

Behind the success — 20 000 lost jobs

THE government is lucky It may have a fiscal crisis, but it so happens international steel markets have been looking good That means it can put up for sale an Iscor with healthy-looking results and decent prospects

But while Iscor's current profitable state partly reflects good conditions in the world market, it is based on large-scale retrenchment and extensive rationalisation in the recent past. In the early 1980s plants were closed and output cut Iscor now employs around 55 000 people Managing director Willem van Wyk says the early 1980s equivalent would have been some 75 000 to 80 000 people

Van Wyk told *Weekly Mail* this week he doesn't foresee the need for further rationalisation — although he says he's not prepared to give the trade unions a commitment that there won't ever be retrenchments.

Iscor's output is about the same as it was in the early 1980s and since this involves far fewer workers, productivity has risen substantially It has also spent large amounts on new technology — an essential to compete in world markets It has gained respect in the industry for being technologically advanced although it still draws criticism for being over-staffed with bureaucrats "They've retrenched factory floor workers but there are far more people than they need in the offices," says one competitor

Meanwhile, following the success of its rationalisation programme, Iscor plans to expand again

"In the 15 years since the first oil price shock we have not increased our assets, we have just spent to replace equipment and improve productivity This is very useful now that the international market has improved," Van Wyk said at a press conference. He added that the corporation had also brought its debt down to acceptable levels "For the first time we have reached the stage where we can start investing to expand our business capabilities."

The corporation would be spending R1-billion a year on capital projects for the next couple of years, Van Wyk said.

SOUTH AFRICAN STEEL PRODUCERS 1988
(METRIC TONS)

	TONS	%
ISCOR	6 860 000	78
HIGHVELD	1 040 000	12
DAV STEEL	360 000	4
SCAW	330 000	4
USCO	150 000	2
Mc WILLAW	60 000	1
	8 800 000	

Rationalisation in Iscor in the early 1980s paralleled a process which was happening worldwide The bottom dropped out of the steel market following the oil crises of the 1970s and it took the industry some 10 years to start solving the problem of worldwide overcapacity and oversupply Rationalisation and restructuring followed, and steel producers in the early 1980s started investing in improved technology and products to keep substitute products out Iscor followed a similar path, though mainly for its own reasons.

Iscor senior general manager (commercial) Nols Olivier said this week there was now a better balance of supply and demand on the world market, which is expected to continue to grow at about one percent a year This was a "rich" growth which could lead to higher earnings, Olivier said, because it was based on a diverse product and international prices in dollar terms were also improving. The weak rand also helped South Africa's exports.

Sanctions have excluded South Africa's steel industry from some key markets in the 1980s — the US, much of Europe, and Australia — but Olivier shows little concern "We have lived through sanctions since 1978 and have managed to optimise units sold " He said Iscor geared itself about 18 months in advance for the sanctions imposed in the mid 1980s and moved tonnage to other markets. "We are geared to handle further sanctions," Olivier said but added that he was optimistic it wouldn't happen.

The South African steel industry is relatively dependent on exports although the world market is not very dependent on South Africa Accord ing to figures provided by Highveld Steel chairman Leslie Boyd at a conference earlier this year, South Africa exported 34 percent of its steel output in 1988 But it was the 18th largest world steel producer, producing 1,15 percent of the world's 780-million total. In January 1989, South Africa's domestic steel prices in rands were lower than those of all the major world producers, according to Boyd's figures

Anglo American-owned Highveld is South Africa's second largest steel producer, with a market share of 12 percent, and there are a handful of other private sector producers with a market share totalling 11 percent.

Privatisation's supposed benefits in terms of greater competition and therefore greater efficiency are not likely to accrue in the Iscor case the corporation clearly dominates and is likely to remain that way Not only does it have an overwhelming market share and so tends to set prices for the industry, but private sector producers depend to an extent on Iscor for some of their raw material But Van Wyk argues that there is competition from substitute products as well as from foreign producers.

Hilary Joffe

OWNERSHIP & CONTROL
1989

AUG. — SEPT.

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Limited offer in Iscor shares

CT 2/8/87

Financial Editor

INDIVIDUALS and institutions will be limited to a maximum 20% stake in Iscor, due to be listed on the Johannesburg Stock Exchange in November

Iscor's GM, media relations, Piet du Plessis, said that every Iscor employee would get 100 shares free of charge

"This will apply to everyone, from the MD to sweepers"

In addition to this, employees belonging to the trade unions will be able to buy 900 shares with an interest free loan from a trust, repayable over three years

And, like all other Iscor employees, they will be able to buy other shares in a preferential placing before the listing

Du Plessis estimated that blue collar workers would be able to buy 60% of the shares allocated to employees "if they take up their full allocation".

He said there would also be opportunities for the man in the street to buy them

Pointing out that the shares would have to be sold at a discount to the real replacement cost of Iscor, he said their cost would be based on results for the year to June 30 which will be released in September

Du Plessis said this was not the first time Iscor had been listed

"The first time was a failure. It was in the 1930s, during the Depression, in a politically sensitive time and it was delisted

"But it gave individuals the chance to buy shares and some are still in private hands

"The government's shareholding today is between 65% and 70% And the Industrial Development Corporation (IDC) has a stake"

Du Plessis said the government had no wish to keep control of Iscor and would sell off as much of its shareholding as possible

BUSINESS

COMPANIES

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Argus 4/8/89

Homemakers takes over Edworks assets for R39m

By DICK USHER, Business Staff

ASSETS of the Edworks group have been taken over by Homemakers Holdings for R39,6-million.

The company was recently placed under liquidation

Mr Ivan Posniak, group operations director of F S I Corporate, said his group, of which Homemakers was the major company, had acquired all Edworks voting shares shortly after the company was placed in liquidation

He said the company was confident of restoring Edworks to a profitability basis and then developing it for the benefit of its staff and customers.

"It achieves a strategic widening of the activities of Homemakers, adding a fifth dimension to the existing ones in direct-selling textiles, home improvements, furniture and consumer electronics," he said

He said it would take time to formulate and implement policies to restore Edworks to profitability

Homemakers reported a turnover of R507-million in the 12 months ended December last year.

tween the first and second half of the financial year to R580,7-million

'Iscor listing needs to be open to public scrutiny'

W/t Argus 5/10/89 232

By TREVOR WALKER
Business Staff

THE government is not privatising Iscor, it is disinvesting, that is selling off the family silver, Dr Andries Wassenaar said in his book *Squandered Assets*

Questioned on this week's announcement that every employee is to be given 100 free shares, he said "what is important is that the whole scheme should be completely open to public scrutiny"

Stock market analysts said a private or family company that went to the market to raise money did so with the aim of increasing its profits

Those who invested in the company need not be made public knowledge, but in the case of a state company which had been funded by the taxpayer the situation was different

Iscor has said that individuals and institutions will be limited to a maximum stake of 20 percent of its shares Besides the free shares, employees will also be offered shares at a price lower than that offered to the public and they will also be allocated a preferential number of shares at the same price as the public

It would be unusual for a private company to give its shares away to employees when it sought money from the market and normally employees were given an option to buy at the listed price over a number of years

Iscor has worked out a scheme — depending on seniority and length of employment — the maximum number of shares an employee may buy under the three schemes

It is quite likely that most employees will take up their maximum either by using borrowed money or letting someone else fund them for the stag ride

Analysts said however finely priced the issue might be, it was expected to come on the market at a higher price

Dr Wassenaar says the Iscor share register should be open to public scrutiny

However, under JSE rules a person may buy shares through a bank or nominee company and the identity of the shareholder is then not shown on the company's share register

So who buys Iscor shares and how many will not necessarily become public knowledge

Mr Issy Goldberg, chairman of the Shareholder's Association said giving away free shares or at bargain prices to Iscor employees was acceptable if it led to higher productivity

"However, it would be reasonable to assume that Iscor is wise enough to resist allowing the immediate stagging for quick profit for shares so allocated

"It is obvious that they must be held in trust for the shareholders and delivery be made available only when increased productivity has manifested itself over a period"

He said it was curious that announcements of the disposition of shares had been made when no details were as yet available as to the share structure or price of the Iscor flotation

R45-m no-frills hotels planned

SATURDAY AUGUST 5 1989

By TOM HOOD,
Business Editor

THREE new no-frills hotels costing about R45-million are being planned for Cape Town by City Lodge Holdings, managing director Mr Hans Enderle disclosed this week

Finance will come from the giant Mines Pension Fund, a 65-percent shareholder, which already owns the BP Centre and other buildings in the city centre

The company has built seven hotels with more than 1 000 rooms in four years at a cost of R65-million and aims to build another five costing about R70-million

"Our concept of cost savings in construction and selected services means guests get four-star accommodation at two-star tariffs, from 25 percent to 50 percent below rates at hotels with all amenities," said Mr Enderle

"We decided to incorporate some of the fundamentals of Swiss hotels, chalet-style comfort and atmosphere and high standards of cleanliness Room standards are higher than the Hotel Board's minimum requirement for four-star hotels"

The Western Cape's first City Lodge next to Mowbray golf course opened in March and even in the middle of winter occupancies were running at 80 percent, far above the industry average, he said

This hotel with 130 rooms cost R9-million and met a need for accommodation for holidaymakers and tourists as well as business people visiting Cape Town

The future Cape Town City Lodges would all be larger than 160 rooms

"But we would rather build three hotels in different areas than build one of 350 rooms"

He visualised one linked to the Albert Basin development and one close to the central business district, if a suitable site could be found For the third he favoured a green belt suburb and a low rise, three-storey building

For the past 10 months room occupancy at Cape Town's first City Lodge had been on average just over 80 percent, compared with an industry average of just over 57 percent After only five months, it was enjoying occupancy of 80 percent in the middle of the winter

Swiss-born Mr Enderle, former chairman and chief executive of Holiday Inns, spent the past 20 years marketing the concept of hotels the average family could afford

Started Holiday Inns

With the late David Lewis, he started the Holiday Inn chain in South Africa and expanded it until it was taken over It now forms part of Southern Sun, the country's biggest group

"We thought we knew a thing or two about hotels and what South Africans wanted, but we spent two years on research before we started developing City Lodges After studying our proposals, the Mines Pension Fund committed R65-million"

This segment of the market, high standards of accommodation with limited services, was the biggest growing sector in the United States hotel industry A similar group was opening one hotel a week in the US

"Twenty years ago there was not one of these hotels in the US, today they have 500 000 rooms," Mr Enderle said

CT/HCG4 5/8/89 (232)

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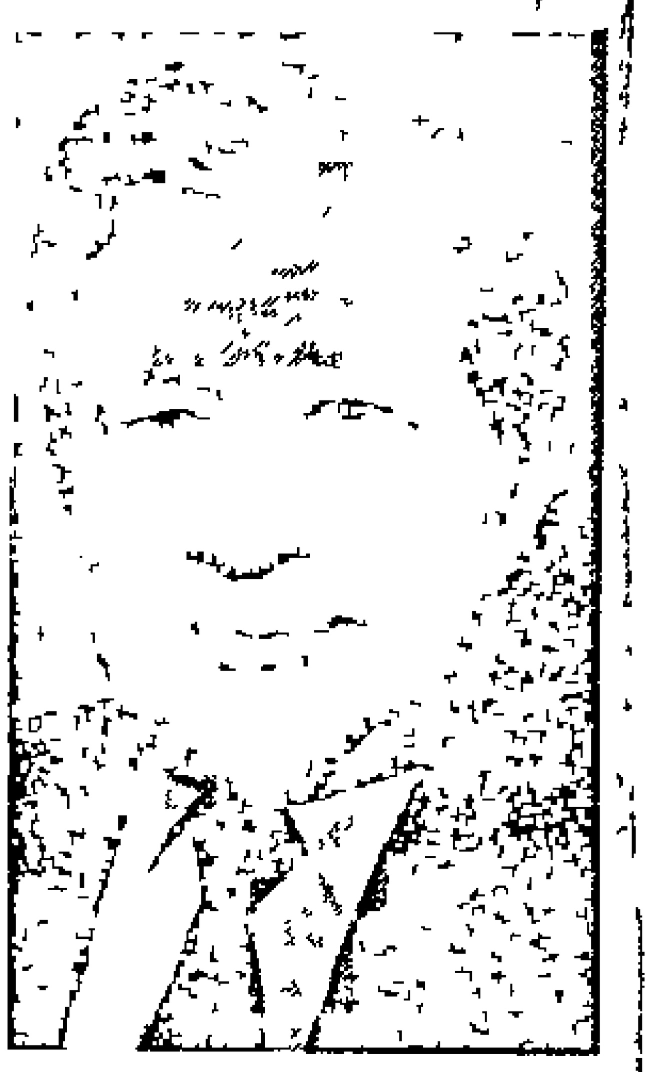
Iscor flexing for steel fight



NOLS OLIVIER ... new fields to conquer

By Ian Smith

ISCOR's privatisation will propel the R4,9-billion a year giant into a new era of diversification and expansion.

Plans are being drawn up to take the corporation, which is to be listed in November, into areas of production it has shunned

The main aims of the drive are to enhance the value of the final product, to protect market share against erosion by substitutes and to entrench South Africa's position as one of the most reliable and cheapest of major producers in the world

Other private-sector operators in the steel market are watching the moves warily The prospect of cut-throat competition in a domestic market which is slowing and in foreign ones sensitive to sanctions, and the threat of world oversupply is worrying

But Iscor senior general manager, commercial, Nols Olivier says the expansion will be co-ordinated to ensure the overall health of the national industry

"We are already involved in many joint ventures with the private sector, benefiting all the companies involved and the country

"The main consideration when any new venture is contemplated will be the effect on the industry and the impact on our bottom line."

Unfair

Iscor officials say that for the past decade or so the Government has taken a back seat in the corporation's operations But the fact that it has been a State enterprise has meant that private-sector operations have watched Iscor closely

Management, too, has been wary of encroaching on private-sector territory and inviting charges of unfair competition

The imminent removal of this restraint has prompted a new awareness of market opportunities among Iscor's 58 000 employees — right down to the shop floor

Part of Iscor's current R1-billion capital expansion includes the conversion of the Pretoria works from conventional ingot casting and rolling to slab caster

This will increase the production of higher-value flat products and, more importantly, provide the opportunity to upgrade the quality of steel by the addition of ferrochrome

"The feasibility is still being studied," says Mr Olivier "We would not necessarily need to go immediately into the production of pure stainless steel We would move into areas only where there is a market"

The attraction to move into stainless steel is that the world market is expanding more rapidly than sales of other steels

Middleburg Steel managing director John Hall says "Obviously we think about competition, but we think about it globally Every producer is a competitor, and we have always lived with the threat from them"

He says the SA market for stainless steel is a tiny 50 000 tons a year and the world market is only 10-million tons

"Whatever Iscor does, it does well But if I were a shareholder I would be tempted to say, 'Stick to your last'"

Iscor is already a 40% stakeholder in a R120-million seamless-tube mill which will come on stream at Tosa's Vereeniging works early next year. Tosa parent Dorbyl holds the other 60% in Tosa Seamless Tubes

Ideal

Tosa managing director Tony Whiteman says there is large overcapacity in the market for welded tube, but the seamless-tube plant provided an ideal opportunity for a partnership with Iscor

Seamless tube is a more sophisticated product which can easily be upgraded

The plant will intially produce 50 000 tons a year, but provision has been made to double output. It will save imports worth R50-million a year.

Iscor is also a 50% partner with Haggie Rand in Consolidated Wire Industries, and it is a shareholder in Metcor Industries, which is involved in a wide range of fabrication

Mr Olivier says "We think of all our customers as partners. We helped customers to export 10% of our steel sales as finished products last year This year 14% of SA sales has gone abroad in this form"

PPS212

Edworks is saved as FSI bids high

S Times 6/8/89 (232)

By David Carte

MOST of Edworks 3 000 employees will keep their jobs after the bid for the insolvent shoe company by FSI Corporation's Homemakers this week

In a Sotheby's style auction, Homemakers bid R39 6-million cash for the assets of Edworks

Concurrent creditors of the insolvent company are likely to receive 55c to 60c in the rand says liquidator Neil Bowman of Westrust.

Homemakers won a three-cornered play off in which bids rose in R500 000 jumps from R31 million to R39,6 million cash

"It was nail biting stuff," says a triumphant FSI Corp chairman and founder Jeff Liebesman "It would have made a great movie"

Casino

"At one stage we seemed to playing with Monopoly money in a casino," says Mike Spain, bidding unsuccessfully for Colfin on behalf of Amshoe and Jaguar Finansbank was bidding on behalf of SA Breweries subsidiary Conshu

FS Group's first bid was the lowest at R31 million but it was more than ready to raise it

Mr Bowman says the last three bids were R39 million, R39,5-million — and FS Group's winning R39,6-million

That amount bought the company's assets, net of liabilities up to liquidation date In addition, FS Group paid an undisclosed amount to the Dodo family and others for all of their shares in the company

The Dodo family, which has controlled Edworks for more than 75 years, is believed to have received pea nuts

Edworks has liabilities of R70 million Liquidators' fees have to be paid and preferred creditors will be paid in full, hence payment of only 55c to 60c in the rand to creditors

Exultant

First National Bank with an exposure of R10 million, will lose about R4 million before and R2 million after tax Trust and Standard banks will also take significant losses

Amshoe and listed subsidiary Jaguar are exposed to R4 5 million but will write off about R1 million after tax — not a problem, says Jaguar managing director Roy Eckstein

Mr Liebesman is exultant at what he terms a great victory for FSI In only a year, he wants Homemakers to get a 10% return on Edworks sales of R170 million — R17-million before and after tax

If he achieves his aim, the acquisition will pay for itself in under three years The effect on the bottom line of Homemakers will be dramatic Another effect of the deal will be to reduce Homemakers' dependence on the cyclical furniture industry

JEFF LIEBESMAN nail biting battle

Leadership

Mr Liebesman says "I am not trying to minimise the company's problems, but new leadership and structure will provide the motivation to make Edworks successful

'The deal is a tribute to the entire team here I left nearly everything to group operations director Ivan Posniak and Alan Chonowitz, managing director of FSI Corporate Services

"They moved into Edworks for a month Having done their homework, they were better placed than the others to bid"

Mr Liebesman will not disclose how high FSI might have gone He says Edworks meets all FSI's investment criteria It is a basic business exposed to the growing black market

Non fashion shoes are a stable basic consumer item Edworks has significant market share The factories are exporters

This is FSI Corp's third acquisition in the past year Before this it bought V&R Engine Spares for R35-million, 27% of Milstan for R8 5 million and Femo for R30 million

Cordial

Employees of Edworks should be relieved that the successful bidder is new to shoe manufacture and retailing If a competitor had bought the company, there was a good chance that factories as well as outlets, would have been closed Homemakers will keep the factories

The liquidators have closed 21 Edworks outlets and a few more could be shut before FSI takes over — but most jobs are safe, says Mr Liebesman A priority will be to establish more cordial labour relations

Edworks started running downhill four years ago, but a devastating strike was the last straw for the company It was resolved days before Edworks went into liquidation

Members of the Commercial Catering and Allied Workers Union of SA (CCAWUSA) agreed to keep working until liquidation and/or sale of the company had been completed

Busy

This is FS Group's first step into shoes A group strategy has long been to rationalise industries Many analysts expect rapprochement among Edworks, Jaguar and Conshu

Mr Liebesman says "We'll consider all options"

Both Roy Eckstein of Jaguar and Robert Feinblum of Conshu expressed interest in talking to Edworks The big three shoe-makers and retailers all deal with one another already

FSI Corp is experienced in labour relations It has had strikes at Gentyre and in Homemakers subsidiary Joshua Doore after the retrenchment of 500 Its policy is to pay well — but to make sure that all hands are busy

FSI Corp, established only eight years ago, has emerged as one of the seven big groups in SA It has 17 listed subsidiaries and seeks sales of R3-billion and group-wide pretax profits of R300-million in the current year

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CARTE BLANCHE

By David Carte, BUSINESS TIMES Editor

Martians, MBOs and LBOs . . .

The Frankel Kruger Vinderine conference in Johannesburg this week on management and leveraged buyouts was another reminder of how SA has been ostracised

On Wall and Throgmorton streets, MBOs and LBOs have been the most remarkable phenomenon of the late 1980s Here, they are still rare

The five heavyweight American investment bankers who came to tell the audience about buyouts were like men from Mars

They came under cloaks Some of their names could be mentioned, but not their banks, which subscribe to the financial sanctions package represented by the debt standstill arrangements

The men from Mars talked a strange language, with words such as mezzanine debt, cram-down paper, plain vanilla high-yield bonds, pay-in kind securities and indexed securities

They do not look at financial statements the way we isolated old worlders do They talk about free cash flow, not earnings, and levels of debt undreamed of in SA

An LBO is an acquisition achieved by any predator through borrowing An MBO is effected by management, with or without debt

In the US and the UK, entrepreneurial managers have been able to borrow vast sums of money in all sorts of imaginative ways to buy the companies they run, often at fat premiums to market prices

The process has not stopped short at managers Predators in general have been able to borrow the billions they need to buy willing and unwilling victims Normal strategy is to sell off underperforming assets and to work the rest hard to bring down debt

The biggest LBO was effected last year by three investment banks — KKR, Drexel and Merrill Lynch They succeeded in beating a bid for RJR Nabisco by its chief executive Ross Johnson and team The price of $30,65 billion was more than half of SA's gross domestic product A good looking blonde from California — hardly into her 30s — who took part in the battle described its ins and outs

The result of the buyout revolution has been stronger motivation inside and outside affected companies Inside, the owner managers have driven their assets and their people harder to generate the cash flow needed to justify buyouts

Unaffected companies have had to work more profitably to keep their share prices high enough to be out of reach of predators

There have been more than 10 MBOs in this country Some, such as the creation of ISM from the IBM disinvestment, have been huge

There will be more disinvestment The phenomenon is unlikely to sweep corporate SA as clean as it should — because of exchange control and the lack of clarity on capital gains tax

By trapping the investment funds of mining houses and institutions in SA, exchange control has led to corporate agglomeration and seven groups controlling outright virtually every company of size

The Big Seven — Anglo American, Old Mutual, Sanlam, Rembrandt, Liberty Life, Anglovaal and FSI — have such an acute reinvestment problem that they are unlikely to sell to managers, even at premiums

High rates of inflation and thus high nominal rates of interest are another obstacle to buyouts Mezzanine debt used to finance them carry rates of interest that are about 30% higher than those on secured debt Buyers would be looking at rates of 25% plus

Thanks to strong economic growth, buyouts in the US and the UK have flourished in spite of high real interest rates They still have to stand the test of a severe recession Our stop-start economy is another complication

Still, interest in buyouts is intense More than 200 people paid R1 000 each to attend the Frankel Kruger conference

It was probably the most expensive conference ever held in SA, but those who attended received their money's worth The five American and three SA speakers must have said virtually the last word on the subject In fact, the typed transcript of the conference will be a valuable text book

The investment bankers were like evangelists on the subject That is understandable They have made tens of millions of dollars on buyouts

But balance was brought to bear by Jeffrey Cole chief executive of Cole & Co, a $1 4 billion a year retailing group which has been through two buyouts His view is that the banks take too much

The way the bankers tell it, everyone wins The managers or buyers get control of

Gencor, Fedmyn offers 'almost fully subscribed'

Cit-Tims 7/8/89 232

From MERVYN HARRIS

JOHANNESBURG — The rights offer of General Mining Union Corporation (Gencor) to raise R1,47bn and that of its parent, Federale Mynbou, which set out to raise R826m, proved highly successful with almost 100% subscriptions from investors

The Fedmyn rights offer attracted subscriptions for 99,8% of the offer and the remaining 32 032 new shares will be taken up by the underwriter, Sankorp

Holders of Gencor ordinary shares, convertible preference shares and convertible debentures and/or their renouncees applied for 98,8% of the 19,6m new Gencor ordinary shares on offer The remaining 239 431 new Gencor shares will be taken up by Fedmyn as the underwriter of the Gencor rights offer

At the time of the announcement of the rights offer, Gencor executive chairman Derek Keys explained that the exercise was not designed to raise funds for any specific project He said that it was always best to look for finance when you do not need it

"Currently the business is in excellent shape and we have a number of exciting projects in the pipeline Our share is well priced and the institutions have surplus funds"

Gencor's share price has risen from R85 at the time of the announcement of the rights offer to R94,50 last week

Success of the rights issues came as the £3,5bn recommended bid from UK conglomerate Hansom for Consolidated Gold Fields (Consgold) reached its first close on Friday

Technical factors delayed a formal announcement of the result but there appeared to be considerable confidence in both camps that acceptances would pass the 50%-mark, according to a report in the Financial Times

Acceptances would intensify speculation about the sell-off of Consgold's interests in SA This includes its effective 38% stake in Gold Fields of SA (GFSA) and its direct interests in certain GFSA operations such as small stakes in gold mines Dries, Kloof and Deelkraal and the new Northam platinum mine

Gencor has been mentioned as a major possible suitor for GFSA, though the other investments could also be a useful addition to its mining portfolio And the group now has the cash on hand to help finance such a deal

While the Rembrandt group already has a 10% stake in GFSA and first right of refusal to a further 30%, analysts believe such a deal would prove hugely expensive for Remgro

With Rembrandt holding an interest of about 29% in Fed Mynbou/Gencor, there is also the possibility that the two could join forces to do a deal on GFSA

The market was rife with talk last week that, on their recent extended trip overseas, Rembrandt chairman Anton Rupert and his son Johan, had reached an agreement with Hansom for the disposal of GFSA, but this could not be confirmed

In spite of it being the first close and the Hansom offer for Consgold not being final, there is no sign of a rival bidder and Hansom has already gained a commitment to accept from Minorco, Consgold's former suitor and holder of a 29,9% stake

Hansom also gained clearance on Friday from the Department of Trade and Industry which will not refer the bid to the Monopolies and Mergers Commission clamped a curfew on the market.

Cape Times 7/3/89

Union slams Mobil

232

JOHANNESBURG. — The Chemical Workers' Industrial Union (CWIU) says it cannot be satisfied that Mobil Corporation US has disinvested from South Africa in light of the company's refusal to release to the union a copy of the contract of sale of Mobil SA.

BUSINESS

ELECTRONICS

UK takeover could boost Plessey SA

News 8/8/89

232

From DEREK TOMMEY

JOHANNESBURG — The news that Britain has given the go-ahead for a hostile take-over bid of Plessey UK has not caused any concern at its South African operation

Dr John Temple, Plessey South Africa's managing director, in fact, believes it might be the start of a major reorganisation and expansion of the electronics industry

"It could be the catalyst which South Africa has been needing," he said in an interview

The British Department of Trade and Industry has decided that the proposed bid by General Electric Company of Britain and Siemens of West Germany would not violate the public interest

There are links between the South African operations of all three companies Plessey SA and Siemens South Africa both have Sanlam as an ultimate shareholder Plessey SA and the General Electric Company each have a half interest in Temsa, the South African telephone manufacturing company

DIFFERENT SCENARIOS

In view of these existing links, the rationalisation of the three companies' local operations into one much stronger operation would seem eminently possible

Dr Temple said that the take-over by Siemens and GEC of Plessey in Britain did not mean that Plessey would disinvest from South Africa

However, were Plessey to pull out of South Africa, it is likely that Sanlam, which already has a 26 percent stake in Plessey SA would exercise its preemptive right to acquire all of Plessey SA

Dr Temple said he had envisaged eight different scenarios as a result of the takeover of Plessey UK, and it was anyone s guess which of them would be chosen

Plessey SA is already a major power in the electronic industry and reported pre-taxed profits of R32,7-million in the year ended March

It has recently announced that it is investing R15-million this year in manufacturing and research and development This is an increase of 25 percent on last year's R12-million

SAA privatisation: Draft law due soon

ARGUS 8/8/89

The Argus Correspondent

JOHANNESBURG — Draft legislation for privatising South Africa's domestic air transport will be ready by October, says Minister of Transport Affairs, Mr Eli Louw

Speaking at the opening in Pretoria yesterday of the annual transportation convention, he said the new Air Services Act would embody four main principles

These were the "paramount importance" of safety, the consideration of "users' interests and views", the equal treatment before the law of all those taking part in the air transport market, and the resolution of economic decisions by market forces

Once the domestic air policy had been agreed to, said Mr Louw, a steering committee would study the country's international air transport policy with a view to similar deregulation

Department of Transport Director-General Ronnie Meyer echoed his minister's firm commitment to deregulation, privatisation and free market principles

He announced that "private sector involvement in the provision of commuter rail services to serve our rapidly growing urban populations, is under investigation"

If the private sector was "unleashed" it could make "a major contribution to development"

"The same applies to the informal sector, which will have to make a tremendous contribution to providing the employment that the formal sector cannot"

The Minister held out new hope to road hauliers on the issue of permissible axle loadings (which decide the weight of cargo that can legally be carried by a heavy commercial vehicle), hinting at the possibility of an increase

He said the practice of applying British and American axle limits of 8,2 tons to this country was under reconsideration.

"In some countries of Europe the permissible axle loads have now been increased to 11 tons and 13 tons Some of South Africa's neighbouring countries have also agreed, together with European countries, to increase their permissible axle loads"

8/8/89. 232 Star

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Draft laws for domestic air travel 'ready by October'

Special Correspondent

Draft legislation for privatising South Africa's domestic air transport will be ready by October, according to Minister of Transport Affairs Mr Eli Louw.

Speaking at the opening in Pretoria yesterday of the Annual Transportation Convention, he said the new Air Services Act would embody four main principles

- The "paramount importance" of safety
- The consideration of "users' interests and views"
- The equal treatment before the law of all participants in the air transport market
- The resolution of economic decisions by market forces

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"In some countries of Europe the permissible axle loads have now been increased up to 11 tons and 13 tons," Mr Louw said

South Africa retained the lower limits because its older road bridges could not tolerate higher loadings

He questioned the wisdom of allowing a few weak bridges to dictate "restrictions which at present inhibit the development of our entire transportation system".

Department of Transport Director-General Mr Ronnie Meyer echoed the Minister's commitment to deregulation, privatisation and free market principles

He said "private sector involvement in the provision of commuter rail services to serve our rapidly growing urban populations is under investigation"

"The same applies to the informal sector, which will have to make a tremendous contribution to providing the employment that the formal sector cannot," Mr Meyer said

Continuing the theme, general manager/managing director Dr Anton Moolman of the South African Transport Services (SATS) spoke on the "commercialisation" of the giant state transport organisation

"I am not even referring to the possible privatisation of SATS in part or as a whole, about which no decision has yet been made," he said

He talked about the registering of SATS as a public company with the State as sole shareholder and the resultant changes in operational and administrative practices

"A cornerstone of the new company is honesty, justice and fairness With the approach that the new company has a singular assignment, namely to make profit, it will undoubtedly make the management framework of decision-making much simpler," he said

Hanson likely to sell mining stake

Consgold bid: SA facing R2-bn outflow

232 8/8/89.

By Sven Lunsche and
Neil Behrmann

South Africa could be facing its biggest disinvestment now that a majority of shareholders of UK mining giant Consolidated Gold Fields have accepted an offer by transatlantic conglomerate Hanson Plc.

Analysts in London and Johannesburg believe it is only a matter of time before Hanson sells off part of Consgold's assets, and first on the list could be the interest of the mining house in southern Africa

This stake includes a 38 percent holding in Gold Fields of South Africa (GFSA), which controls numerous gold and base metal mines in both South Africa and Namibia, and a direct share in three of seven GFSA gold mines

These interests are conservatively valued at R2 billion, and if Hanson sells Consgold's SA interests, which is likely, this money could leave the country

GFSA is South Africa's third largest mining house, after Anglo-American and Gencor, and is currently valued on the JSE at over R7 billion

Joint acquistion

A number of local buyers have lined up for Consgold's local interests, foremost among them is Anton Rupert's Rembrandt Group, which already owns 10 percent of GFSA and has a pre-emptive right over the balance

However, analysts questioned Rembrandt's ability to finance such a transaction, which could well turn out to be the biggest deal in South African commercial history

They suggest that Rembrandt might approach cash-flush Gencor for a joint acquisition of GFSA

GFSA itself has not yet cashed in its 7,5 percent interest in Consgold, which could earn it a whopping R1,5 billion and help fund essential and major new development programmes in South Africa

In London, Hanson has remained tight-lipped about its plans for GFSA and Consgold's other South African interests

Talk that the Rupert dynasty met with Hanson at their London offices was met with a stony silence

"We are not prepared to talk about market rumours," said Mr Martin Taylor, a director at Hanson. "We must first study Consgold's businesses"

The acceptance by shareholders of the Hanson bid, which valued Consgold at a massive £3,5 billion (about R15 5 billion), ended a protracted battle for control of the West's second-largest gold mining company

Political opponents

Consgold, founded by British empire-builder Cecil Rhodes became a take-over target last September when Minorco, Anglo American's international investment arm, launched its original bid of £2,9 billion (R13 billion)

Minorco's bid, which could have created the West's biggest mining concern, was denounced by political opponents who saw it as a South African exercise to extend interests abroad

It finally collapsed in May after a US federal judge dismissed a request by Minorco to lift an injunction blocking its bid for Consgold

Minorco, which controls 29,9 percent of Consgold, eventually accepted Hanson's original offer of £14,30 a share, leaving it with a tidy £1 billion (R4,4 billion) in cash

This cash mountain makes Minorco a prime contender for some of Consgold's other major mining companies, which analysts believe Hanson will sell, despite its public pronouncements

Apart from GFSA, Hanson could also sell Renison Gold Fields in Australia, and two US mining groups, Newmont Mining Corporation and Gold Fields Mining Corp

Of these Consgold investments, the most likely candidate for Minorco is Gold Fields Mining Corp if Minorco eventually succeeds in turning over the US court injunction

● See Page 17

Vista Homes ex-boss in provisional liquidation

Star 9/8/89

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By Cathy Stagg

The personal estate of Mr Charles J Bezuidenhoudt, who was the chairman of Vista Homes Ltd, which is now in liquidation, was placed in provisional liquidation yesterday

Time Holdings Ltd brought an urgent application in the Rand Supreme Court

In an affidavit, Mr M A V Graham said that on September 8 last year Mr Bezuidenhoudt and his brothers, Bryan and Andre, sold all the shares in Vista Homes Ltd, Vista Construction Ltd and Vista Investment Holdings Ltd to Time Holdings

On September 15 Time paid Mr Bezuidenhoudt R3 million for the shares

Part of the 122-page agreement, which became final on October 31 last year, was a cancellation clause

Mr Graham said Time was entitled to cancel if the before-tax profit of the group during the warranty period was less than R3 million, which it was, but although Time had asked for the R3 million it had not been repaid

Time's attorneys sent letters to Mr Bezuidenhoudt On March 31 he replied "We refer to your fax messages of March 21 and 30 We are presently finalising the figures in Vista Homes and once we have clarity as to what we, the Bezuidenhoudts, can expect we will be in a better position to work out a payment plan for our debt to Time

INSOLVENCY

"Please be patient as I do not believe it will be in anybody's best interest to start legal proceedings at this stage"

Mr Graham submitted this meant Mr Bezuidenhoudt had acknowledged he owed the sum, was unable to pay on demand as he was obliged to do and had therefore committed an act of insolvency

Mr Graham said Mr Bezuidenhoudt had also stood surety to Trust Bank for Vista Homes' debts and the bank had lodged a claim with the liquidators of the company for R3 178 310

Last month Mr Graham spoke to Mr Bezuidenhoudt and learnt he had sold 14 town houses in Crystal Park and his home

Mr Graham had estimated Mr Bezuidenhoudt's personal assets to be worth R1,5 million before the sale of these two Benoni properties at what he believed to be below market value

He asked the court to grant the sequestration application so that Mr Bezuidenhoudt's estate would be frozen and he would not be able to "prefer some of his creditors above others for his personal benefit"

Mr Graham said Mr Bezuidenhoudt told him he sold the properties because interest was accruing to banks and building societies who had bonds over the properties

The order was granted by Mr Justice M S Stegman

Two private airlines to merge

F mail

MANDY JEAN WOODS

JOHANNESBURG-based Magnum Air and Durban-based Citi Air are expected to sign a deal within the next two weeks in which the two companies will be merged.

A similar deal struck at the end of last year which involved four private airlines, including Magnum and Citi Air, fell through in April when Brownlees Holdings, which was negotiating to buy the four airlines, withdrew from the deal

The new negotiations are believed to have been going on for the past six months. Magnum GM Ivan Jackson said they were "progressing well" while Citi Air MD David White said progress had been made and an announcement could be expected within two weeks

It is believed the rationale for the move is financial

The National Transport Commission (NTC) reinstated Citi Air's operating licence for its scheduled routes with effect from Sunday, White said yesterday

The licence was temporarily suspended by the NTC on July 27 following an investigation by the Directorate of Civil Aviation into the airline's aircraft airworthiness and maintenance operation.

White said the NTC had stipulated no aircraft be used on the scheduled services before specific approval had been obtained for that aircraft's use

White said he was still mystified as to why the operating licence had been temporarily withdrawn.

He said he had told the NTC he would resort to Supreme Court action if a satisfactory explanation was not forthcoming

The NTC said White had been "verbally informed".

9/8/89

COMPANIES

A1645 9/8/89 232

Lenco sells off Monatic, Rich Rags for R23-m

By TOM HOOD, Business Editor

TWO leading Cape clothing companies, House of Monatic and Rich Rags, have been sold by Lenco Holdings to subsidiary Budget Footwear for R23-million and are to be relisted on the Johannesburg Stock Exchange

Budget, a cash shell, with surplus cash resources of R24-million, had its listing suspended on January 13 pending the acquisition of assets Its name will be changed to House of Monatic, the companies said today in announcing the deal, and the JSE will be asked to reinstate the listing

Budget's minority shareholders are being offered 76c a share in cash, which is the company's estimate of the cash value at September 30

Lenco's directors say the aim of the acquisition is to expand the group's clothing business They see growth opportunities in both the local and overseas markets and say these opportunities can best be exploited through a clearly focused listed company

Six new directors have been appointed — Messrs E A Walbeckk, M J Maurer, J F Nel, H Kolles, W D Babb and B W Buckingham

House of Monatic, based in Salt River, makes men's fashion clothing under the labels of Carducci, Monatic, Viyella, Yves St Laurent, Embassy and Consulate High-quality women's garments under the Lady Carducci label are designed by the company and made externally

Both Monatic and Rich Rags were taken over by Rembrandt when the listed I L Back group went insolvent several years ago They were later taken over by Pepkor, chalked up heavy losses, and were sold to Lenco

"Monatic has, after incurring severe losses in the 1986-87 year due to rationalisation and scaling down of operations, shown a remarkable turnaround under Lenco management," say the directors

"This trend is expected to continue with the start of an export programme In addition, expansion of local production facilities are planned for the coming year in response to growing demand

"These factors are expected to contribute substantially to growth in earnings a share over the next three years"

The effect of the deal on Lenco's tangible net asset value and earnings a share is "insignificant", says today's anouncement

If the deal had been in force for the entire financial year, Budget's earnings would have risen from 5,1c to 13,6c a share while net tangible asset value would have dropped from 73,1c to 62,4c a share

Gencor group gets 30,7% stake in Alusaf

Cit- Times 10/8/89

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Financial Staff

ALUSAF has come under private sector control with effect from July 1, 1989, following the acquisition by the Gencor group of a 30,7% stake in the Richards Bay-based aluminium producer at a transaction value of R270m

Colin Officer, executive director of Gencor and deputy chairman of General Mining, Metals & Minerals (Genmin), announced yesterday that agreement had been reached with the Industrial Development Corporation of SA (IDC) in terms of which Gencor is to acquire an effective 30,7% of Alusaf in exchange for R63m in cash and an interest in an unlisted Gencor company

Alusaf's will be part of Genmin, the management company responsible for Gencor's mining, metals and mineral interests

Alusaf's board of directors will be reconstituted under the chairmanship of Officer, with Rob Barbour continuing as MD and Pieter de Waal continuing as technical director

Officer said Alusaf operates in a specialised invironment and has experienced, efficient and well-motivated personnel

It is therefore not anticipated that the change in control will bring about changes in Alusaf's management or employees

Alusaf will be listed at an opportune time on the Johannesburg Stock Exchange, said Officer

He said that a major part of the residual interest in Alusaf, held by the IDC, would form the basis of a future share issue to the public

Alusaf's employees will also be consulted in respect of a preferential allocation of these shares to them

Officer said Gencor had identified aluminium as an important growth area on the local as well as the international markets

Alusaf has, since its inception, established itself as a force in these markets and Gencor looks forward to participating in this growth Alusaf will also complement and diversify Gencor's existing interests in the important base metals and minerals field

He said the transaction will have no immediate material effect on the net asset value, earnings and dividends of Gencor

Alusaf, one of the IDC's largest investments, was established 22 years ago to render SA self-sufficient in respect of its aluminium requirements

The company doubled its capacity in 1982 to approximately 170 000 tons per annum About 35% of its output is exported

Alusaf employs 2 800 people and has an annual turnover approaching R800m After-tax profit in the latest financial year was more than R120m

RED MEAT INDUSTRY

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11/8/89

Making consumers mincemeat

The pending privatisation of the State-owned Abattoir Corporation (Abakor), which operates 10 abattoirs in SA's major urban meat markets, has led to fears that control of SA's R4,5bn/year red meat industry might be further consolidated in a few powerful hands

The Organisation of Livestock Producers (OLP) suggests that giant meat co-operative Vleissentraal, closely linked to the Meat Board and the official Red Meat Producers' Organisation (RPO), may get effective control of Abakor

This would give the co-op immense power and could virtually eliminate free market forces from the price-forming process in the urban, controlled red meat markets, says OLP chairman Sandy Speedy

The red meat industry is notoriously over-regulated The board's "meat scheme," operated in terms of the Marketing Act, limits slaughter permits in the controlled markets — although the system is more liberally administered during times of red meat shortages

Further sewing up the bureaucratic control is the fact that only meat slaughtered at Abakor's 10 abattoirs (and the Maitland municipal abattoir in the Cape) can be sold in the large urban markets This has added sharply to red meat costs in SA, as farmers have to pay costly slaughter fees and board levies to keep the two institutions going

The development of huge urban abattoirs during the Sixties (while the board simultaneously forced many rural abattoirs to close down by increasing hygienic requirements) flew directly in the face of developments overseas Here slaughter facilities were developed in rural areas, as transport costs of processed meat are well below that of livestock

Abakor's costly abattoirs have been termed "meat palaces" They were devised and built to strict EEC hygiene requirements — even though SA has never been a meat exporter They are also uneconomically operated as they work on single-shift or reduced throughput The result? Both producers and consumers are forced to pay the higher costs of running a costly bureaucratic system

Government has now decided to rid itself of this albatross — but it may end up moving from the fat into the fire

OLP's Terence Conroy says Vleissentraal could get a substantial stake in a privatised Abakor It already runs a huge, vertically integrated "meat empire" that operates some of SA's biggest feedlots, hides and skins sales, agencies selling meat for farmers and buying it for its own processing operations, and meat wholesaling and retailing through its Sam's butcher outlets

Conroy refers to a statement by previous RPO chairman Manie Schoeman quoted in SAAU's July 1989 *Red Meat* publication

"If the producer in SA were to be given the opportunity to obtain a controlling interest in the privatised Abakor, he would be in a uniquely favourable position And there is no reason to believe that he would not be offered this opportunity," said Schoeman in his 1989 RPO chairman's address

The RPO is the only officially recognised red meat producer body Farmers "automatically" become members — but are often not consulted in decisions made on their behalf by the SA Agricultural Union's "producer" bodies

What does this have to do with Vleissentraal? The fact is that Schoeman has resigned as RPO chairman and that Vleissentraal senior GM Jan Lombard is the new chairman Given the linkage of these two powerful positions — and considering individual producers have very little power or influence outside the official channels of bureaucratised agriculture — the co-op could strongly influence RPO's decisions on the effective running of a privatised Abakor

Meat . . . why prices are so high

Abakor GM Frans van der Vyver denies that Vleissentraal could effectively control Abakor He says this would go against government's privatisation policy "and I will resign if this should happen" He also disputes allegations that Abakor operates a monopoly, saying that it only accounts for 42% of all slaughterings of cattle, sheep and pigs in SA

But, in urban markets like the PWV, Durban-Pinetown, Port Elizabeth, East London, Bloemfontein, Kimberley and elsewhere, virtually only meat slaughtered at Abakor's abattoirs may be officially sold

Lombard tells the *FM* that Vleissentraal is "not directly involved" in planning Abakor's privatisation and that speculation is "premature No specific planning has been finalised at this stage"

A spokesman for Agriculture Minister Greyling Wentzel says Abakor's report, together with the Meat Board's recommendations, has been referred to government's privatisation committee for "further investigation" ■

FCI INDEX

The mood improves

The mood in manufacturing industry continues to be positive In the Federated Chamber of Industries (FCI) latest index, none of the regions recorded scores below 100 which marks the border between optimism and pessimism

While Maritzburg's expectations for manufacturing production in July were on the 100 mark (thanks to unrest, boycotts and strikes), manufacturers remained very optimistic (134) for the year ahead Similarly East London, hit by motor industry strikes, was only mildly optimistic for July (104) but felt buoyant about the year ahead (140)

Port Elizabeth, seemingly in terminal economic decline only two years ago, was the most confident of all the regions both for the month of July and the year ahead (144 in both cases) The buoyant mood is attributed to the strong export performance of its pharmaceutical, textile and tyre industries — and Mossgas

But perhaps most significant was the increased confidence in the country's southern Transvaal economic heartland The outlook in the region for the year ahead improved by 10 points (110 to 120) Nationally, the outlook for the year ahead improved from 116 to 122

Says FCI chief economist Roelof Botha: "It seems that the shock of the May 5 economic austerity measures has dissipated Several sectors seem to have absorbed these measures without serious impact on activity levels"

Botha says SA should benefit from the strong growth in the economies of her trading partners — Japan at 4,5% and Western Europe at more than 3% — even though unbeneficiated metals and minerals would gain more than the manufacturing sector

He adds that capital expenditure has been

11/8/89

HANSON/CONSGOLD

Stitched up

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Hanson's £3,5bn bid for Consolidated Gold Fields (ConsGold) was duly stitched up with acceptances for 57,3%, including Minorco's 29,9%, announced this week The offer goes unconditional, three Hanson executives have been appointed to the CGF board, and shareholders, such as Gold Fields of SA (GFSA), who did not rush to meet last Friday's deadline are expected to take their money in the next few days With the passing of control there is no point in holding on

ConsGold thus disappears as a constituent of the *Financial Times*-Stock Exchange index of the top 100 shares (replaced by engineering group GKN, formerly Guest Keen Nettlefold) And, ironically, Hanson now tops the hit list of the disinvestment lobby. The anti-apartheid monitors of UK interests in SA have always put ConsGold first, because of the 102 000 blacks employed by GFSA

That situation is not expected to last long Hanson borrowed the cash element of the bid (£3,3bn) without dipping into its own hoard of liquidity, now estimated at £4,5bn

While on equity-accounted (but not cash) earnings ConsGold may cover the interest bill, dismemberment should be fairly rapid The only question is whether Hanson will

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attempt to take a view on the gold price in deciding the timing of the sale of 38% of GFSA, the other SA mining interests, Newmont and the rest of ConsGold's portfolio of minority stakes

And, of course, the market waits with bated breath for frustrated Minorco to begin its redeployment of its cash (£1,5bn) and assets At £9,73 (only 39p off the record peak), Minorco stands 55% above its 1989 low The share price has performed well — now for the management

John Cavill

Fin Mail 11/8/89. (232)

THE BOARD OF EXECUTORS

Gearing for growth

Cape-based The Board of Executors (BOE) is to acquire 100% of Mercury Trust (formerly Fidelity Group) The R25m deal is aimed at strengthening BOE's interests ahead of planned expansion

The initial impact will benefit assets rather than earnings MD Bill McAdam says that if the scheme of arrangement becomes effective, EPS will be marginally diluted until acquisitions are made with the cash resources, which will total about R23m However, net worth will rise from 352c to 430c per share and the market capitalisation will exceed R60m The deal is expected to be made effective from October 1

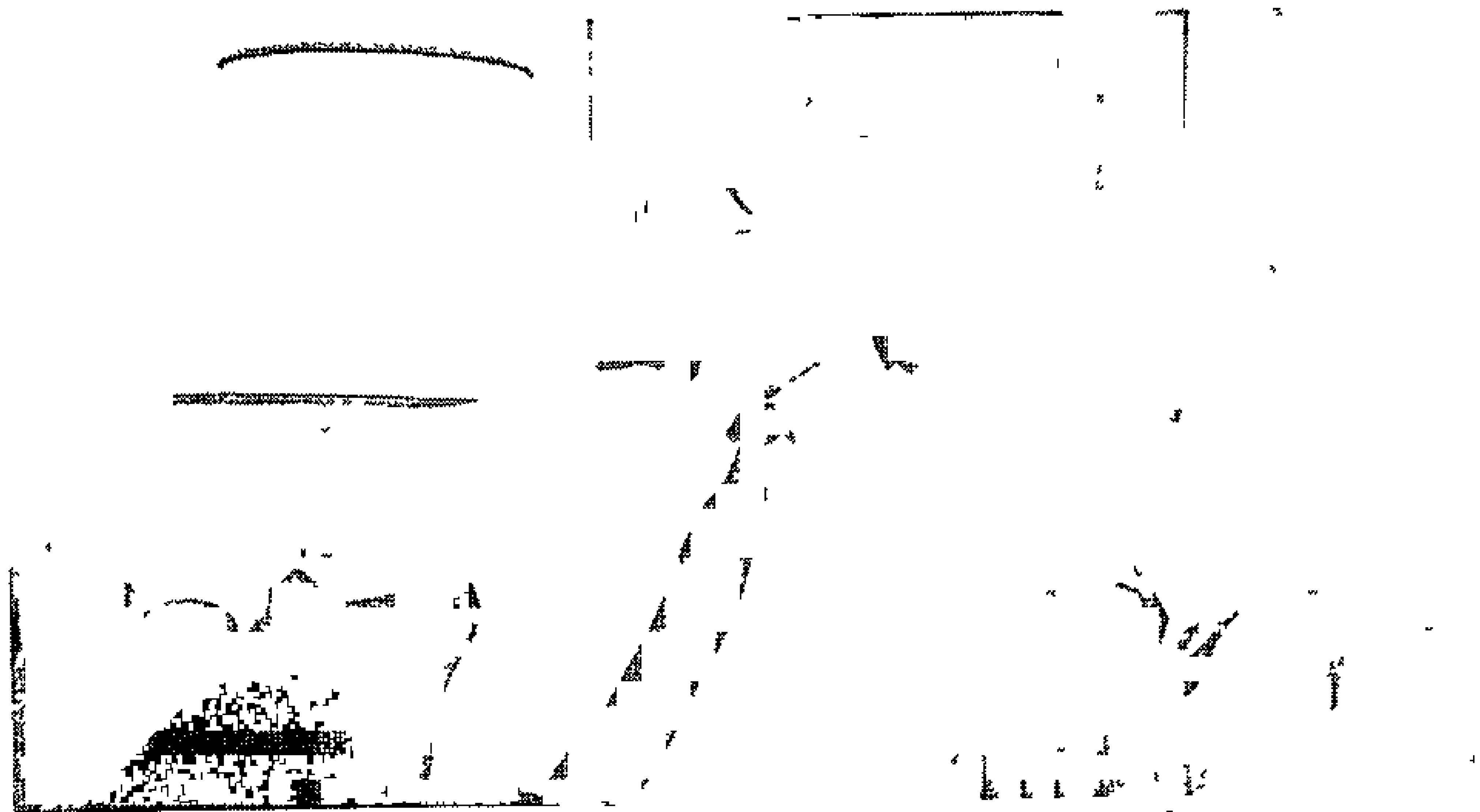
BOE's only asset is 100% of the trust company, Board of Executors, which was established in 1838 At present, the trust company holds 41,8% of the issued capital of Mercury and is responsible for the management and administration of Mercury's assets McAdam says there are 700-900 shareholders in Mercury spread widely around the country They originally held shares in the BOE trust company and in Fidelity Bank

Mercury shareholders are being offered two options For every 100 shares held, Mercury shareholders may elect to receive 300 ordinary shares in BOE plus a cash payment of R1 050 Shareholders who exercise this option will have the right to acquire an additional 100 BOE shares at 400c per share Alternatively, shareholders can accept R2 250, comprising the cash payment of R1 050 and the proceeds of the sale of 300 BOE shares which, for the purposes of the scheme, are underpinned at 400c per share

Mercury currently holds 40% of BOE, 30% of Fidelity Bank, 30% of Storeco, 9,5% of Speciality Stores and R5,3m in cash Clearly, if the offer to minorities is successful, BOE will not only assume total control of these, but Mercury will become its wholly owned subsidiary The move would largely eliminate the convoluted cross-holding and paper-swapping which have been a feature of the board's restructuring in the recent past It's intended that the 4,48m ordinary shares which Mercury holds in BOE will be placed with selected institutions, Mercury shareholders and management

McAdam says it was intended to list Mercury, but the 1987 Crash rendered these plans impractical Present thinking is that more evident benefits will flow from the takeover of the company than a listing

This way, no listing expenses will be involved, the structure will be simplified and will ensure more focused management Resources will be concentrated in three areas BOE Asset Management, BOE Securities and Mercury Trust, together, they will administer assets exceeding R2bn



Board of Executors' McAdam ... unit trust plans

BOE has also revealed plans to establish a unit trust fund in partnership with a major financial institution

Over the past five years, BOE has shown compound annual growth of 23% in both shareholders' funds and attributable profits EPS for the year to end-September 1988 totalled 37,5c and the interim figure this year reached 33c, raising prospects of a record year

Gerald Hirshon

MINING

Argus 15/8/89 232

GFSA takeover paves way for acquisitions

By TOM HOOD,
Business Editor

THE new shareholding structure of Gold Fields of South Africa would allow the mining group to adopt a more aggressive approach to new investment opportunities, said chairman Mr Robin Plumbridge.

"We can now move ahead and develop the group far more rapidly," he said after announcing the deal by which GFSA and Rembrandt Group acquired Consolidated Gold Fields' stake in GFSA for £368-million (R1 619-million).

The financial constraints imposed by having a large block of foreign shareholding had prevented it from making major investments in the past, he added.

However, Johannesburg analysts believe Dr Anton Rupert's Rembrandt Group is paying a hefty premium for its acquisition of a further 10 percent of GFSA

They said Rembrandt, which is putting up £120-million (R528-million) for a 10 percent stake in GFSA, is paying too much for the shares

At current financial rand rates, its payment values GFSA shares at R96, a 17 percent premium on GFSA's current price of R82

SENTIMENT

The JSE reflected this sentiment yesterday Rembrandt Group ended 15c easier at R12,10 after soaring to R13,50 in early trading, while Rembrandt Controlling closed 20c lower at 880c after jumping to 950c

The sale comes after last week's completion by Hanson Plc of its R15-billion acquisition of Con Gold The complex deal, announced by Mr Plumbridge yesterday, was arranged hastily after Hanson's bid for Con Gold went unconditional

It could precede the sale of three other valuable mining assets controlled by Con Gold US-based Newmont Gold and Gold Fields Mining Corporation, as well as Renison Gold Fields of Australia

EQUAL CONTROL

In terms of the deal, GFSA and Rembrandt will have equal control of GFSA Holdings, which in turn owns 40 percent of GFSA

Both groups will therefore have an indirect 20 percent stake in GFSA

Rembrandt's 50 percent stake in GFSA Holdings comprises the 10 percent it acquired in July 1987 and the 10 percent interest it took up in terms of an agreement giving it a pre-emptive right over 30 percent of GFSA shares.

NO DIFFICULTIES

In spite of paying a substantial premium for its stake, analysts suggested Rembrandt would have no difficulties raising the R800-million it would have to pay Con Gold through the financial rand.

They said Rembrandt could finance the deal through a combination of internal funds and loan financing, although the group recently followed its rights in HLH, Gencor/Fedmyn and Sage to the tune of R330-million

CASH RESOURCES

Its cash resources at end-June totalled R350-million

GFSA's acquisition of 50 percent in GFSA Holdings has been financed via a share swop

Through Asteroid, a local company owned jointly by GFSA and Driefontein, GFSA's major gold mine, GFSA controls an effective 7,5 percent of Con Gold

The purchase sum includes the final dividend to be declared by GFSA for the year to June

The 7,5 percent stake is valued at £240-million in terms of Hanson's offer of just over £15 a share

But Mr Plumbridge said a share swop was the preferred option used because a gains tax would have had to be paid if the shares were sold

Con Gold will retain an 8 percent stake in GFSA and will, for the time being, hold onto its other interests in South Africa 5 percent of Driefontein, 13 percent of Kloof, 15 percent of Deelkraal and 13 percent of the Northam platinum mine

Sapa-Reuter reports from London that Con Gold chairman, Mr Rudolf Agnew, welcomed the sale of GFSA, and said "I am very pleased we have achieved full and fair value, which represents a premium of 23 percent over the current market price"

Dealers in Johannesburg said the Rembrandt Con Gold transaction was unlikely to have much effect on the finrand market

PURCHASED

They felt Rembrandt had probably completed its purchases of finrands last week

The finrand rate rose 5c last Friday morning and has remained firm since then

The cost of Rembrandt's purchase in commercial rands is about R516-million.

But, if Rembrandt has to buy its foreign currency at the finrand rate, as most analysts assume, the cost could be R800-million

WORRIED

The Argus Bureau in London reported yesterday the City was worried that the purchase of GFSA shares by Rembrandt and anybody else would put unprecedented pressure on the finrand

However, the subsequent disclosure that GFSA and Driefontein were swopping Con Gold shares for GFSA shares should eliminate any need for finrands

PROPERTY SALES

Sterns' (232) R6-m debt – bank to hold stock

Star 16/8/89

By Brendan Templeton

Trust Bank was yesterday empowered by the Rand Supreme Court to hold the stock of all 76 branches of Sterns Diamond Organisation Ltd and Sterns Jewellers (Pty) Ltd after an urgent affidavit was brought by the bank before Mr Justice N M MacArthur

The jewellery company has until August 22 to give valid reason to the court why their assets should not come under the bank's control

If they fail, Trust Bank will be allowed to sell all the stock which was put up as security in terms of a notarial bond granted to Sterns

Reasons for the order were given in a confidential affidavit by assistant general manager of Trust Bank, Mr J N Moolman, the details of which may not be made public

According to the affidavit, Sterns owed the bank over R6 million at August 10

The order restrains Sterns from dealing with or disposing of its stock in any way without the written consent of Trust Bank, pending the return date of August 22

Granada drops

GT 17/8/89

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Weak rand prompts R70m disinvestment

From SYLVIA DU PLESSIS

JOHANNESBURG. — The weak rand has prompted UK television rental giant Granada to disinvest its 42% stake in Teljoy SA, worth R70m.

The pullout — for financial reasons — is expected to be confirmed next week. Aside from the weak rand, Granada is apparently also motivated by a desire to focus its operations in Europe and raise more capital.

Industrial holdings group Federale Volksbeleggings (Fedvolks), which already holds 27% of Teljoy, will bid for Granada's shareholding, a source close to the deal said yesterday.

Speculation of the takeover has intensified since Teljoy's warning to shareholders on Friday to exercise caution when dealing with the group's shares.

However, shareholders appear to have adopted a wait-and-see attitude. Teljoy shares closed unchanged yesterday at 290c, 10c off the 300c recorded when the cautionary was issued

Neither Teljoy nor Fedvolks would confirm the deal

Fedvolks MD Johan Moolman said yesterday he did not want to comment on whether the speculation and the cautionary were linked.

However, he conceded that it would be "logical" for the group to want to increase its shareholding in Teljoy He was happy that Fedvolks had a stake in Teljoy, since it was performing well and broadened Fedvolks' base.

Teljoy chairman Theo Rutstein, a major minority shareholder, also declined to comment on the rumours, but said he was not planning to sell his own shares in the group He added that an announcement regarding the cautionary would be made late next week.

Granada is the second largest TV rental

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17/8/89

Govt decentralisation emphasis is criticised

EDWARD WEST

CONTINUED emphasis by the government on decentralisation was slammed at the SA Property Owners Association yesterday

Decentralisation policies were not in line with current economic theory, and planning rhetoric in this regard was like a veneer disguising the motives of political ideology, Gallagher Aspoas Poplak Senior director Erky Wood said at the SA Property Association Conference yesterday

Latter-day fears of massive urban growth and its associated problems had proved unfounded World experience indicated planned growth of cities as the most effective way of coping with urbanisation, Wood said

JCI senior economist Ronnie Bethlehem endorsed Anne Berstein of the Urban Foundation's view that government should abandon the schizophrenia of current development policy.

It made no sense to accept black urbanisation and simultaneously cling to policies designed to prevent, redirect and disguise black urbanisation

Bethlehem said the black population in SA, including the TBVC territories, was around 27-million This meant that 300 000 additional black people entered the market each year

The 1986/87 Decentralisation Board annual report showed the number of jobs created as a result of its activities was 25 873 annually

Calculations

This was only half the failure of the policy, he said To create those jobs vast amounts were spent The board indicated the expenditure associated with the creation of 126 366 jobs in five years amounted to R2,054bn or R15 882 a worker

Other calculations put the cost at between R60 000 and R100 000 a worker, or four times its metropolitan equivalent, he said

To encourage investment away from concentrated industrial areas, generous offers were made by government for rental and wage subsidies.

Bethlehem said if real GDP was to be significantly increased, the balance of payments secured and inflation checked, this waste of scarce resources had to be stopped

Department of Development Planning director-general Duggie de Beer said the decentralisation policy was based on the premise that the expected rate of urbanisation could not be accommodated in metropolitan areas in an orderly fashion

The stimulation of development in rural areas, through the Industrial Development Programme, could influence the rate of migration to metropolitan areas while creating alternative centres for urbanisation

He said government recognised the advantages which metropolitan areas had for a rapidly urbanising population The urgency of decentralisation had not been diminished by governments' introduction of planned urbanisation, but enhanced, he said

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BUSINESS

Fifth of world's mining assets on the move - away from SA

Some R32-billion in mining assets is changing hands right now, much of it the result of mining houses trying to move away from South African connections. KURT JENSEN reports

ALMOST one-fifth of the world's mining assets are currently on the move, and initial attention has been focused on South Africa as international mining houses try to rid themselves of the embarrassing "South African connection".

Nearly $12-billion (about R32-billion) of mining assets worldwide are in the process of changing hands, according to a recent report by London-based merchant bankers Kleinwort Benson

Heading the list is Consolidated Gold Fields' $5,3-billion worth of mining assets This week Gold Fields of South Africa (GFSA) became the first of its mining groups to be sold, following the successful bid for Consgold by industrial conglomerate Hanson PLC.

In Canada the world's second largest nickel producer, Falconbridge, is facing hostile competing bids by the US-based Amax group and Canada's largest natural resources group, Noranda, which this week teamed up with Sweden's Trelleborg The offers value Falconbridge at over $2-billion.

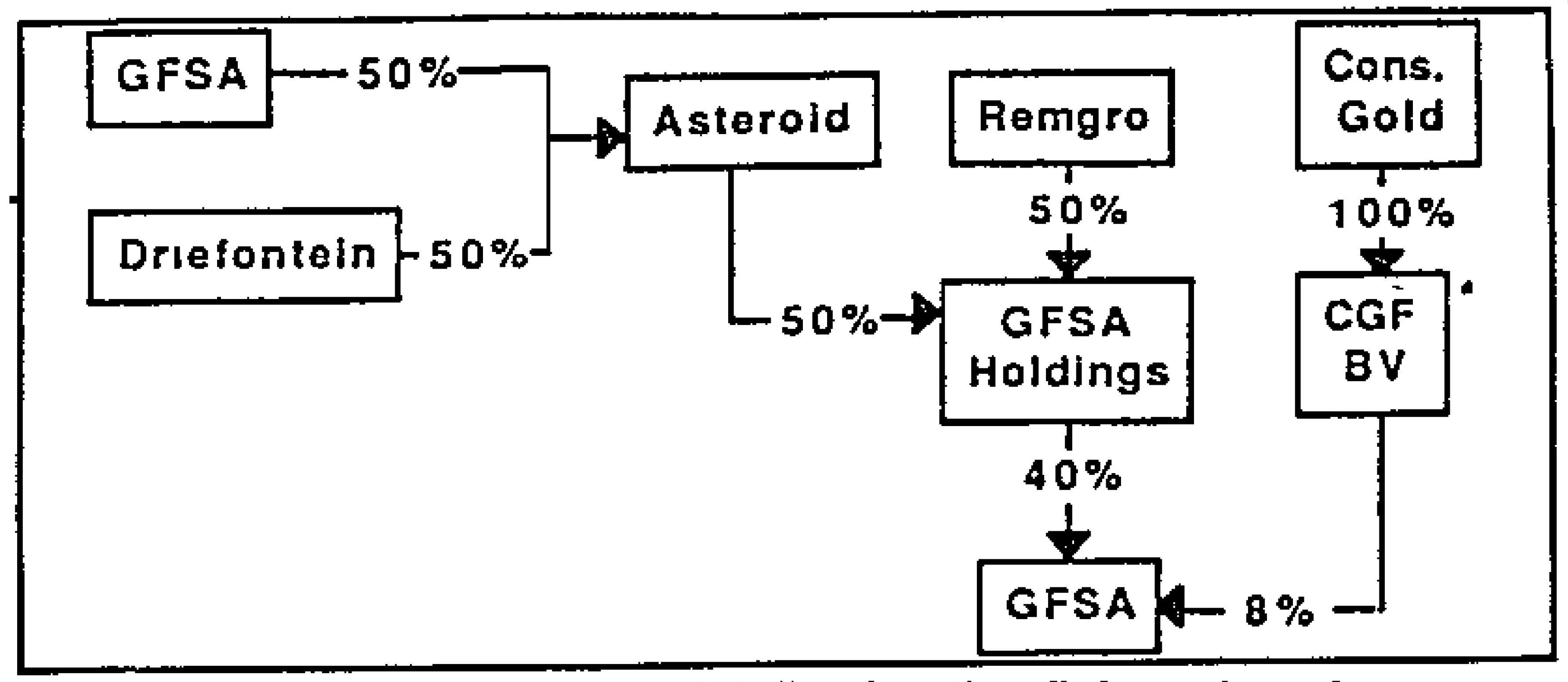
Finally, British mining giant RTZ has just completed its $4,3-billion acquisition of British Petroleum's mining and mineral assets. These include some South African interests which have already been resold.

RTZ announced this week it had disposed of its 33,5 percent stake in local gold mine Unisel and a 12 percent holding in Gold Fields (Namibia) for a total consideration of R200-million.

Gencor and Anglo American have bought RTZ's stake in Unisel, one of South Africa's most cost efficient mines

The disposal leaves RTZ with a major stake in the Palabora copper mine, the Richards Bay mineral venture and control of the Rossing uranium mine in Namibia.

BP itself recently announced that it would sell its South African coal operations and local producers are lining up to buy some of the assets. Included is the country's largest coal exporter, Middelburg Mines



How Gold Fields is controlled, following the disinvestment

But for the time being Consgold's dismemberment by Hanson is in the spotlight

Only one week after winning control of Consgold, Hanson sold the bulk of the UK mining giant's stake in GFSA for £368-million in cash to GFSA and the Rembrandt Group.

It is the biggest single disinvestment by an international group from South Africa

Hanson is still left with an eight percent shareholding in GFSA and minority stakes in four other mines — five percent of Driefontein, 13 percent of Kloof, 15 percent of Deelkraal and 13 percent of the Northam platinum mine

Hanson could follow its disposal of GFSA with the sale of three other valuable Consgold mining assets: Newmont Gold and Gold Fields Mining Corporation in the US, and Renison Gold Fields in Australia.

Anglo American's international investment arm, Minorco, is jostling for a position in the queue for these assets, after its unsuccessful bid for Consgold. It has $2,4-billion to spend, now that it's collected cash from Hanson for its 30 percent stake in Consgold.

Both Anglo and Gencor were known to be interested in getting a foothold in GFSA.

But GFSA chairman Robin Plumbridge, in partnership with Anton Rupert's Rembrandt Group, used his company's strategically acquired 7,5 percent shareholding in Consgold as a lever to ensure the company's future independence.

As part of the deal GFSA will receive a 50 percent stake in GFSA Holdings by assenting the 7,5 percent interest to the Hanson offer.

This stake, which is valued at roughly £240-million and held through a company called Asteroid, is jointly owned by GFSA and Driefontein.

Asteroid and Rembrandt now have equal control of GFSA Holdings which in turn owns 40 percent of GFSA, giving both companies an effective 20 percent stake each in the mining group.

Rembrandt's 20 percent in GFSA comprises the 10 percent it acquired in July 1987 and the 10 percent interest which it took up in terms of pre-emptive rights over 30 percent of the shares

According to Rembrandt director Johan Rupert, the £120-million price tag attached to the 10 percent stake had been paid off over the last few weeks through the financial rand at a cost to his company in the region of R800-million

Funding has come largely from internal sources but analysts have questioned the approximately 20 percent premium Rembrandt paid above GFSA's current share price

They point to GFSA's disappointing results for the year to end-June released this week. These would have given Rembrandt a return of just under three percent on its investment had it owned the additional 10 percent over the period

In addition, Rembrandt will have to follow its rights if GFSA, as is likely, embarks on a major funding drive to develop various mining projects. Its Northam platinum venture alone will require an injection of R500-million by 1991.

Announcing the deal, Plumbridge said that the new shareholding structure would allow the group to adopt a more aggressive approach to new investment opportunities, as political pressures had made Consgold reluctant to increase its investments in South Africa and had thus prevented GFSA from raising additional capital or making major investments

Rembrandt will certainly have to dig deep into its coffers when this expansion drive is given the go-ahead, but finally the huge outlays are likely to pay dividends.

GFSA owns a number of quality gold mines with long lives ahead of them and good south African mining assets are increasingly hard to find

(532) Fmail 18/8/89

GOLD FIELDS OF SA

Independence upheld

A number of winners appear to have emerged from the unexpected control structure for Gold Fields of SA (GFSA) announced this week It has yet to be shown whether the ultimate winners will include minority shareholders in GFSA, or those in Driefontein Consolidated (Drie Cons)

The most obvious beneficiaries are GFSA's top management While a few weeks ago, some were speculating that a merger of GFSA with Gencor would make sense, this way GFSA chairman Robin Plumbridge's independence seems assured until further notice

As the illustration shows, nobody now has a holding in GFSA larger than the combined stake held by GFSA itself and the group company, Drie Cons In effect, GFSA and Remgro each have equal stakes in GFSA Remgro already had a 10% interest and has simply opted to take up a further effective stake of 10% At this stage, Remgro has chosen the "partnership" arrangement it has historically preferred

Remgro's original 10% represented a third of the equity in the holding company, GFSA Holdings, which in turn had 30% in GFSA Consolidated Gold Fields (ConsGold), now being dismembered by its new owner, Hanson Plc, held the balance of GFSA Holdings as well as a direct 18% in GFSA When Remgro bought its 10% of GFSA, it also secured first refusal on the rest of GFSA Holdings and 10% of the direct 18% Acting swiftly after the Hanson bid was sealed, Remgro has taken up that 10%, which it is injecting into GFSA Holdings The stake which Remgro did not already own in GFSA Holdings is going to Asteroid, held 50.50 by GFSA and Drie Cons

Though GFSA is, in effect, buying an interest in itself, executive director Bernard van Rooyen says there would be no legal problems with this arrangement He points out that while the Companies Act restricts a subsidiary from voting shares held in its own holding company, that does not apply here The combined holding in Asteroid is 50% and GFSA holds only 32% of Drie Cons

Remgro will pay £120m cash for its additional 10% in GFSA, equivalent to £14,68 a share, compared with the effective price of slightly more than £15/share being offered ConsGold minorities by Hanson For its 20%, Asteroid will swap the existing 7,5% stake it holds in ConsGold, plus pay £0,5m cash

The swap saves tax which would be incurred had the respective shares been sold at a profit on book values Hanson, via Cons Gold, receives an effective £368m for the 30% stake in GFSA This way there will be much less pressure on the financial rand than if 30% of GFSA had been bought outright

Hanson moved quickly to do the deal now, because it did not want to be seen in the US as holding the controlling stake in a major SA group Portfolio investments are apparently less important and can be dealt with later

The announcement casts some light on GFSA's tight-lipped stance throughout the Minorco and Hanson siege on ConsGold When GFSA bought its stake in ConsGold, Minorco already held 29% Under British takeover rules Asteroid could not make an agreement with any bidder before the offer became unconditional, with over 50% approval obtained Asteroid never accepted or rejected the Minorco offer But GFSA's 7,5% stake was vital for Hanson to achieve the 90% required to make acceptance by 100% compulsory, which is needed for asset stripping GFSA was thus in a strong position in negotiations after Hanson's offer became unconditional on July 31

The agreement on joint control of GFSA Holdings provides for reciprocal rights between Remgro and Asteroid One Rembrandt representative, Gys Steyn, sits on the GFSA board Plumbridge says there will be no changes in management

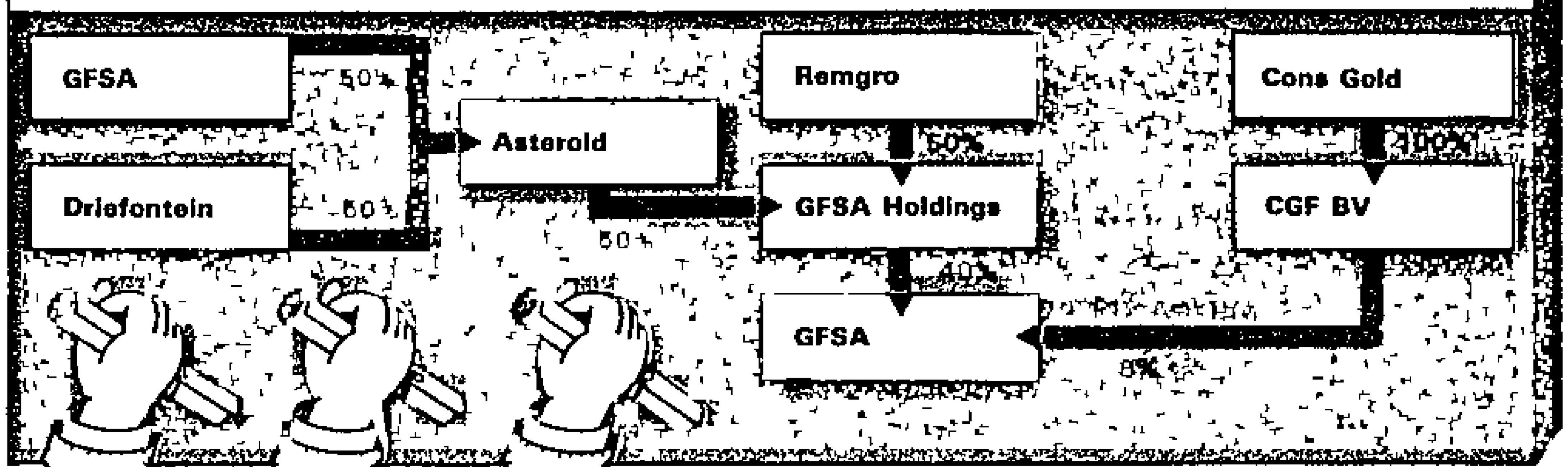
But the arrangement begs the question of accountability Circular lines of control are not unprecedented — the Anglo/De Beers arrangement is an outstanding example. That does not mean another one would be a good thing In this case, it appears GFSA management will be accountable to nobody but itself, and management is not a significant shareholder

Of course, the game may not be over yet — Remgro may yet acquire more shares. But, for now, it's difficult to see who except management will call the shots and if other blocks of shareholders do not have an effective voice then minorities could ultimately lose For his part, Van Rooyen says it should be remembered that "there are a lot of institutional shareholders who are not without influence" and that Remgro would be unlikely to sit back if it was unhappy with the performance He adds that an operating consensus would have to be reached to make the holding through GFSA Holdings work and that would be a powerful discipline

According to Van Rooyen, foreign control of GFSA over the years "has been a constraint and a problem" This, he says, has placed restraints on raising funds rather than business strategy Not explained yet is how Asteroid will follow its rights in a GFSA rights offer — Plumbridge says a "suite of options" would be available but does not detail them In the short term, there could be major calls for funds for Northam and Venterspost The adroitness which the group shows in raising and using funds — ostensibly a key function of a mining house — will offer a test for the newly independent management

Andrew McNulty and Teigue Payne

GFSA's major shareholders



St Times 20/8/89. (232)

Royal in merger

By Julie Walker

ROYAL Corporation is to merge its Lovasz chemical interests with Holpro (K Holtz Holdings) to set up the largest distributor of pharmaceutical raw materials in Southern Africa

The merger will double the size of Lovasz, which supplies raw materials for chemical manufacture Lovasz was worth about R20-million in the balance sheet at February 28

Holpro has been in business for 22 years It is strong in finished pharmaceuticals and chemicals, and in medical and analytical laboratory instrumentation Holpro also owns the agencies to several chemicals under licence

Royal chairman Vivian Imerman says that although Lovasz and Holpro operate in the same sector, there is little duplication in customer and products

At present Fedsure owns Holpro, and although the terms have not been made final, Royal will have at least 75% of the company as well as the management

A listing will be sought for the new chemical and allied supplier in the chemicals & oil sector of the JSE

No details have been given about the price paid, or about the effect the deal will have on earnings or net asset value of Royal

Royal — which was renamed from Lovasz after the deal with Beech-Nut — shed 10c to 205c on Friday ahead of the announcement It trades about 12 times forecast earnings after the acquisition of Royal Beech-Nut from Nabisco

London gold

The rand's world value

	R1 equals		One foreign unit equals (R)	
	18/08/89	18/08/88	18/08/89	18/08/88
US $	0 3612	0,4056	2,7682	2,4657
UK £	0,2316	0 2395	4,3171	4 1758
Deutschemark	0,7100	0,7733	1,4084	1 2932
Japanese yen	51 84	54 20	0,0193	0,0184
Swiss franc	0 6126	0 6487	1,6324	1,5415
French franc	2 3977	2 6173	0,4171	0,3821
Canadian $	0,4264	0 4986	2 3452	2 0056
Italian lira	510 08	571,75	0,0020	0,0017
Zimbabwean $	0 7880	0,7560	1 2690	1,3227
Australian $	0,4781	0 5043	2,0916	1,9829
Trade weighted value of rand, % change against 1974 base				38/38

Domestic interest rates

MONEY MARKET

	Friday 18/08/89 %	Friday 11/08/89 %	Friday 04/08/89 %
SARB accommodation rediscount rate TBs	17 00	17,00	17,00
Treasury bill tender rate	17 17	17,06	17,17
Basic call of discount houses	17,25	17,25	17,25
Three-month banker acceptances	17 35	17,35	17,40
Three-month NCDs	18 35	18,24	18 45
Three-year RSA stock	15,90	15,84	16,19
Prime overdraft rate	20,00	20,00	20,00
All-in yield of finest acceptance credits	18,34	18,34	18,40

CAPITAL MARKET

SECONDARY MARKET	RATES ON MOST TRADED STOCKS Average Previous Month	As on Friday
Long-term RSA stocks	17,21	17,07
Long-term Escom stocks	17,21	16,98

Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Curtailed Operations	53,8+	0,4	0,0
Diamonds	4,2+	3,4	11,0
Bevs, Hotels Leisure	3 4+	5,9	12,8
Printing & Publishing	3,3+	5,0	16,2
Pharm & Medical	2,8+	4,9	14,4

Overall market this week

(Ordinary Shares Only)

Mining	Non-Min	Total

Brollo changes tack

BROLLO Africa, a member of Robor Industrial Holdings, is to put renewed effort into the domestic market after the acquisition of Robor Metals

S/Times 20/8/89

The decison to set up its own marketing, sales, warehousing and distribution facilities came after the Robor group split its operations into three divisions — Robor Trading, Robor Coastal and Robor Metals.

2 32

Before this, Brollo made the steel tubing and open steel sections marketed by Robor Brollo concentrated on exports, which make up between 40% and 50% of its production.

Logical

"The assimilation of the tubing interests by Brollo was a logical move because we have always manufactured the steel tubing and open steel sections marketed by Brollo," says Billy Sendin, works and marketing director

"Since 1972, we have been known as an exporter, serving more than 40 countries To survive in that competitive market, you have to deliver the goods on time and at the right price

"The SA market is equally price-sensitive We believe our entry into this sector will provide customers with cost-effective products backed by improved service"

Joint chairman for De Beers, Anglo, Minorco

Cape Times 24/8/89

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Own Correspondent

LONDON — Mr Julian Ogilvie-Thompson has indicated that he will retain chairmanship of De Beers Consolidated Mines and Minorco when he replaces Mr Gavin Relly at the helm of the Anglo American Corporation in 18 months.

This emerged in an interview with the Financial Times, in which Mr Ogilvie-Thompson said that it is only since 1982 that Anglo and De Beers have had separate chairmen.

Mr Ogilvie-Thompson is currently deputy chairman of Anglo America, but it was recently disclosed that he will succeed Mr Relly when he retires next year.

The newspaper commented that Mr Ogilvie-Thompson "looked genuinely embarrassed" when pressed on whether he would retain the other two chairmanships, but "gives a clear indication that he will".

Mr Ogilvie-Thompson suggested that the system of separate chairmen worked only because he and Mr Relly had been able to get on on very well together. But he added that "there would be advantages if we (the Anglo-De Beers group) went back to a period of having one chairman for all three companies (including Minorco)".

The newspaper notes: "Those advantages spring from the very close relationship and complex corporate linkages between the companies, which move many observers to conclude that far from being three separate entities, they are indivisibly one.

"Furthermore, there is more than a suggestion that the real power lies with a private company .. E Oppenheimer and Son. This company pays Ogilvie-Thompson's salary in an offshore tax haven."

Bus 24/5/87 ISCOR 232

THE price at which the country's largest sale of a state asset to the public is set at will have a strong influence on the whole privatisation process, stock broker analysts said

They said it was beginning to look as if Iscor would be sold off in its entirety when its shares were made available for public ownership

Iscor is worth between R3-billion and R4-billion and its advisers have been chary about trying to raise this sum from the public at one go.

It had been feared that if the issue was under-subscribed it would put a damper on the sale of future government assets.

Until now it had been thought that Iscor would limit the value of shares issued to around R1,5-billion and raise the balance in a number of tranches in the next few years.

But some of the big financial institutions have been telling Iscor they were perfectly happy to invest in it.

However, the price of the steel maker was crucial, because if it was set "right," the financial institutions have indicated they would take the lot

The government, however, was known to be keen to get as many individual South African shareholders as possible and hopes the issue will result in Iscor possibly having as many as 150 000 shareholders.

Moreover, in order to ensure that the small investor gets a chance to take up shares, two issues are planned — one for institutions and one for private individuals. The terms in both cases should be the same.

This led institutions to argue that if the government wanted the private person to take up shares, it would have to make the offer a generous one.

In particular, the offer would need to be sufficiently attractive to ensure the shares did not fall below the issue price in the next year or so because, were this happen, the privatisation effort could come to a halt.

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Fmail 25/8/89

SATS PRIVATISATION

Going the Eskom rout

The countdown towards the April 1 1990 deadline, when SA Transport Services (Sats) will be split into a potentially profitable, taxpaying public company, and a State-owned corporation which will take over its loss-making commuter services, is "going smoothly"

Sats GM Anton Moolman says that though the State will initially own all the shares in the public company, it will be run along private-sector lines with its own board of directors It could also pave the way for future privatisation

"Four or five directors will be chosen from the public sector and between three and five from the private sector It will be chaired by Parktown, Johannesburg. Sats' present head office, Paul Kruger Building in Wolmarans Street, will become the head office of its rail transport division

On April 1, Sats' liabilities and contracts will be transferred to the public company Its assets will be reassessed and split into two, part of which will be handed to the commuter operation, which is to be run as a State corporation A centralised group company

Sats' Moolman . . . see how we run

will run business-support units, such as data-processing, legal services, housing, pensions, medical aid and personnel

The minister will appoint a board to govern the commuter corporation, which will have its own management structure Sats will operate its services on a contractual basis

Initially, central government will absorb its losses, which have been running at about R1bn/year, but, later regional services councils and other local authorities may have to shoulder some of the burden

These changes, which are a prelude to the eventual privatisation of Sats, are being made in terms of the Legal Succession to SA Transport Services Act (No 9 of 1989), which was passed by parliament earlier this year

Moolman, who has never disguised the fact that he intends to be a fierce competitor for any traffic available, says he isn't at all happy with Sats' recent profit of R147m He regards it as insufficient return on the assets employed However, he feels increasing profits in future shouldn't be too difficult Being

appointment of Tony [illegible] the Johannesburg Stock Exchange

Economists who urge less government interference in the economy fear that Kantor's departure will mean a heavier hand for the board "It's a definite loss," says Henry Kenney, a business economist at Wits "There's a lot of obsolete thinking on the board. It's more concerned with what's going on in an industry — the actual number of companies in an industry — rather than with what barriers exist to entering an industry The board could do with more good economists "

But board chairman Pierre Brooks believes the board "has a reasonable mix of economists and lawyers, we're certainly not top-heavy with lawyers considering that we're interpreting an Act (that established the board) " Aside from Kantor, the board's 10 members include four economists and three lawyers, notes Brooks

It is not certain whether the other vacancies will be filled The Act creating the board states it may have anything from eight to 13

Fmail 25/8/89

Fmail 23/8/87.

HEALTHCARE

Going private?

Private hospital groups are disillusioned about government's commitment to healthcare privatisation — but there is no agreement on the best way to proceed

While the recent proposal by Afrox to lease part of the Johannesburg Hospital was rejected outright by government, other groups — Clinic Holdings (CH) and Medi-Clinic — are hardly rushing to their support

CH chairman Barney Hurwitz believes Afrox took the wrong approach "They jumped the gun The authorities will call a tender when they're ready and will then talk to all the groups, rather than sell to one exclusively," he says

Hurwitz says CH would see privatisation as a major business opportunity, though it won't make any unilateral gestures

Medi-Clinic MD Edwin Hertzog says the State would create unfair competition if it sold or leased existing State hospitals at unrealistic prices He adds there are enough beds for the 20% of the population who can afford private healthcare

However, in the long run, demand for healthcare is likely to continue to exceed the financial ability of the State to supply it

"The SA population has grown accustomed to a high standard of healthcare In future people will therefore have to rely more on services from the private sector to maintain this standard," says Hertzog

Afrox Healthcare GM Dick Williamson claims the Department of National Health is in favour of privatisation, but the provincial authorities don't want to give up their power base "The authorities are stalling until the De Villiers Report on healthcare is released," he notes

It certainly promises to be a long process National Health director-general Coen Slabber says a sub-committee on privatisation has drafted policy guidelines which will have to go through both the Health Matters Advisory Committee and the National Health Policy Council

"The State is cautious not to develop a policy document in isolation from the realities of privatisation and its possible outcomes," he says

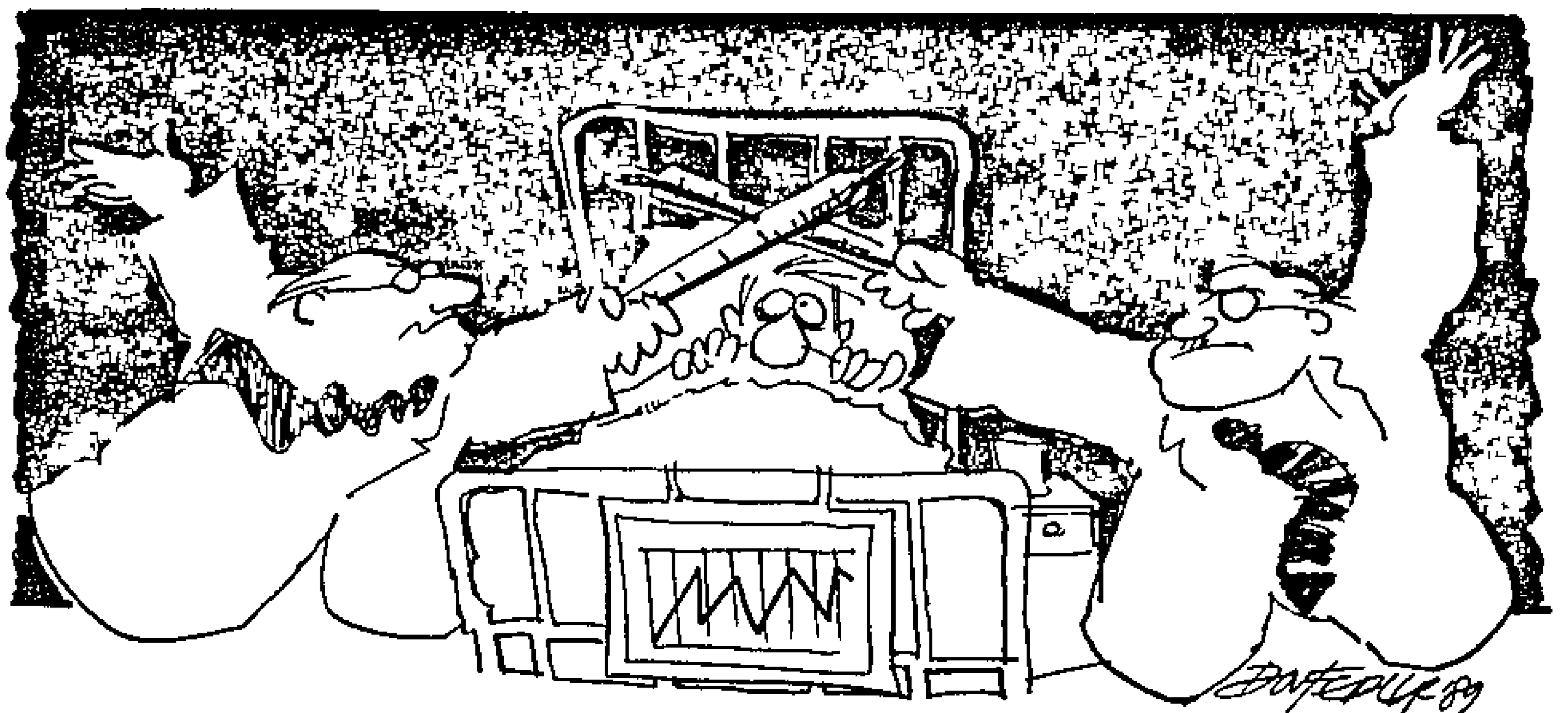
But DP health spokesman Mike Ellis says some hospitals can't be fully used by the State and the private sector should be involved "I know the private sector agrees with us that hospital services need an overhaul Moreover, all the private groups have a non racial policy "

Williamson says privatisation could get government off the hook "It will then be our decision to open hospitals to all races, not theirs "

Another stumbling block to privatisation is the divisions which have racked private sector healthcare There is still no progress on negotiations between the Representative Association of Medical Schemes and the Medical Association of SA, which represent the doctors And most private hospitals are still charging tariffs above the scale of benefits, so members have to pay a portion of their hospital bills themselves

Medical scheme sources are privately uncertain about the benefits of private sector control of provincial hospitals Medical aids argue there has been little cost-containment in private hospitals, and, as they would no longer have access to State tender medicines, there could be an alarming increase in the cost of drugs in these institutions

Who said privatisation was a simple process? ■



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"Four or five directors will be chosen from the public sector and between three and five from the private sector It will be chaired by someone from the private sector," says Moolman Sats thus seems to be following the route first taken by Eskom, which is today successfully run by CE John Maree, originally seconded from Barlow Rand

Moolman says he has already identified a number of private-sector "heavyweights" who are likely to be appointed as directors He refuses to identify them because Transport Affairs Minister Eli Louw and the Cabinet will first have to give their approval

"They must be behind their desks and working before the end of the year," says Moolman "They will have to help prepare our next year's budget, which will be the first that won't have to be presented to parliament"

Almost by definition, the new directors will have to be heavyweights to manage and control an organisation the size of Sats The utility boasts a total asset base of R56bn, at replacement value, and 1988 turnover was a massive R11bn

There will be other disciplines Sats will have to get used to For the first time in its history, it will have to appoint and work with private-sector auditors, investment analysts and bankers Its accounting system will have to comply with the generally accepted accounting practice, a requirement of the Companies Act It will, for example, no longer be entitled to subtract replacement costs before declaring profits, as has been standard practice for decades

The public company will consist of five of Sats' existing divisions rail transport (including mainline passenger services), harbours, SA Airways, pipelines, and Sats' Road Transport Services With the exception of the road transport operation, which is marginal, and passenger services, which hasn't shown a profit in years, all divisions are profitable

Each division will have its own head office The group head office will be in a three-storey, 15 000 m^2, newly-leased building in Parktown, Johannesburg Sats' present head office, Paul Kruger Building in Wolmarans Street, will become the head office of its rail transport division

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Moolman, who has never disguised the fact that he intends to be a fierce competitor for any traffic available, says he isn't at all happy with Sats' recent profit of R147m He regards it as insufficient return on the assets employed However, he feels increasing profits in future shouldn't be too difficult Being paid to operate the commuter services and not having to contribute roughly R300m/year to its losses (central government compensated Sats for the rest) will make a tremendous difference to the bottom line

Sats is at present in a "commercialisation period," designed to make it more competitive, says Moolman That will end in April, "after which, the fine-tuning will start. Commercialisation is the giant step It means changing the entire operation, its thinking and its image It's much more complicated than the eventual privatisation of Sats.

"Even Sats' name will change. We are assessing a number of new names, but haven't decided which one to choose yet." ■

COMPETITION BOARD

Changing the line-up

The Competition Board is being reshuffled. Long-time member Brian Kantor will not be reappointed when his second, three-year term expires at the end of next month.

The University of Cape Town economist, a strong proponent of free markets, says· "I would be happy to continue but if they want fresh blood, then that's their prerogative"

In addition, three original members of the board, which was formed in 1980, left when their terms expired at the beginning of the year Jan de Villiers Graaff, an economist and Cape Town businessman, Dawid Mouton of Sanlam, and Albert Marais of Volkskas One spot was filled on May 1 with the appointment of Tony Norton, president of the Johannesburg Stock Exchange

Economists who urge less government interference in the economy fear that Kantor's departure will mean a heavier hand for the board "It's a definite loss," says Henry Kenney, a business economist at Wits. "There's a lot of obsolete thinking on the board It's more concerned with what's going on in an industry — the actual number of companies in an industry — rather than with what barriers exist to entering an industry. The board could do with more good economists."

But board chairman Pierre Brooks believes the board "has a reasonable mix of economists and lawyers, we're certainly not top-heavy with lawyers considering that we're interpreting an Act (that established the board)" Aside from Kantor, the board's 10 members include four economists and three lawyers, notes Brooks

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The hits and misses of companies listed in year of the crash

How accurate are profit forecasts? BARRY SERGEANT examines the record of the companies listed in 1987 — year of the Black Monday stock market crash.

IN FINANCIAL markets, and many households across the world, 1987 will be remembered for October 21 "Black Monday," the equity market's Great Crash, left gaping holes in the pockets of individuals and institutions across the globe

The year started with small but distinct scents of a bull market. As the months progressed, behaviour in the markets grew more irrational But, on balance, the indices looked attractive Indeed, they grew more bullish by the day And then, as the world equity boom blossomed, every man and his dog tried to grab a piece of the action

It was no different in SA In calendar 1987 an all-time record 212 companies were listed on the Main Board and the Development Capital Market (DCM) of the JSE This number, surely never to be repeated, represents a quarter of all companies listed today

Hopefully, the general track record of what has since happened to many 1987 listings will not be repeated either

Before Black Monday, some share offers were oversubscribed by as much as 2 000% (The sharp drop in shares subscribed came only in early November 1987, as companies floated in the second half of October had already received offers for their subscripion by Black Monday)

In the months preceding Black Monday, wild buying sprees were commonplace here and abroad This seemed to hold true irrespective of the quality of scrip on offer But market madness aside, with new listings, there was one tangible profits forecasts in all but 11 of the 212 prospectuses

Today, with most first annual reports of companies listed in 1987 published, this is the bottom line one out of five companies failed to make forecasts And nearly half of the total achieved only 10% or less than forecast

The human behaviour aspect is clear there was no correlation between the number of times a company was oversubscribed and its forecasting performance In effect, most forecasts were not worth a damn, what counted was market sentiment and the herd instinct

But it was not only the investor who seemed to lose his marbles Squadrons of smaller companies could not resist the idea of floating part of their equity, particularly on the more relaxed DCM Owners sacrificing only a fraction of control could make themselves paper millionaires overnight

And many of them happily paid fortunes to professionals for such listings It seemed they could not get to the market fast enough Analysis conducted on the extensive database of accountancy giant Ernst & Young shows that, for example, while Skirtskip raised R1,1m, it paid R300 000 (26,57%) as costs — mainly to professionals such as merchant bankers, stockbrokers, lawyers, underwriters and accountants

This near 27% cost of capital cannot be regarded as either economically efficient or investor acceptable Others in this league included·

- ☐ Molyslip (28,76%),
- ☐ Aida Holdings (25,39%),
- ☐ Public Safety Systems (25,31%),
- ☐ Vaaltrucar (22,22%),
- ☐ Sure Group Holdings (20,83%),
- ☐ Spur Holdings (20%) and
- ☐ Fincord Stationers (19,05%)

By contrast, more than a few companies scored costs of capital of less than 3% Clinic Holdings (0,9%), Barbrook Mines (2,19%), Longmile (1,66%), Barplats (1,26%), Lebowa Platinum (0,96%), Ilco Homes (2,55%), and Cargo Carriers (1,36%) While cynics may argue that low costs, measured in percentage terms, are associated with raising large amounts of money, this is not always necessarily the case Curnow, for example, raised R2m for a cost of just 3,75%

So it was that by the end of 1987 212 companies had paid their platoons of professionals They had their names in lights on the JSE And there were indeed hundreds of paper millionaires But it was time to go back to business

And one by one, the first annual reports were published The casualty list was impressive by its cricket-score figures and by its length Some of the more notable failures included

- ☐ Elex Electronics (-261%, that is, EPS achieved in year one was 261% *below* forecast)
- ☐ Mighty Meat (-130%)
- ☐ Gommagomma (-116%),
- ☐ Subroc Holdings (-110%),
- ☐ CRB Holdings (-84%)
- ☐ Roodepoort Gold (-72%),
- ☐ Eersteling (-63%),
- ☐ Transvaal Mining Supply (-63%),
- ☐ Arban (-62%)
- ☐ Clegg Holdings (-60%)
- ☐ Computer Warehouse (-60%),
- ☐ Retprop (-53%),
- ☐ Osprey (-52%),
- ☐ Everite (-49%)
- ☐ ME Stores (-47%), and
- ☐ Leppin (-46%)

There were 24 other failures And Technihire, Agricultural Services and Fincord Stationers were delisted before any results were announced, in extraordinary circumstances, CCTV Holdings was converted into something completely different

Others got it wrong at the other end of the scale great for investors, but still atrocious forecasting The high scorers included Basil Read (118% above forecast), Advanced Technical Systems (120%), Anbeeco (123%) Vaaltrucar (100%), Alfa Manufacturing (123%), Computer Installation Group (102%), Masterbore (232%), Public Safety Systems (126%) and World of Music (126%)

So what went wrong? Russell Lyons, a Wits scholar, has just completed a thesis, The Reliability of Prospectus Profit Forecasting, based on the 1987 phenomenon Comparisons with forecasting in the UK, US and SA shows that while a "plethora of highly accurate quantitative techniques are readily available, the majority of business forecasters prefer to use simple, subjective, qualitative techniques in their forecasting".

Is this fair, or right? After all, the cornerstone of free enterprise has long been the limited company The debts of the company, in time of catastrophe are limited Shareholders cannot be called upon to cough up in the event of liquidation

So those who bought shares willy-nilly in 1987 limited their liability by the amount of cash invested But would they have been more careful if forecasts were more accurate? Did they even *look* at published forecasts? With the empirical results now available, Lyons answers in the negative

On average, companies were 33% out on their forecastings to actual results Moreover

- ☐ Main Board companies were more accurate than listings on the DCM,
- ☐ Diversified companies were more accurate than specialised ones, and
- ☐ First year profits tended to be inflated by technical phenomena

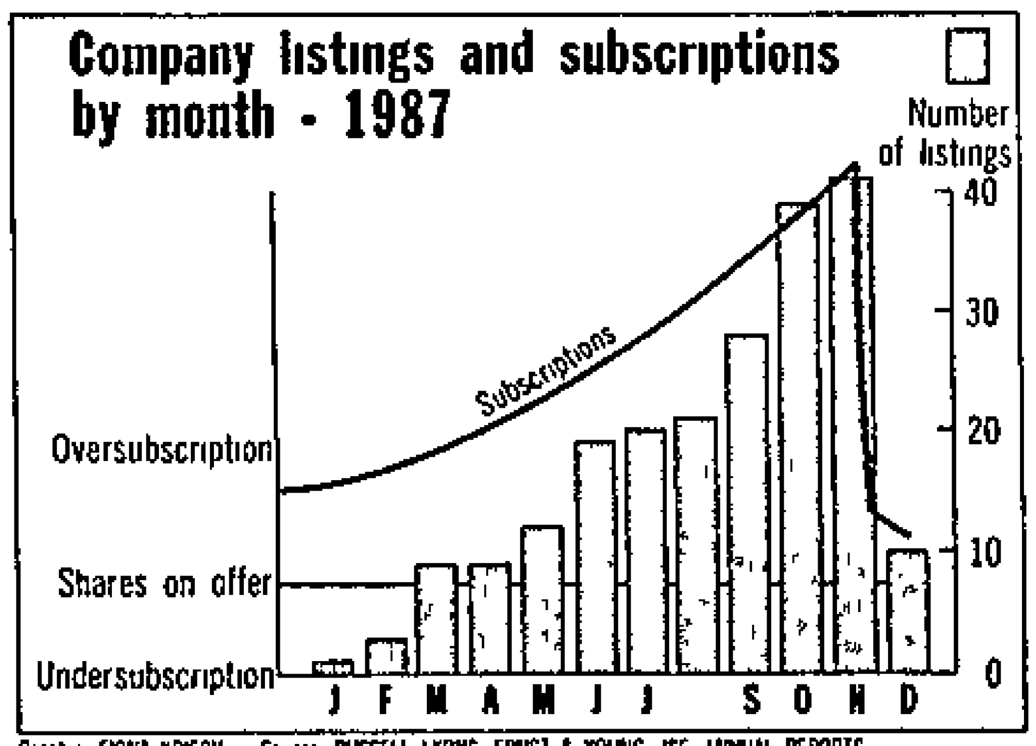
The last point is particularly startling Some accountants argue that a newly listed company's first set of financials are not fully representative of the enterprise's actual performance

They say the provisions (in accounts) often associated with private companies seeking to minimise tax are no longer useful Accordingly, the provisions are typically reversed in the first year of public listing Of course, this gives profits an unnatural boost

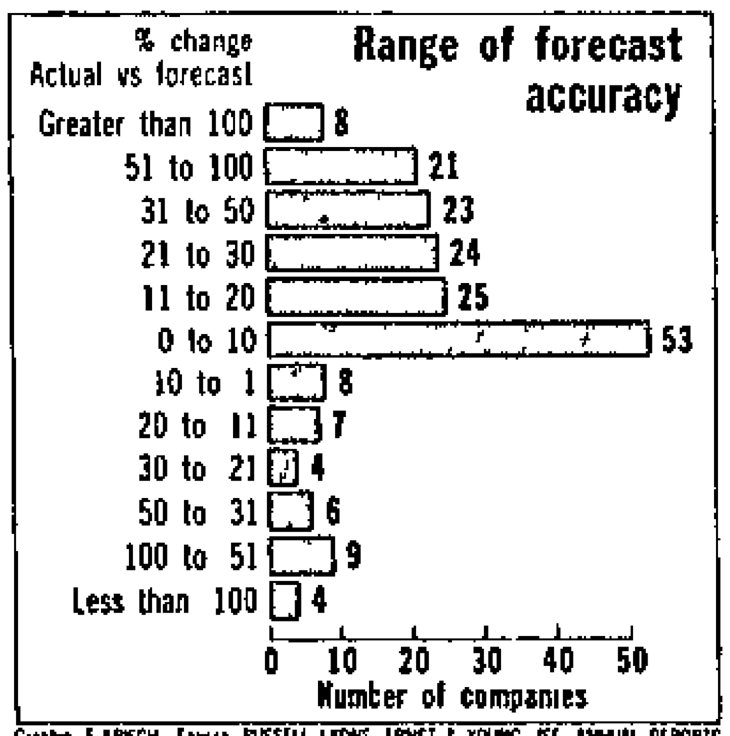
The litmus test, suggests Lyons, is to analyse performance in the second year of listing By July 1989, only 37% of 1987's listings had reported a second set of financials Given a 10% inflation rate, only 54% of these reported a real increase in earnings at 20% inflation, just 45% Pretty dreadful stuff, but what investors would have known this in 1987?

Like it or not, many investors regard profits forecasts as being highly relevant The evidence suggests that for more accurate forecasting, businessmen in particular, need to be educated about the highly advanced techniques available today

In the meantime, the new Auditing and Accounting Guide on Profit Forecasts is to be welcomed It extends the duties of an auditor from mere mathematical verification to a detailed review of the forecasting method, and the assumptions underlying it But will it be taken seriously will it be applied in law and in spirit?



Graphic FIONA KRISCH Source RUSSELL LYONS ERNST & YOUNG JSE ANNUAL REPORTS



Graphic F KRISCH Source RUSSELL LYONS ERNST & YOUNG JSE ANNUAL REPORTS

Disinvestment pay 'blackmail'

(232) B/day 31/8/89.

GERALD REILLY

PRETORIA — Economic blackmail (afpersing) by trade unions for severance pay beyond reasonable limits after the disinvestment of an overseas company could not be permitted, Manpower director general J D Fourie said in Port Elizabeth yesterday

He told a National Association of Municipal Workers conference that with recent disinvestment, including that of Mobil and Goodyear, the problem had come more sharply into focus

In both cases the trade unions pressing for severance settlements were supporters of disinvestment

Through their demands they made it even more difficult for SA organisations to take over following the departure of an overseas company With the economy under pressure because of disinvestment, government was keeping a close watch on this development

Referring to the tendency in some unions to make further demands after agreement at the industry level had been reached, Fourie said that where negotiations of minimum conditions at industry level were negotiated, double negotiations were perhaps acceptable What was happening now, however, was that a strike was called in an industry to press for a central demand.

If this succeeded some employers could face a second strike in support of a further demand Employers could not afford this and consequently they pressed for negotiations

Fourie said registered unemployment among whites, coloureds and Indians had declined since July 1986 However, black unemployment remained essentially in a rising phase

He added that between the inception of the Manpower Department's special training programme in 1985 and March this year, more than a million unemployed had been trained For this Parliament had voted R365,6m.

TML opts for employee bonus scheme

CAL TMD 31/8/89

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Own Correspondent

JOHANNESBURG. — Times Media Ltd is introducing a bonus scheme based on its share price, for employees who have been with the group for at least a year.

The scheme is in addition to the existing December bonus scheme.

TML group secretary and group personnel manager Barrie Harris says the purpose of the scheme is "to give every staff member an interest in the growth of the company".

The bonus is based on the number of "phantom" shares granted to employees. The allocation is linked to the employee's earnings, subject to a minimum allotment of 500 shares and maximum of 2 500

The phantom shares are automatically granted once employees have completed a year's service. Employees may claim the bonus, or portions of it, over a 10-year period. The amount will be determined by any increase in the value of the shares over the price at which they were allocated.

The first allocation of one million shares this week has been made at R6,40 per share.

Since share prices are significantly influenced by a company's ability to generate earnings growth, Harris is confident any TML bottom line performance improvement will be reflected in the share price.

He emphasises there is no downside risk for employees, "only upside potential".

Employees have up to 10 years in which to claim the bonus, subject to tax at marginal rates. They can claim half after two years, and a further 25% in each of the following two years. The bonus can also be retained in the "phantom shares" for the full 10 years, but must be taken by September 1, 1999.

Harris stresses that employees do not have to buy any shares.

TGH earnings soar by 196%

Cape Times 22/8/89

By BRUCE WILLAN

TOLLGATE HOLDINGS (TGH) earnings soared by nearly 200% on a turnover of R633 586 000, which puts it among the big league industrial conglomorates

Shareholders should be more than content with the 11c final giving a distribution for the full year of 21c

MD Hennie Diedericks and his team have clearly discounted criticism that it has grown too big too quickly.

Diedericks is also adamant to prove the assets the group has acquired can work harder and produce better results.

Shareholders will now probably see a period of consolidation following a hectic period of growth both organically and by acquisitions which saw Arwa, Drivetech, Entercor, and Gants, all becoming subsidiaries.

The year also saw Drivetech dispose of its chain division, the disposal of Multimoch by Drivetech to Tramway Holdings, and the reverse listing of Entercor into its own subsidiary, Deale and Huth. All divisions, with the exception of Gants, performed well.

Gants which was acquired earlier this year, has been restructured and the board is confident of a turnaround.

The group has no immediate further acquisition plans but will treat any opportunities on their merits

Divisional contributions forecast for the year are seen as 30,2% from textiles, 24,1% from food processing, 14,4% from wholesale distribution 13,4% from leisure and the balance from Tramways' transport operations

The income statement shows the remarkable progress that has been made. Turnover rocketed 210%, pretax profit was up 139% to R36 418 000 and earnings 196% to R22 609 000

Only the retained profit looks less on a technicality — the sale of Rustenburg Bus Services last year produced an extraordinary once-off profit of R30m.

Commenting on the results, the board said Arwa is trading according to budget and the company expects to achieve its 25% growth in earnings

Tramway Holdings has been undergoing a major review of its activities to eliminate unprofitable services.

Entercor's results are "most encouraging" and the reconstruction of Drivetech will provide a base for future growth.

Diedericks is confident that TGH will have a debt to shareholders' interest ratio of 55% by December, and with the strong cashflow position of the group shareholders can look forward to good results in the future.

It's no smokestack industry so invest, says Iscor

Iscor wants to convince investors it's a 'sunrise high-tech industry' — and its latest results will go some way to proving this.

By HILARY JOFFE

The run-up to Iscor's privatisation began in earnest at the weekend with the release of the corporation's latest financial results, for the year ended June 30.

The results will influence the pricing of Iscor's shares when the corporation is listed on the Johannesburg Stock Exchange on November 8 and are the basis on which investors will make decisions whether to buy into the corporation, which values its assets at R6,3-billion

Iscor's results look good — especially compared to those of the late 1970s and early 1980s when it was recording large losses

Bottom line profits increased by 37 percent to R812-million and Iscor paid tax for the second year in a row — R327-million this year, up from R92-million last year

Turnover (sales revenue) increased by 23 percent to 5,9-billion, while income before tax rose by 68 percent to R1,1-billion, reflecting "continuing productivity improvements", according to Iscor's management.

Senior general manager Ben Havenga told journalists last week labour productivity in Iscor had improved by an average 5,9 percent a year between 1983 and 1988, while the productivity of capital had increased by an average 9,6 percent a year over the period He attributed this to better utilisation of personnel and modern technology including automation and process computers

As Havenga put it, Iscor wants to convince the investing public it is "not a sunset smokestack industry but a sunrise high-tech industry"

It has been investing on a massive scale, to modernise its plants and acquire the technology to produce new products It has also been expanding its export markets — particularly in the Far East and Middle East — following the imposition of sanctions, which cut off the South African steel industry's access to markets in the United States and most of Europe

Iscor's turnover increase in the year to June was a result partly of a 12,9 percent increase in domestic steel prices over the year, said managing director Willem van Wyk But the corporation has also benefited significantly from rising international steel prices — exports make up 30 percent of Iscor's sales by value

But Iscor isn't the only local steel producer which has benefited from booming world markets And investors will be comparing its results with those of other listed steel companies

Not that there are many of these Iscor's largest plant — at Vanderbijlpark — can supply 72 percent of South Africa's steel requirements on its own and is rated among the world's 12 largest steel producers, while the corporation gives its domestic market share as 73 percent

The other comparable steel producers listed on the JSE are Anglo-American-controlled Highveld and Usco (Union Steel Corporation, in which Iscor has a 28 percent stake)

Iscor's results show it doing better than Usco but not as well as Highveld

Looking at return on assets (ROA) — an indication of how well a company is using its resources, one stockmarket analyst has calculated the ROA as 16,7 percent, based on the published figures This puts it above Usco, which had an ROA of 15,3 percent for the year ended September 1988 — a figure likely to have got worse following Usco's weak interim results But Iscor's ROA puts it well below Highveld Steel which showed an return of 24,6 percent for the year to December 1988 and which showed a large increase in its profits when it reported its interim results recently

This analyst points out too that Iscor's ROA of 16,7 percent was above the inflation rate for the period to June of around 13,3 percent — but not by that much.

Comparing profit margins, Iscor reported a margin of 19,5 percent Highveld's was 20,4 percent for the year to end December but this rose to 39,1 percent for the six months to June this year Usco's, on the other hand, was well below Iscor's at nine percent in September last year

Iscor's Ben Havenga

Stockmarket analysts suggest the government will probably price Iscor's shares based on a historic price-earnings ratio of four (that is, the price covers the reported bottom-line profits of the company four times) Since Iscor has 1,5-billion shares in issue, this would mean the government would collect some R3,2-billion if it sold off all the Iscor shares It has committed itself to "privatising" at least half the shares but how many it puts on the market may increase if Iscor's results generate a great deal of enthusiasm among investors

It is believed that the listing will be a successful one — if for no other reason than that the financial institutions (such as the life insurance companies) are "cash-flush" and looking for investments, as long as these are well-priced The government has however expressed its desire for wide share ownership in Iscor, and although it has opened a special office for small investors, it's not clear how interested the proverbial "man in the street" will be in becoming an Iscor shareholder

And the question in the coming year will be whether those who bought Iscor shares will want to hold on to them

Investors in shares, the theory says, make their investment decisions based on what they expect they will gain in terms of dividends and capital growth in the future

So Iscor's future prospects are the key

Of course the picture presented by the corporation is very upbeat Presenting the results at the weekend, Iscor managing director Willem van Wyk said the results were "not a flash in the pan but are evidence of the 'new look' Iscor and continue the trend of the past four years" He said results would be even better in the future

Its profits in future will depend not only on its ability to make steel efficiently (Havenga estimates Iscor's cost of producing crude steel is only 30 to 50 percent of that of overseas producers) but also on the state of the world market

As it is, international steel prices have been falling lately the price of hot rolled coil, for example, has fallen from $460 a ton in February to $395 a ton and it's not clear what its future trend will be The industrial economies are expected to slow down and this affects demand for steel.

Iscor anticipates that the steel market internationally will grow by one percent in real terms in coming years

Havenga said last week the corporation could go into the production of stainless steel at its Pretoria plant — the new board of directors would have to decide on this after privatisation, he said The world market for stainless steel is expected to grow by five to six percent a year, in contrast to the relatively slow growth expected for crude steel Samancor and Highveld are already planning a joint stainless steel manufacturing project to take advantage of this

232 WMail 1-7/9/89.

232 Fmail 1/9/89.

EMPLOYEE INCENTIVES 232

Watch that share

TML's Mulholland . . . giving staffers a stake

Assuming Times Media Limited (TML)'s stock continues its profitable march, the company's 900 employees stand to gain an additional bonus in two years' time

In an incentive plan with a difference, TML this week launched a bonus scheme linked to its share price It is aimed at giving all employees with at least a year's service a stake in the price of company's shares

This kind of scheme is not new, though only a handful of companies in SA have introduced them in recent years It does not involve any share or cash transfers as such, rather, it is based on a hypothetical or "phantom" number of shares granted to employees The quantity of shares is linked to each employee's earnings, with a minimum allotment of 500, rising to a maximum of 2 500. The first allocation of 1m shares has been granted at R6,40 per share (the price last Monday stood at R6,60) and staff members who participate can expect to see their first payments in September 1991

TML's MD, Stephen Mulholland, describes the idea as "a key aspect of the company's commitment to a free enterprise approach to economic and business affairs" He adds "We believe in people's capitalism and we want all our people to share in the company's progress in a direct way" New ways of improving the staff's stake in TML's progress would continue to be sought, says Mulholland

TML's group secretary, Barrie Harris, explains that, under the scheme, staff will be paid a bonus on application (within certain time limits) and that the amount of this bonus will be determined by any increase in the value of TML shares over the original price at which they were issued to the employee Proceeds will be taxed at marginal rates

The bonus may be claimed over a 10-year period, with 50% exercisable after two years, and 25% in each of the following two years So the bonus could (within the rules) be claimed in whatever proportions the employee chooses over the 10-year period, which is common to this type of scheme Should an employee not claim the bonus in the first five years, he or she would be able to do so at any time thereafter at the ruling price

No direct funding is involved in the phantom scheme, though it will be provided for in the company accounts, explains Harris The first payments (up to 50% and assuming continued profitability) may be expected on September 1 1991 and staffers who choose to will be able to claim their full entitlement in 1993 The 10-year span also allows employees to take a chance if the shares are doing nicely

What of staffers who leave the company after, say, two years? They'll be entitled to whatever is due to them at the time A staffer who dies will have his entitlement paid into his or her estate, those who retire may take it then, or be allowed to let it ride for the total 10 years

If the share price falls, there's simply no bonus from this source, which is over and above the "normal" annual bonus So, while there's no downside risk attached, the scheme has upside potential, observes Harris, adding that those who choose not to take up their allocation will not be penalised in any way

According to a remuneration consultant, phantom schemes may be seen in the broader context of changes in SA — bringing in more people to share in the economic cake — as well as being educative in the way shares and company profits work The net effect of such a scheme is about the same as a true share option scheme, as the benefit to the employee is the difference between the price at which it is sold and the price at which it was given (multiplied by the number of shares less marginal tax) The main difference in a phantom scheme is that payments come out of the company's profits, rather than from a sale on the stock exchange and, of course, such shares cannot be traded ■

Sterns sells its subsidiaries

Star 1/9/89

(232)

Finance Staff

The Sterns Diamond group has sold a number of subsidiaries for R12 million to Brian Gutkin of the Goodgold Jewellery Group.

A statement released last night said that Mr Gutkin had acquired with immediate effect equity in Sterns Jewellers, Andre Jewellers, Sterns Jewellers Windhoek, Sterns Diamond Organistion in Mbabane and Gerards Jewellers

Meanwhile, Sterns had not submitted its March year-end results to the JSE and could be in breach of stock exchange regulations, the head of the JSE listings department reportedly said.

Neither Mr Gutkin or Sterns chairman Maurice Jacquesson could be reached for comment this morning Sterns slipped into the red last year and became indebted to Trust Bank for R6,2 million.

Star 5/9/89 (232)

The Star Finance

Iscor hoping for early repayment of debt

By Jabulani Sikhakhane

Soon-to-be-privatised Iscor could pay off its R814,3 million debt to the Treasury earlier than expected if world iron ore markets remain buoyant

The debt arose in 1984 when the Government, under the Tripartite Agreement, took over Iscor's capital obligations in the Sishen-Saldhana railway/harbour project, with Iscor undertaking to repay the capital interest-free

The Sishen mine has been producing iron ore at 120 percent of planned capacity

Over the past year the Sishen-Saldanha export scheme has contributed about 20 percent of group profits

The mine produces 20 million tons of iron ore a year, 40 percent of which is supplied to Iscor's Vanderbijlpark, Pretoria, Newscastle and Dunswart plants The remainder is exported

Piet du Plessis, Iscor's public relations manager, says if world markets for iron ore remain buoyant, repayment of Iscor's debt to the Treasury could be accelerated

He declines to give any figures, saying they will appear in Iscor's annual report to be released at month-end

However, during a press tour of Sishen last month, Iscor's senior general manager, mining, Ben Alberts, said the debt could be paid off by mid-1990 should demand for iron ore remain the same

Iscor MD, Willem van Wyk, said in July that Iscor was looking forward to bumper exports "When world demand for steel increased and led to a greater demand for iron ore, while coinciding with strikes and plant problems in some other steel-producing countries, Sishen reacted by raising production

"The mine is currently running at 120 percent of planned capacity, which is making a large contribution to Iscor s profitability"

The Saldanha project was built by Iscor for the exclusive export of iron ore from Sishen The arrangement was altered in 1976 to make provision for other traffic Sats took over the operation of the railway line and the harbour in 1977

Iscor blasts 20 million tons of iron ore a year out of the Sishen mine, which is now operating at 120 percent of planned capacity.

In 1984, after a reduction in iron ore exports and the loss of certain export markets, the Government took over Iscor obligations under the Tripartite Agreement

The export of iron ore and the use of the 861km Sishen-Saldanha railway and Saldanha harbour is supervised by a control board

When the total amount owed to the Treasury is paid off, the decision to continue with the export of iron ore through Saldhanha will rest with Iscor and must be submitted for approval by the Cabinet.

Iscor will become the sole owner of the mine and Sats the owner of the railway line and the harbour

80% of Iscor likely to be be sold off

Cape Times 6/9/89

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Own Correspondent

JOHANNESBURG. — Unless market conditions deteriorate unexpectedly, some 80% of Iscor is likely to be sold off prior to its November flotation on the JSE

The state will decide "very shortly" how much of its stake in Iscor it will sell

"We're going in with the aim of selling as much as possible," said one of the state's merchant bankers, Senbank.

Previous plans were for the state to sell off at least 51% of Iscor's 1,5bn ordinary shares, raising an estimated R3bn.

The state's merchant bankers — Finansbank and Senbank — and brokers have been probing market opinion about the amount of Iscor that should be sold.

This was confirmed yesterday by the head of the state Privatisation Unit, Pieter van Huyssteen.

Key considerations in deciding how much of Iscor to sell are. major institutional receptivity, the state of the market; the need to gain private investor support, and the state's plans to sell off further assets

"The investigation of the market and institutional opinion is at a very critical stage," Van Huyssteen said

Senbank's Hennie van der Merwe said· "What will not be sold is the IDC's stake, which they want to retain for income, and the Iscor management stake

"But the balance — some 80% — could be sold"

Van Huyssteen said the unit was awaiting the results of market tests by Finansbank, Senbank and the state's brokers, Fergusson Brothers, Davis, Borkum & Hare, Ed Hern, and Frankel, Kruger, Vanderine

The tests were "to discover whether the market could absorb more than the 51% of Iscor planned for sale a year ago by the state.

Van der Merwe said yesterday that the investigation had received "a very firm feedback from the market that it would like to see a larger stake of Iscor on offer and to minimise the overhang of shares held by the state"

An overhang could, Van der Merwe said, depress the Iscor share price, as institutional investors said had happened with the Sasol issue

Van der Merwe believed that the market had the capacity to absorb a large Iscor flotation, provided the price was right

This capacity would not, he thought, be affected by upcoming large rights issues

"These are mostly in-house," he said

His view was confirmed by the president of the Johannesburg Stock Exchange, Tony Norton.

He said there was "a large institutional demand for quality stock"

The market had the capacity to "swallow large issues at the right price"

Confirming this, Paul Fergusson of Fergusson Brother reported "positive" major institutional reaction to Iscor in the investigation.

Late last month Iscor reported a 37% increase in attributable profits — up to R812m from R593m — on a 23% turnover increase to R5,95bn

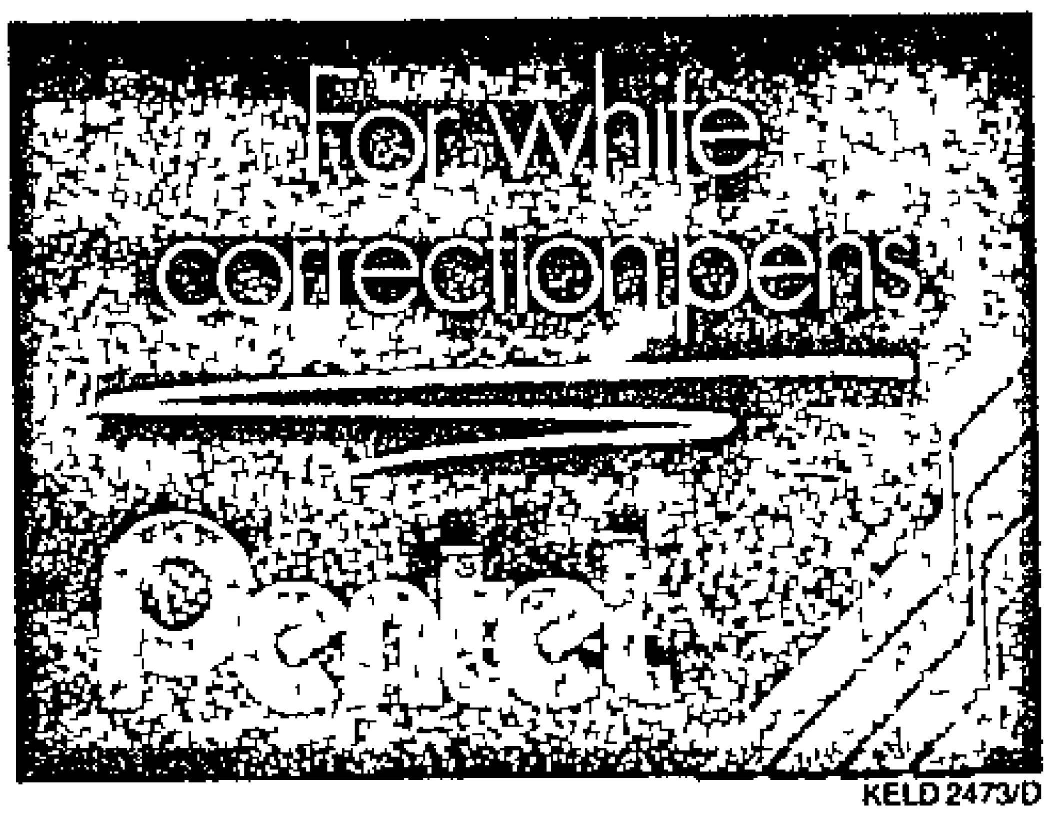
Commenting on market conditions, Fergusson said "considering the market was in a pre-election state, it was very stable and receptive to a large flotation

"Barring an unexpected change, like a drop in the dollar gold price, it should remain secure and well-based"

The Iscor offer opens on October 2 and closes October 27. Iscor will be floated on November 8

No major state flotations are planned for the immediate future, which leaves the market clear for a large Iscor sale

The privatisation unit will not be drawn on its plans but it seems unlikely that SATS, Posts and Telegraphs or Eskom will be ready for public sale for at least another year



Top-level shake-up for Iscor?

B/Day 7/9/89

(232)

● KEYS

● CLEWLOW

ROBERT GREIG

ISCOR is reshuffling its board of directors, shedding public sector representatives and replacing them with private sector ones, it was unofficially learned yesterday

Barlows CE Warren Clewlow, Gencor executive chairman Derek Keys, S A Breweries group MD Meyer Kahn and one other leading business figure are believed to have been asked to join the board

They will apparently replace four existing members, including former Transport Minister Hendrik Schoeman

The move, similar to that which preceded Sasol's listing, is intended to attract and consolidate major and minor private investor confidence in the privatised Iscor

An official announcement was expected to take place early next week, said Privatisation Unit chairman Pieter van Huyssteen yesterday

An implication of the change being announced before the Iscor offer opens on October 2 is that new private sector members will have been appointed for their track records, and not as representatives of significant shareholders

These appointments will not exclude Gencor, Barlows or SAB or any other SA institution taking up to 20% of Iscor later — the state's advisers are determined that the Iscor board should be seen as independent

The Iscor Articles of Association forbid a holding of more than 20% by any single investor or group of allied institutional investors

The private sector executives have not yet officially accepted their appointments, nor have any appointments yet been confirmed by Minister of Administration and Privatisation Dawie de Villiers, sources said

Iscor public relations manager Piet du Plessis said yesterday "There will be no enlargement of the board — as far as I know"

He, the privatisation unit and the state's public relations advisers all declined to comment at this stage on either possible changes in the board's composition or the reasoning behind the changes

Iscor chairman Marius de Waal, Keys and Clewlow were not available for comment Kahn said he would not comment.

The present Iscor board has 10 members In addition to De Waal and MD W van Wyk, they are S J P du Plessis, former director-general of the department of Trade and Industry; Colin Fenton, former Chamber of Mines president and MD of Gold Fields SA, Trust Bank MD Chris van Wyk, Rod Ironside, former Federated Chamber of Industries president, Dr Leon Knoll, former chairman of Hendlers and MD of Massey-Ferguson, Gerald Morum, ex-MD of Firestone, Hendrik Schoeman, and P F Theron.

Malbak sells Astas stake in regrouping

(189) Star 7/9/89 (232)

Finance Staff

Malbak has further rationalised its engineering interests by selling its stake in axle and gearbox manufacturer Astas to its subsidiary Standard Engineering.

In terms of an agreement announced yesterday, Standard will acquire Malbak's 67,6 percent interest in Astas, which is valued at R37,2 million, for 4,2 million ordinary shares in Standard and R20 million cash.

The transaction will not have an immediate material effect on the earnings or dividends of Malbank and Standard, nor on the net asset value of their shares.

Klaus Zirker, chairman of Standard and an executive director of Malbak, said the move, which was in line with Malbak's policy of grouping its businesses together in focused, listed entities, completed the consolidation of its engineering interests under Standard

The only Malbak engineering investment now not in the Standard stable is the 36 percent-owned Haggie, which is is listed in its own right.

Astas has a 68 percent holding in AS Transmissions & Steerings, the major manufacturer of gearboxes and axles for heavy vehicles, and owns Protea Axles, which supplies the trailer and after-sales market

In addition to Astas and its own steel castings business, Standard Engineering owns Fluid Holdings, which produces pumps, valves and meters, and Abertech Industries, which produces steel roofing tiles, springs, pressings and expanded metals It has a 58 percent interest in steel pipe manufacturer Hall Longmore and a 47 percent interest in locomotive and coach producer Union Carriage

Sinclair subject of reverse take-over

S Kr 7/9/89

232

By Ann Crotty

In what appears to be a reverse takeover, the motor division of Industrial and Commercial Holdings (ICH) is set acquire control of Sinclair Holdings.

Sinclair, which manufactures and distributes pool care equipment will acquire the motor division of ICH in exchange for Sinclair shares.

According to the official announcement. "In light of the fact that control will change as a result of the acquisition of ICH Motors, ICH has agreed to make an offer to shareholders of Sinclair of 180c a share.

During financial 1988 Sinclair reported a loss and figures for that financial year indicate that net asset value was just over 60c a share.

Sinclair is currently trading at 175c. Its 12 month high was 220c and its low was 120c.

ISCOR (232) Finmail 8/9/89

Selling Big Steel

The privatisation of Iscor presents a communication challenge which is quite different from conventional listings

The corporation has adopted an unashamedly mass market strategy in a campaign that will cost R12m At the weekend, a series of black-and-white commercials were aired on all television channels They depicted scenes of everyday life — people in the park, getting married and so on — and ended with the message that everyone can buy shares in Iscor

There's a good reason to go for the masses — no investor will be allowed to own more than 20% of Iscor's equity and the company hopes that individuals will buy at least 20% of its shares

The team trying to package Iscor as an attractive investment includes a consortium headed by TWS Communications MD Keith Rhodes, independent consultant Penelope

(232) Finmail 8/9/89

Gracie and Iscor's own public relations staff They are backed by the advertising agency Klerck & White (K&W)

Rhodes says Iscor's pedestrian image in the marketplace was unfair. "Many people saw Iscor as a bureaucratic parastatal that enjoyed subsidies Our first task was to convince people that Iscor is very competitive internationally and has developed a marketing culture In fact, I was surprised at how lean a company Iscor really is."

Iscor management has kept a low profile — which means that nobody in the company has the visibility of, say, Highveld chairman Les Boyd So the company had to mount a major public relations offensive through publications and "meet the team" roadshows But Rhodes cautions "It isn't our job to encourage the concepts of privatisation and share ownership, though we are bound to do so indirectly "

One goal of the campaign is to avoid the impression that the Iscor listing is just a cosy affair to be sewn up by a handful of life assurers and pension fund managers

"A great deal depends on the success of this listing," says K&W chairman Hennie Klerck. "We don't want to exchange a public sector monopoly for a private sector monopoly and we need to win credibility in all sections of the community "

K&W is part of the Saatchi network and has drawn on Saatchi's experience with privatisation campaigns — for British Airways and, more especially, British Steel.

Like campaigns for similar listings, phase one — which broke at the end of May — was aimed at familiarising the public with the company Only later were the financial attractions of buying company shares discussed

Steel is an impersonal product, associated with monolithic factories, so K&W tried to personalise the product Their initial advertisements featured national institutions made of steel, such as beer cans and Ellis Park

And then, at the beginning of August, after the audience should have "warmed" to the product, the advertisements began highlighting the company's financial success

One advertisement is headlined· "Iscor's track record is quite impressive on paper " It depicts notes piled up to show Iscor's profits, which have grown from R291m in 1984/85 to R596m in 1987/88. The all important pay-off line, common to all four ads in the series, says "Think about that when you consider buying Iscor shares "

Simplicity is the essence of the campaign; none of the ads refer to returns on assets, p e ratios or similar stockmarket jargon Unlike the British privatisations, there will be no bonuses for shareholders who hold on to their shares Iscor is being pitched as a long-term investment rather than an opportunity for a short-term windfall Says Rhodes· "We needed to keep it simple Iscor is the first building block in the State's privatisation programme and first-time sharebuyers don't need complex schemes at this stage " ■

Fairy godmother will help you strike it rich

Star 9/9/87 (232)

DEREK TOMMEY

HARD-PRESSED South Africans will soon have a chance to make a quick killing on the stock exchange and ease their financial plight. Next month the Government is to play fairy godmother to the nation by offering everyone a chance to buy Iscor shares at bargain-basement prices. Important details of the offer will be announced next Wednesday.

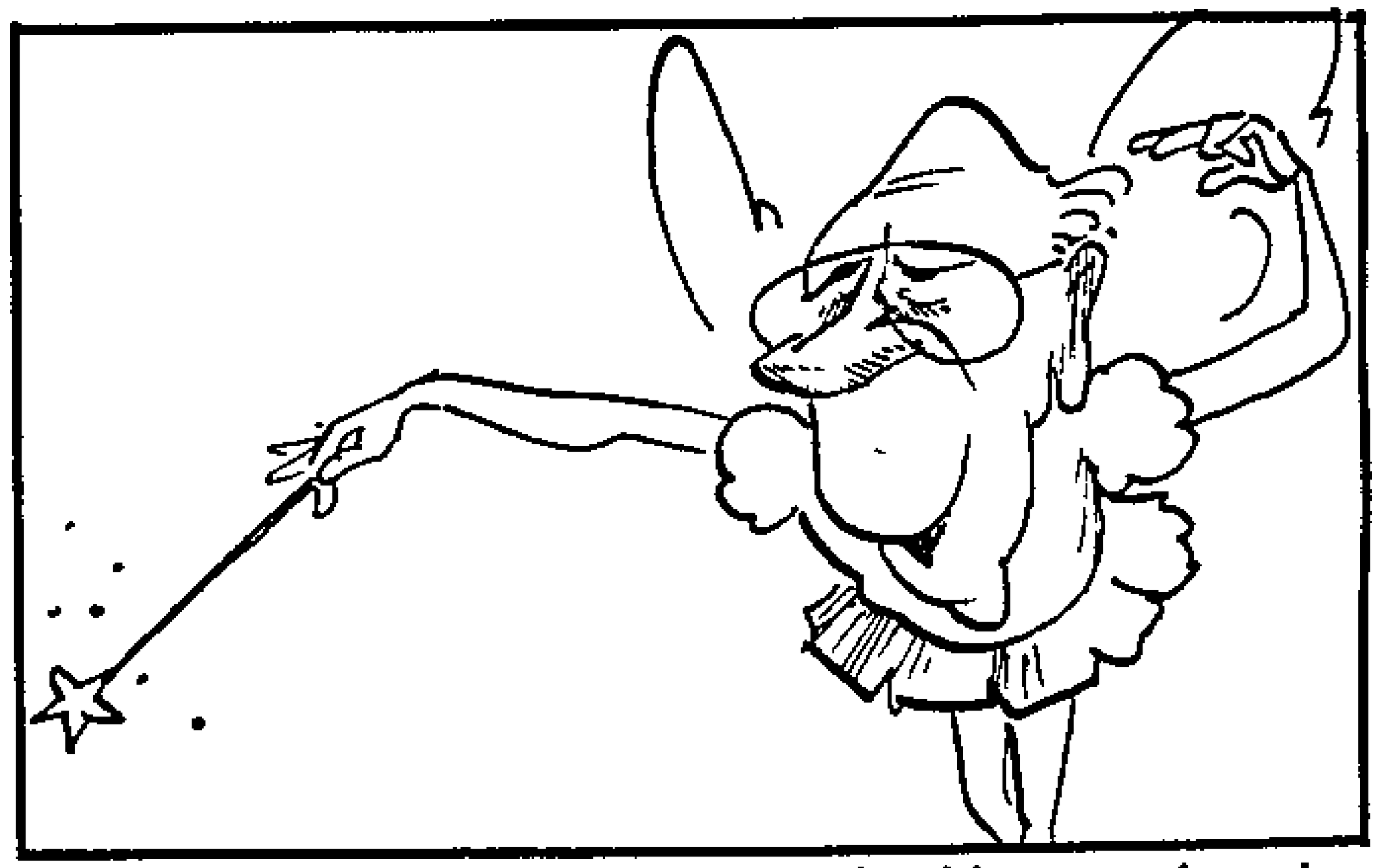
But it is looking increasingly like an offer that any person who wants to do himself and his country a good turn can not afford to refuse.

Institutional investment managers point out that this is the first of a planned series of privatisations of Government assets. They emphasise that the Government cannot afford to let this one flop otherwise the success of the whole series could be in jeopardy.

Consequently, they are expecting the Government to issue Iscor shares at a highly favourable price.

Market analysts suggest that the shares could be issued on a price-earnings ratio of three-and-a-half to four. That is, the issue price a share will be three-and-a-half to four times earnings a share.

On a PE of this size there is little risk that the shares could fall below their issue price and there is a good prospect for capital appreciation.



MAGIC TOUCH — If you've ever wondered how people make money on the stock exchange, this is your chance. Get some Iscor shares and a fairy godmother will wave a magic wand — No they won't turn into gold but you'll get a good cash profit.

For example, shares of Highveld Steel and Usko, two fairly comparable companies, are standing on PE ratios of more than five. Were the market to ultimately price Iscor shares on the same basis, as seems highly likely, those investors subscribing for the shares could see a 25 percent and possibly even larger capital profit.

The Iscor share offer opens on October 2 and closes on October 25. Those people wishing to take up Iscor shares should start accumulating cash now.

Those who are strapped for cash can, of course, turn to their banks for a loan.

The First National Bank was ready for a rush of applicants for loans for the Iscor share offer, says Mr Brent Chalmers, head of the bank's communications division.

Applications for credit to buy Iscor shares would be treated the same as other requests for credit, he said.

One intriguing aspect of the Iscor share offer is that those receiving shares will not only be enriching themselves but could be enriching the country as well.

The Government expects to receive more than R3 billion from the share issue which it should be able to put to good use easing its own financial position.

However, the Goverment could run into considerable criticism if it used this money to boost public servants salaries.

Although the Government has abolished the distinction betweem capital and current account spending, there still remains considerable opposition to using capital receipts, such as the proceeds of the Iscor issue, for current spending.

Nonetheless the receipt of R3 billion if used to repay loans or reduce future borrowing requirements could save the Government up to R500 million a year in interest payments. It is savings such as these that could be used to cut taxes or finance higher Government spending without further tax increases.

So whichever course the Government chooses, the ordinary taxpayer should get some relief.

Iscor is quite excited at the inteeest shown by the public in the share offer.

More than 15 400 people have phoned Iscor's share information office for information about the offer.

More than 90 percent of the callers have indicated that they are likely to buy Iscor shares, said Mr Keith Rhodes of TWS who with Penelope Gracie is handling the communications strategy for the Iscor listing.

"You have to discount some of this enthusiasm as many of the callers may have been simply expressing their hopes and may not when the offer opens.

"However, we are encouraged by the response we have had to date."

The share information office, which opened its toll-free telephone lines on August 21, is handling up to 130 calls an hour and the tempo of inquiries is building up.

Flood of inquiries

In the first week the office handled 6 500 requests for information. In the second week it had 5 255 requests.

But on Monday alone this week it received 2 318 inquiries and on Tuesday an ever larger 3 405.

So far the largest number of inquiries (4 556) has come from the PWV area followed by 3 743 from the Cape and 3 625 from the rest of the Transvaal.

Most of the calls are from men in the over 30's age group.

Under 20 percent of the inquiries were from the 18 to 29 age group, 41 percent from the 30 to 49 age group and 39 percent from the over 49 age group. But the office has received 159 responses from people under the age of 18.

THE RESERVE BANK'S holding of gold

232

Ding, dong, dell Sterns

By Ian Smith

THE last act of the Sterns retail jewellery chain saga has been played out in fitting style — in high drama.

The controversial group's fate was in the balance until sealed bids from competing buyers, highly visible American-Swiss, which is part of the Foschini group, and the low-profile privately held Goodgold-Tanur group were opened by attorneys

The R12-million cash offered by the Goodgold-Tanur team, led by executive chairman Brian Gutkin, carried the day

The acquisition of the retail division, which includes 76 Sterns and Andre stores, catapults Goodgold-Tanur into second place in SA's jewellery sector, estimated to be worth R1,5-billion a year

The other interests of the listed Sterns group remain under the control of investor Maurice Jacquesson, who bought control in 1987 The listed company is bound by an agreement to change its name, and it looks set to become a cash shell

TERMS

The Sterns story began with one shop opened in Johannesburg 102-years ago, but it became a household name when Syd Barnett began began selling jewellery on terms, backed by heavy advertising At one stage Sterns was said to sell more diamond engagement rings than all other jewellers in SA Listed in 1968, it proved to be an erratic performer and shareholder confidence slumped after a repudiated R3,8-million insurance claim arising from stock losses or theft

The Jacquesson era was launched with considerable hype A glossy brochure said "The group is poised, like a giant cat, to leap into the Nineties" Pity it landed in the well

The final act came with Trust Bank's move into all Sterns branches three weeks ago to secure its R6,2-million advances

"That's when I decided to move," says Mr Gutkin "I had tried to buy the group once before, but the bid failed"

Now Mr Gutkin is confident that chain's future is secure in the Goodgold-Tanur group

A chartered accountant by profession, he went into the diamond business 12 years ago He started Goodgold as a light-hearted venture with 80 salesmen selling jewellery door-to-door But the venture was successful from day one

Two years ago Goodgold bought an interest in the Tanur jewellery chain, but this proved difficult to expand

Mr Gutkin says "Jewellery is a personal business at the top end of the market. People spending that much money want to deal with the boss, and this doesn't fit with the chain concept."

Goodgold-Tanur acquired the Transvaal rights to the Galaxy franchise, and is committed to opening at least five more shops by the end of the year

The Sterns acquisition results in an 85-store chain and there will be 90 outlets by the end of the year There are also 80 direct salesmen

A holding company is being formed to embrace all group operations Mr Gutkin, Ronnie Tanur and minority shareholders will renounce their holdings in the subsidiaries for a stake in the holding company

The group is unlikely to go for a listing, at least in the short term, but it could be an option for the future, says Mr Gutkin

The Goodgold-Tanur team of Mr Gutkin, Mr Tanur and operations director Maurice Hartshorne has spent a week in the plush Stern Park headquarters in New Doornfontein assessing their acquisition.

CONTROLS

"We expected to find some worms in the woodwork, but we made allowance for that," says Mr Gutkin "Now we are putting in our own financial and operational controls

"We are confident we can restore Sterns to its place in the business"

BRIAN GUTKIN . buyers want to deal with the boss

He is confident that none of the Sterns outlets will close

Steps are being taken to reassure staff

Mr Hartshorne says "We have many good people who know the business well Morale has improved beyond all recognition"

Iscor brings in big shots to boost listing

(232)

S/Times 10/9/89

Business Times Reporter

ADDING lustre to its shares which will be priced on Tuesday, Iscor has appointed three of SA's most dynamic businessmen to its board

They are Derek Keys of Gencor, Meyer Kahn of SA Breweries and Warren Clewlow of Barlow Rand

The appointments are intended to show prospective shareholders that Iscor has been transformed from a sluggish bureaucracy into a lean and profitable company

Merchant banks and stockbrokers met representatives of the State on Friday to negotiate a price for the shares to be offered in a privatisation which could be worth up to R4 billion

Sources close to the action say that for convenience, the shares will be priced at R2 All that remains to be settled is the number in issue after the listing

One source says 1,5 billion shares are already in issue and another 500 million will be issued at R2 capitalising Iscor at R4 billion That would be roughly five times last year s taxed profit of R812 million and four times 1990 earnings

Another source says this is on the high side The State wants the issue to be a success and will probably let the shares go at a historical PE of 4 5 suggesting a value of R3 6 billion

Friday s meeting also considered to what extent the offer should be underwritten and what proportion of the State's shares should be sold

The State is keen to sell its entire 70% stake, and the Industrial Development Corp is expected to keep its 30% The public is expected to be offered 175 million shares at R2 Iscor staff 200 million and institutions the balance

Finance Minister Barend du Plessis and Minister of Privatisation Dawie de Villiers will consider their proposals this weekend A final offer price will be announced on Tuesday

Intense

The Government has gone to extraordinary lengths to "sell" the corporation to the public for more than two years

With many share prices on all time highs public interest in the offer is intense Would be investors have clamoured for information

Iscor s share information office has received 15 400 calls since it opened on August 21 More than 90% of callers indicated that they were likely to buy shares

Mr Keys Mr Kahn and Mr Clewlow and another private sector director Jan van den Berg, take the places on the board of Sarel du Plessis, Rod Ironside Leon Knoll, Hendrik Schoeman and Philip Theron

Mr Kahn tells Business Times "I'm flattered at the appointment. The Iscor management has done an amazing job I'm convinced that Iscor can become a major player in world steel and that prospects are excellent

"Many countries have become too sophisticated for smokestack industries and have moved into high tech and services But they all need steel

"The weak rand cheap energy and raw materials and Iscor's expertise make Iscor competitive"

Mr Kahn says his role as a non executive director will be to "give a view without blinkers support management in its strategic thinking and provide contacts and connections

Although the Government wants to maximise the Iscor share price, would be investors seek to minimise it.

Profit

One fund manager says that although Iscor's performance in the past five years was impressive, it pales alongside those of Highveld Steel & Vanadium and Samancor

Iscor's profit grew from R291 million in the year to June 1985 to R824 million by June 1989 This is a compound growth rate of 30% a year

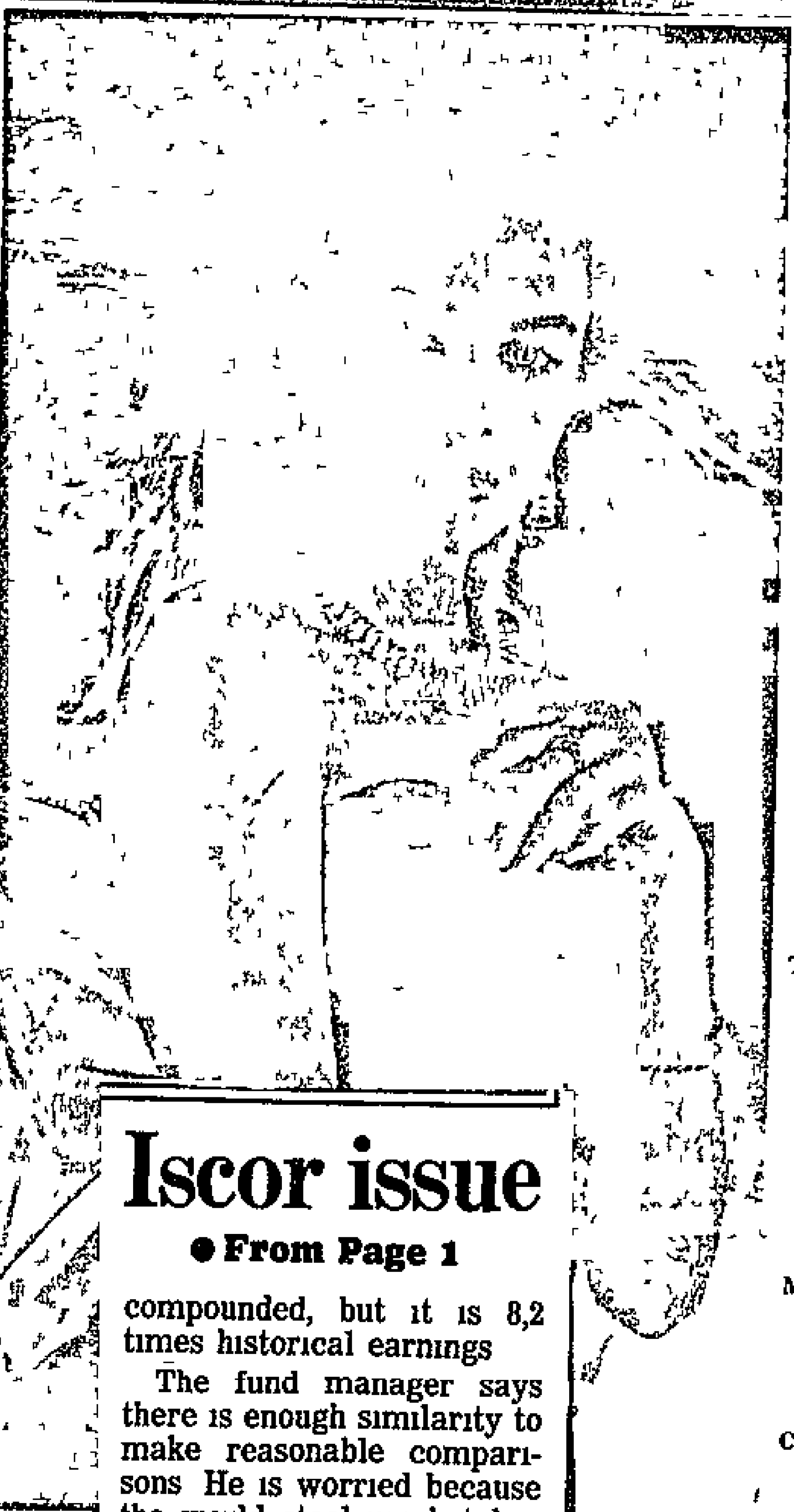
Highveld s taxed profits climbed from R32 4 million in the year to December 1984 to R119,5 million in 1988 That is a compound growth rate of 39%

But one earnings forecast for Highveld's 1989 financial year is R340 million That puts the five-year compound growth rate above 80% a year Highveld is 5 6 times historical earnings, but only about 4 times forecast earnings

Samancor's profits climbed from R14 million in 1984 to R188-million in 1988 — more than 90% a year

● To Page 3

Gold uses glamour in a R300m ad campaign



Bea

roducer

Business Times Reporter

MARKETERS have always realised that a pretty girl is one of their most potent weapons

So it is with the heavyweight World Gold Council, based in Geneva

The anonymous girl on the left is one of the stars of a new television commercial produced by the council as part of its R300 million a year campaign to convince the world of something South Africans have always known — gold is precious

The spectacular commercial is flighted to appear on TV screens throughout West Germany, France Italy and the UK towards the end of October

TV is merely one of the tools employed by the council to promote the use of gold It also sponsors large print advertising programmes and it organises exhibitions of gold jewellery throughout the world

The promotion has also turned into a money spinner for Johannesburg based TV and video producer Barry Rosen He has been appointed a specialist consultant to the council for its film and video productions

Saving

Mr Rosen is joint managing director of Spot Shop, a specialist marketing and advertising consultancy in Schachat Gendel Venture Marketing

Co managing director Mike Gendel says "Barry's first consultancy with the council was on the new commercial It credited him with helping to bring down the cost of the project from \$560 000 to \$300 000 — a 47% saving"

The saving will be used to increase flighting of the commercial

Now Mr Rosen has been asked to work with the council on projects in other parts of the world

The savings were achieved by critically reviewing all elements of production costs, says Mr Gendel

We are sometimes regarded as mavericks in the industry because we question everything

"But it is possible to reduce costs without adversely affecting quality"

Iscor issue

● From Page 1

compounded, but it is 8,2 times historical earnings

The fund manager says there is enough similarity to make reasonable comparisons He is worried because the world steel market has been healthier than at any time since the 1960s and the rand has plunged — but Iscor managed relatively modest growth (232)

British Steel, which was privatised at a price of five times earnings, is now trading at below three times earnings S/Times 10/9/89

The possibility of worsening sanctions is another reason why it is believed Iscor shares should be issued at a discount and not a premium

Those who wish to buy shares will soon be able to get prospectuses with applications from stockbrokers, banks and post offices

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800 wanted to help VAT collections

S/Times 10/9/89

Business Times Reporter

THE Department of Inland Revenue is looking for 800 collectors to help impose value added tax

Commissioner for Inland Revenue Hannes Hattingh says his staff of 7 700 in 32 offices is fully occupied gathering tax under the existing system and implementing the recommendations of the Margo Commission

He wants 800 more highly numerate people to help collect VAT

Mr Hattingh admits that VAT will impose a heavy burden of paperwork on close corporations companies and individuals across the economy — but it will be more difficult to evade than general sales tax

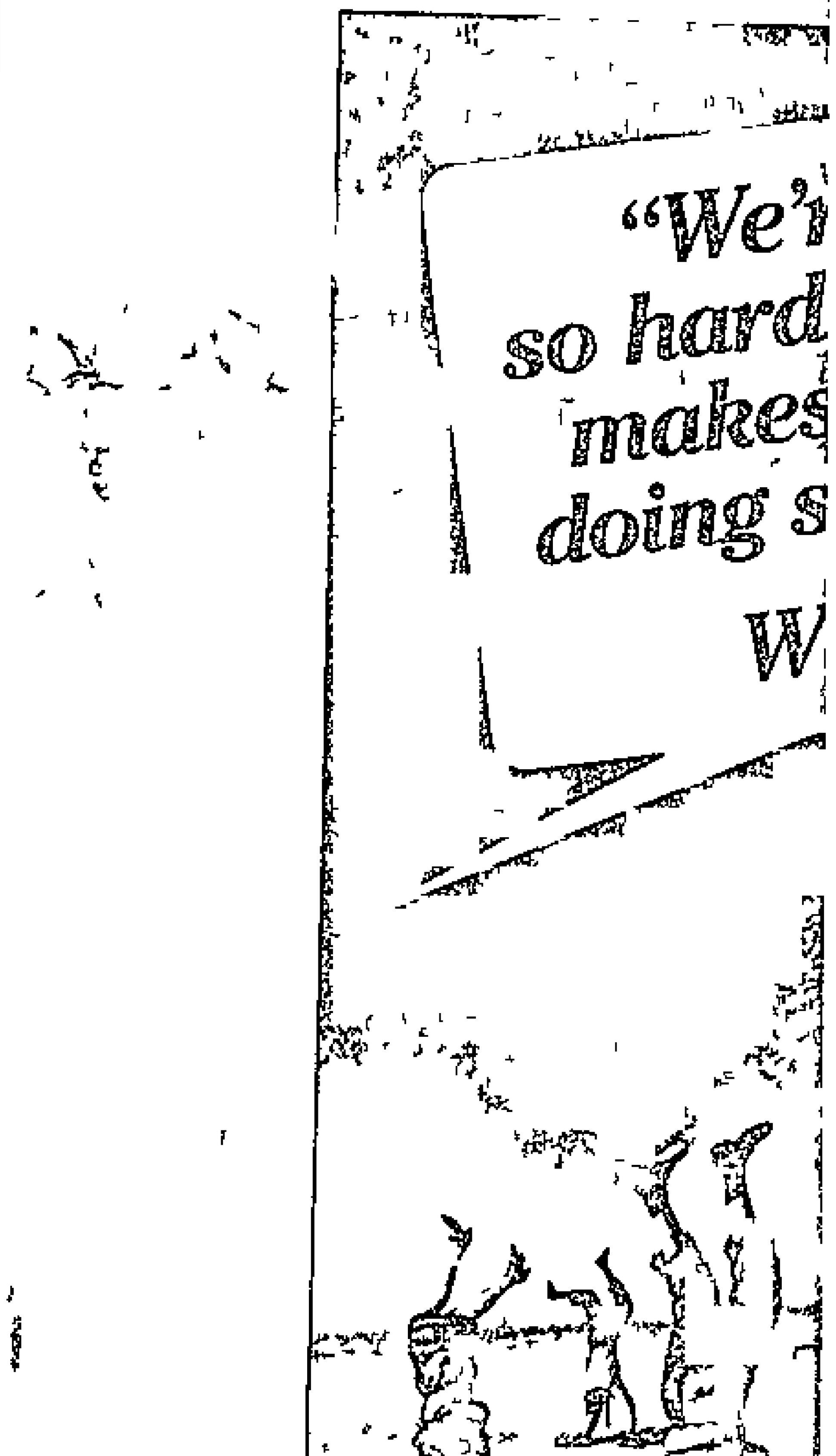
There will be no exemptions from VAT Unless the Minister of Finance decides he wants more money from indirect tax, the rate could be lower than GST s 13%

Mr Hattingh s staff has been singularly successful In the first four months of the current year collections were up by 37% Revised estimates are that the total take this year will be R46-billion — up from R40 billion last year The cost of collection is about R204 million

Worms

Mr Hattingh s army worms — 250 young chartered accountants and 200 B Comms who work for the department instead of doing army training — are reaping a rich haul

In 43 125 desk audits his inspectorate has wrung additional taxes and penalties of R60 million from reluctant payers Nearly 6 000 inspections have yielded another R200-million



Business Report

Iscor share price decision

Gm Trans 11/9/89

Own Correspondent

JOHANNESBURG — Iscor's share price, in what is likely to be the major public offer of the year, will be decided today and announced at a press conference in here tomorrow

The conference will also release details of Iscor's capital structure

This was confirmed yesterday by a senior Administration and Privatisation department official

Speaking on condition he was not named, he said the prediction that the shares would sell for R2 each was, at this stage "a guesstimate"

The decision on price would be made by today, he said

Speculation expects the shares to be issued at a discount to ensure success in the first new-generation public sale of state assets

The state is expected to raise between R3bn and R4bn through the offer

What is to be decided by tomorrow, in the light of intensive canvassing of institutional opinion, is

- How many shares will be issued and at what price,
- The relative allocations to the public, institutional investors, employees and management, and
- Whether the offer will be underwritten and by whom

The state is expected ~~to raise~~ between R3bn and R4bn through the offer

In issue already are 1,5bn shares Of these, 10% or 150m are for employees Another 20% to 30% are held by the IDC and a proportion of this, still to be revealed, for Iscor management

At the end of June, announcing details of the employee offer, Eugene van Rensburg, said the state would ensure the widest possible public participation in the offer

It is expected that separate allocations will be made for institutions and for the public, a limit of 20% being placed on the holding of any single SA institution or allied cluster of institutions

- Yesterday further details of Iscor board changes were released by the state

Five existing members of the board have resigned — Sarel du Plessis, Rod Ironside, Leon Knoll, Hendrik Schoeman and Philip Theron

They have been replaced by leading private sector executives Warren Clewlow (Barlows CEO), Derek Keys (Gencor executive chairman) and Meyer Kahn (SAB group MD) and Jan van den Berg of Finansbank, one of the state's merchant banks

This leaves one board vacancy Yesterday, Jasper Nieuwoudt, chief executive of Privatisation and Deregulation in the ministry of Administration and Privatisation, said details of the vacant appointment had still to be released

Iscor has ruled out an enlargement of the 10-man board and chose new board members to beef up the state corporation's attractiveness to the private sector

In announcing this, state merchant banker, Hennie van der Merwe of Finansbank, said the intention was to appoint sound managers with a good track record, rather than representatives of shareholders The Iscor board would be independent

Top city firm faces take-over

Cape Times
11/9/89

232

Finance Staff

ONE of Cape Town's oldest companies, the Board of Executors, has become the target of a hostile take-over by Johannesburg-based Investec Bank.

The attempted take-over of the Board would cost Investec R50 million

To grab control, Investec has to take over Mercury Trust, the Cape-based company that controls the Board, a 150-year-old company steeped in tradition

It will cost R50m for Investec to buy up all the shares

Yesterday the Board's chief executive, Mr Bill McAdam, vowed to fight the bid

He called the Investec move "a hostile approach — and we will fight it with all we have got"

Mr McAdam said he would make no other comment at this stage, because it was a matter between Investec and Mercury Trust

"We have not been notified officially of Investec's offer, and therefore we regard it as a hostile approach," he said

The executive chairman of Investec, Mr Bas Kardol, said the bank's offer had not been "well received"

He defended Investec's proposal as logical "Although we expect resistance from certain quarters, it is my belief that simple business and financial logic will prevail and ensure the bid's success"

Mr Kardol also questioned the Board's right to acquire its own holding company

"If the bid went to court, Investec could raise the issues of a subsidiary buying a share in its own holding company, as well as the 'independence' of Mercury directors who accepted the Board of Executors' offer," he said

Mr Kardol said most Mercury directors were also Board of Executors directors

Financial sources said it could be the start of one of South Africa's few hostile take-over bids and could spark a bitter boardroom battle

Investec Bank is on an acquisition trail with its latest bid coming soon after it took over Duros Merchant Bank. Control of the Board will be the next step in the rationalisation of the 'financial services sector

If it gained control of the financial services company the Board of Executors, Investec would strengthen its property investments Investec's property arm, Metboard, is strong in the Transvaal, while the Board is a major force in the Cape property market.

Investec has offered 2 750 cents a share for 100% of Mercury Trust.

The Board itself wants to buy Mercury and has offered 2 250 cents a share for the company — R5 less than Investec's bid

The Board owns 100% of the Board of Executors' Trust company The trust in turn owns at least 41,8% of Mercury and is responsible for management of Mercury's assets These include 30% of Fidelity Bank, 30% of Storeco, 9,5% of Speciality Stores and R5,3m cash

Mercury, through ordinary shares and loan stock, controls 80% of the Board according to Mr Kardol He said Board of Executors directors had, through personal shareholdings, built the Board of Executors-controlled Mercury shareholding up to 50%

Investec bids for BOE — Page 8

'WE'LL FIGHT' .. Board chief executive Mr Bill McAdam

Argus 11/9/89

Iscor share offer details expected tomorrow night

232

By TREVOR WALKER, Business Staff

THE great steel share flotation, the privatisation of Iscor, the world's 15th largest steel producer, is expected to be announced in Johannesburg tomorrow night.

Merchant banks Senbank and Finansbank have been testing the market, and in particular the huge financial institutions, to determine how many Iscor shares they might buy and at what sort of price range.

Tomorrow night details of the price, how many shares and how much of the huge company will be offered to the public are to be announced.

PRICE CRITICAL

The price is critical as far as the sale of other state assets and the marketability of the shares once they begin to trade is concerned

If the price is too high and the government is left with a large block of shares not subscribed for, this overhang could be expected to depress the price in the months after listing

If the price is too low, the government will be accused of giving away a state asset that has been funded all these years by the taxpayer

Whatever the price, the small investor will be well advised to consult his bank, broker or financial adviser before plunging in and offering to buy shares

Iscor has an annual turnover of nearly R6-billion and made a taxed profit of R811-million in the year ended June last

Details of the latest budgets and forecasts are expected to be announced when the prospectus is released tomorrow

● Argus readers can win prizes of 300 Iscor shares in a weekly share ownership competition starting tomorrow. The winner of a lucky draw of all entries will receive 1 000 Iscor shares. See tomorrow's Argus for details and entry form.

ICH marginally increases share earnings

B/Day, 2/9/89

232

EDWARD WEST

INDUSTRIAL and Commercial Holdings (ICH) — its main investor is Issues and Investments — which holds a 32% interest in Sinclair Holdings has increased earnings a share by 10% for the year to June

ICH earnings a share increased from 379c last year to 417c a share The motor division achieved excellent results during the year, but township development activities were adversely affected by delays in obtaining approvals

Further, Sinclair Holdings experienced dissapointing results The companies R956 000 losses were reflected under equity-accounted earnings

Issues and Investment Limited, whose directors control 78,65% of the company, also showed a 10% increase in earnings from 1 563c to 1 727c a share

A final dividend of 370c a share was declared bringing the final dividend to 630c a share ICH declared a final dividend of 110c, bringing the final dividend to 175c a share

Sinclair showed a loss attributable to shareholders of R2,98m for the year to June An extraordinary loss of R7,15m was incurred below bottom-line losses

W & A increases dividend by 20%

B/Day 12/9/89 232

BARRY SERGEANT

W & A Investment Corporation has lifted its interim dividend 20% to 120c a share for the six months to June from earnings of 393c a share (315c previous interim)

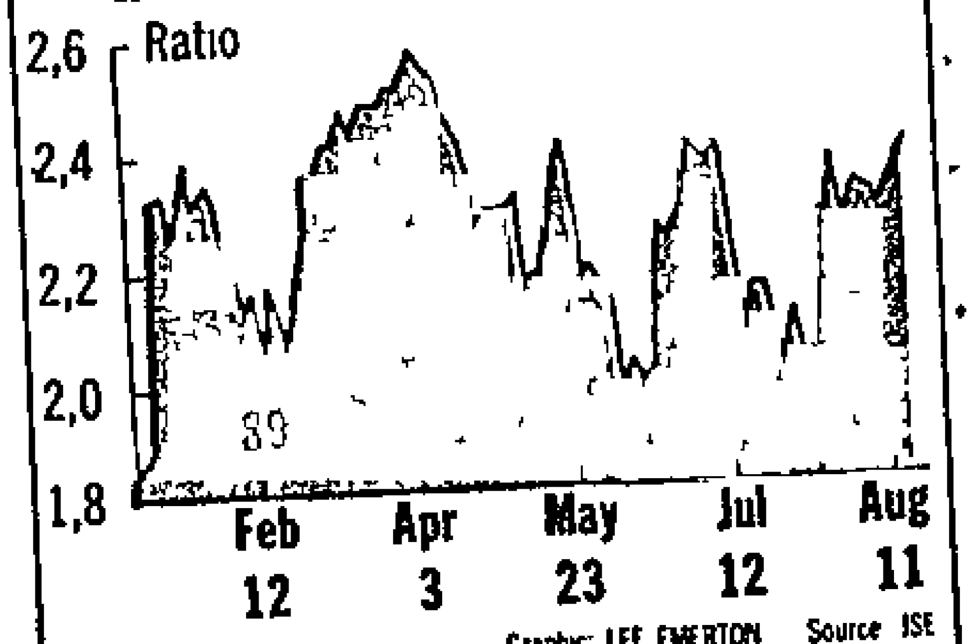
Chairman Jeff Liebesman says in a statement the three-stage process of corporate reorganisation, cost control and operational streamling initiated when FSI gained control of W & A in September 1987 is now complete.

The operating companies are now well positioned to "produce organic growth for many years to come", says Liebesman

The W & A share price, currently rated as lower quality than ultimate holding company FSI, but better quality than immediate holding company Waicor, closed strongly yesterday, priced at R70 with bids standing at R71 ahead of the results

W & A's finance charges for the six months were R26,4m, 366% above the interim finance charges a year ago Interest cover was slashed from 8,6 times to 4,0 times But gearing, at 44%, was well within the overall group's policy level maximum of 60% although it was markedly up on last year's interim figure of 32%

W & A INVESTMENT vs INDUSTRIAL HOLDINGS INDEX



Graphic: LEE EMERTON Source JSE

Much of the debt, gearing and finance charge increases come at the end of an buying spree — in particular, the acquisition of Natbolt, now a 78% subsidiary of Hunts, in turn, a 76% subsidiary of W & A

Clearly, one of the most important rela-

□ To Page 2

W & A dividend up

□ From Page 1

tionships for shareholders to watch is that between profit attributable to ordinary shareholders and finance charges Such profits of R29,5m are almost wiped out by finance charges of R26,4m

The abridged balance sheet shows long-term liabilities have increased by R101m since end-December while current liabilities have swelled R43m The implied extra finance costs for the current six months of the financial year, had this extra debt not been raised, could be as high as R14m

On the other hand, current assets have swelled R103m since end-December While it is impossible to calculate accurate cash flows from the interims, finance director Neville Cohen said in an interview last night that W & A was "more than happy with its cash flow"

"Every one" of the 10 subsidiaries and associates recorded "record" results for the period, says Liebesman The increases ranged between the 12,5% of AAF and the 71% of MacPhail B/Day 12/9/89.

AAF, listed in London, and sitting on a £28m cash pile, is a useful rand hedge for W & A but not yet a significant earnings contributor

W & A's share price, which tends to move in narrow volumes but can increase 10% on yields in a week, has risen solidly from below R40 in January to R70

Shareholders' faith in Micor is vindicated

232 BRENT MELVILLE

AFTER its announcement last month that it had acquired an additional 49% in Meadows Airfreight for a consideration worth roughly double its presiding share price, Micor shareholders have seen the value of their shares increase by 10% to 450c

And Micor has vindicated its shareholder confidence with the announcement today of its year-end results to June The industrial holding company has, in fact, posted sterling results

Post-extraordinary-item earnings jumped by a hefty 63% to 140c (86c) allowing a dividend, 78% improved, of 49c (27,5c) to be declared — covered 2,9 times

The results put the share on a dividend yield of 10,9% and a p e of 3,2 times compared to 4,5% and 8,6 respectively

With turnover climbing by only 15% to R425,1m (R369,5m) pretax profits improved by 53% to R4,5m (R3m) and, following a more lenient tax man who more than halved the tax charge to R200 000 (R432 000), profit after tax jumped a dramatic 72% to R4,3m (R2,5m)

On the balance sheet gearing increased slightly to 82% (79%) and the current ratio was reduced to 34% (47%) Executive chairman Cecil Kaplan says the increase in earnings and net asset value — to 802c (675c) — a share reflects the Meadows Airfreight purchase BDay, 2/9/89.

"The proposed restructure of the group referred to in cautionary announcements is proceeding and will be fully detailed in a separate announcement towards the end of the month," he says

Moves to airlines' merger

BDay 14/9/89 (232)

MANDY JEAN WOODS

THE proposed merger between Durban-based Citi Air and Johannesburg-based Magnum Airlines is still on the cards, with a third, Border Air, and possibly others being brought into the deal

Neither Citi Air co-owner Doris White nor Magnum Airlines chairman John Morrison would confirm other airlines were involved

Citi Air MD David White confirmed in an earlier interview negotiations were going on for the merger between Citi Air and Magnum Airlines.

Morrison said in a telephone interview yesterday the negotiations "could involve other airlines There are negotiations going on and they may not be restricted to Citi Air"

He said negotiations could be completed within the next 10 days

Asked if Border Air formed part of the deal, Morrison replied "I'm not saying it is not involved"

Doris White, in an interview yesterday, said the deal between Citi Air and Magnum was a "very big deal It is not ready yet"

Asked if the deal between Citi Air and Magnum included other airlines, she said "Let's leave that for news later on. There are other things going on"

She refused to say whether or not this meant other airlines were not involved

Morrison also declined to confirm the buyer was from overseas

"It is not necessarily an overseas buyer," he said, and would not elaborate

In January this year Pretoria-based Brownlees Holdings, headed by MD Ivan Brownlees, was involved in negotiations to purchase Magnum, Citi Air and two other private airlines

But, according to Morrison, the deal fell through because Brownlees could not meet the terms of his contract

Talks to be held after Tvl border attack

BDay 12/9/89

DANIEL SIMON

THE SA Trade Mission's representative in Zimbabwe has been instructed to hold urgent talks with the Zimbabwean government and military authorities, following a terrorist attack on a northern Transvaal farmhouse early yesterday

An SADF spokesman yesterday said the farmhouse of a J Erasmus, situated 50km west of Beit Bridge in the Weipe district in the far northern Transvaal, was attacked early yesterday by suspected terrorists who infiltrated from Zimbabwe

"Small arms, fired at the house, caused only very slight damage and no injuries", SADF spokesman Cmdt Riaan Louw said

Louw said the terrorist group fled back across the border after the attack, leaving seven RPG7 rockets, one RGD5 handgrenade, one F1 hand grenade and an AK47 magazine. He added that the Department of Foreign Affairs had been asked to take the matter up through diplomatic channels and that no further information would be made available

Foreign Affairs spokesman Madelaine Gericke said last night that SA's Zimbabwe trade representative, Nico Nel, would meet Zimbabwean government and military authorities to to impress upon them the need to stop the incursions

BOE claims support to fight bid

GM Times 12/9/89

232

By AUDREY D'ANGELO
Financial Editor

BOARD OF EXECUTORS (BOE) CE Bill McAdam — fighting off a hostile takeover bid from Investec Bank — said yesterday he was confident of the support of a majority of shareholders in controlling company Mercury Trust

McAdam and his senior executives learnt only at 4 30pm on Friday, from a director of the unlisted Mercury Trust, that Investec had offered 2 750c a share for 100% of Mercury

BOE had already made an offer for Mercury Tom Boardman, GM of BOE, said yesterday that it was wrong to suggest that its offer was R5 a share less than Investec's

"The bids are not comparable, because BOE's offer was of shares and cash And there is a big difference between a takeover bid and the restructuring of an inter-related group "

Boardman said BOE's offer was for three BOE shares and R10,50 for each Mercury share There was an option for four BOE shares and R6,50 for each Mercury share

Yesterday afternoon BOE shares traded at R4,10 each

"The value of our offer depends on the price of BOE shares at the time the deal is implemented — and we believe they have great potential," said Boardman

He said BOE was receiving "overwhelming support Our lines have been jammed with shareholders phoning in from all over the country to say they are 100% behind BOE and its management team "

McAdam said "We have received incredible support from all around the country — from clients, shareholders and other business institutions "

He pointed out that at this stage it was a matter between Investec and Mercury Trust The Mercury directors had not yet issued any statement

"The executive chairman of Investec is reported to have said that BOE directors have been buying up Mercury shares in their personal capacities I categorically deny and refute that I regard that suggestion, if it came from him, in a serious light "

McAdam said BOE would need only another 7% of Mercury shares to be safe from the takeover There was no need to acquire them, because he was confident of shareholders' support

But Investec executive chairman Bas Kardol said a question mark hung over BOE's shareholding in Mercury "We believe some of these shares may be invalid "

He believed some of the shares had been acquired or issued when BOE was already a subsidiary of Mercury A company could not buy shares in its own holding company

Kardol said that if the bid succeeded there would be many synergistic benefits from the acquisition of BOE, which had similar business interests to Metboard "We are strong in the Transvaal and they are strong in the Cape "

He has a high regard for BOE and its management "There is a lot of talent there "

If the acquisition went through, BOE would remain in the Cape and retain its identity.

"I dearly wish to sit down with its directors and senior executives and plan for the future "

Closing gold

Bitter battle looming

Cpt Times 12/4/88

1230

By AUDREY D'ANGELO
Financial Editor

THE battle for control of the 151-year-old Cape Town-based Board of Executors — fighting off a hostile take-over bid from Johannesburg-based Investec Bank — is likely to be a long and bitter one.

Board chief executive Mr Bill McAdam said he was optimistic about his chances of fighting off the take-over, "and very determined".

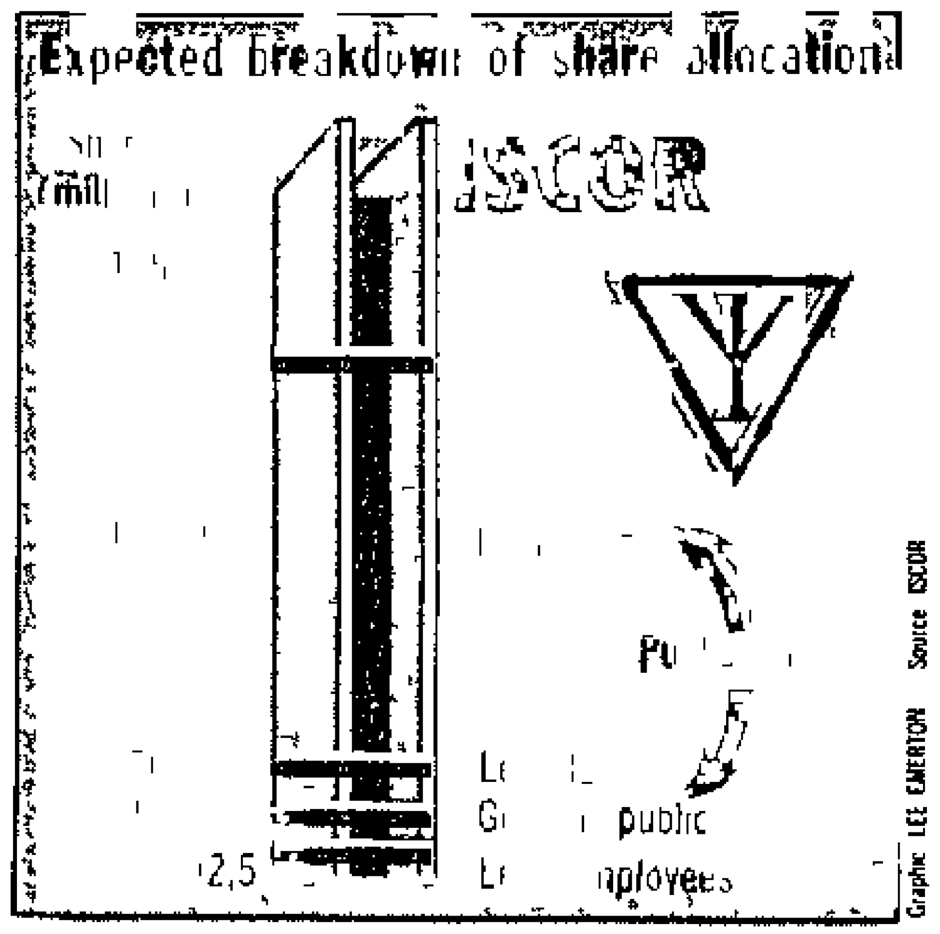
Denying that directors of the Board had been buying shares in its holding company, Mercury Trust, in order to gain another 7% which would give them control of it, Mr McAdam said he was confident of the support of a majority of Mercury shareholders.

Mr Tom Boardman, general manager of the Board, said: "Our lines have been jammed with shareholders phoning in from all over the country saying they are 100% behind the Board."

But Mr Basil Kardol, executive chairman of Investec, said he believed that some of the shares in Mercury Trust held by the Board were invalid. "They were bought while the Board of Executors was a subsidiary of Mercury Trust."

Full report — Page 10

Business Day
[T]UESDAY, SEPTEMBER 13 1989
60c (53c + 7c tax)
[NATA]L and CAPE 80c (71c + 9c tax)
A TIMES MEDIA PUBLICATION



State selling entire Iscor holding: shares to cost R2 each

B Day 13/9/89

ROBERT GREIG

THE state will sell its entire Iscor holding, with shares being priced at R2 each, it was announced yesterday in Johannesburg. This was agreed by the Cabinet on Monday.

Announcing details of the first major sale of state assets since Sasol, and what is expected to be the first in a series which will eventually include Sats and Posts and Telecommunications, state advisers said Iscor's share capital had been restructured to reach "an offer price convenient for small investors".

The state expects to raise R3bn from Iscor's issue, which opens on October 2 (when the prospectus appears) and closes on October 25. The listing is on November 8. The minimum application in the public offer will be for 100 shares. Details of allocation have yet to be released.

But yesterday, one of the state's merchant bankers, Finansbank CEO Hennie van der Merwe, said "Every small applicant will get Iscor shares." The offer comprised 150-million shares for the public and 1 307-billion for institutions, he said.

Major policy considerations in deciding the share price were the logistical convenience of a round number and the state's commitment to getting a large as large as possible a holding by small investors.

Van der Merwe said a share price "of, for example, R2,10 might have caused logistical problems", especially for smaller investors. To reach a convenient offer price, the state had restructured the Iscor share capital.

A further 350-million shares of R1 each would be issued, putting 1,85-billion share in issue. This includes 219 636 R2 cumulative preference shares of R2, each of which are being converted into 439 272 R1,00 ordinaries.

"The allocation formula will favour the small investor," Van der Merwe said, adding that pre-announcement canvassing had shown that some "200 major institutions had indicated interest in buying Iscor shares". Smaller institutions would be canvassed from today.

Among economic factors in deciding price was the fact that the steel sector was seen as traditionally having volatile earnings, being cyclical. Giving details of the offer, Van der Merwe said Iscor had been valued at R3,7bn on the basis of its R812m after-tax profits.

(232)

☐ To Page 2

Iscor shares

BDay 13/9/89

(232)

☐ From Page 1

Profits were forecast to rise by "at least 20%" in 1990, he said, which would put Iscor on an historic price earnings ratio of 4,56 and a forward PE of 3,80 times.

Van der Merwe commented "We undertook an in-depth evaluation of competitive ratings of steel companies vis-a-vis industrial shares in SA and Europe and we believe the price and resulting ratios and yields will be attractive to large and small investors."

According to research by one of the state's brokers, Ed Hern, Rudolph Inc, the comparable ratios for Highveld Steel were 5,7 and 4,1 (capitalisation R1,4bn), and for the steel sector 6,2 (historic p e) and 4,1 (forecast).

Iscor's historic earnings yield is 21,9 (forecast 26,4) and dividend yield 7,3 (forecast 8,8), based on a conservative three times cover.

After the listing, of the 1,85-billion shares in issue, 3-million non-voting shares would be held by the IDC, 92,5-million by Iscor employees, 150-million by the public and 1,307-billion by institutions.

Van der Merwe stressed "The IDC is not holding for the government. The agreement is that the IDC will dispose of at least 75% its holding as soon as practically possible to existing shareholders via a rights issue." It would do so in consultation with state advisers.

A Privatisation Unit official said Iscor offered institutions one of the few remaining chances to buy quality shares in volume, subject to Articles of Association restrictions on a 20% shareholding by any single SA institution or allied cluster.

State advisers hoped many large institutional shareholdings would counter-balance each other.

Business Report

Bankorp rights issue

CAPE TIMES 13/9/89

232

Own Correspondent

JOHANNESBURG — Bankorp CE Chris van Wyk yesterday unveiled a wide-ranging strategy to enhance profitability — including a R340m rights issue in early December and the de-listing of the Trust Bank in mid-November

He also announced a dividend cut to 25c from the previous year's 34c, a more open disclosure policy and the appointment of Gencor's Derek Keys as non-executive chairman of Bankorp He also pledged to improve communication with the investment community

The main feature of Bankorp is its low capitalisation relative to its rapid asset growth TrustBank's need for a R200m capital injection is the major factor behind the rights offer

Retained profits on the balance sheet are boosted by R9,9m

Bankorp's asset growth (40% in the year to June 1989) knocked the group's capital-to-assets ratio down to 2,93% from 3,46% in 1988 — hence the need for a rights issue

TrustBank shareholders are being offered one new Bankorp share for every share they own at a price of R3,40 a share (R1,00 lower than Friday's market price of R4,40) The issue is underwritten by Sankorp, which holds about 60% of Bankorp

Sankorp's stake in Bankorp already exceeds the limit of 30% stipulated in the Banks Act — but permission has been obtained for the Sanlam subsidiary to increase its holding in Bankorp if necessary

Bankorp is to buy out the minorities' interest in TrustBank (21,6%) and the bank will be delisted

TrustBank shareholders will be offered 100 Bankorp shares for every 200 Trust shares held and will be able to take up their Bankorp rights immediately Trust shareholders will be offered cash if they prefer, at R200 per 100 shares

However, Van Wyk says shareholders will benefit by increased earnings per share (22%) if they opt for the Bankorp shares

The cash offer to minorities — a maximum of R58m if everyone opts for cash — will be financed through the rights issue After injecting R200m into TrustBank, Bankorp will have between R82m and R190m in extra capital

CAL TIMES 13/9/89

232

Iscor share scramble ahead

Financial Editor

THE price at which shares in Iscor will be offered to the public — R2 each — is low enough to start a frantic scramble to get them.

"It has clearly been fixed with a view to encouraging the small investor and giving as many as possible a stake in the iron and steel giant.

Stockbrokers and analysts yesterday said it would be a good long-term investment for the man in the street.

The offer will open on October 2 with the publication of Iscor's listing prospectus, including a forecast of expected earnings, in 16 national and regional newspapers.

It will close on October 25 and Iscor will be listed on November 8.

● Full report — Page 10

Iscor priced for success

R2 lure for small investor

Cit Times 13/8/89 (10) 232/2

By AUDREY D'ANGELO
Financial Editor

THE price of R2 each at which Iscor shares will be offered to the general public and financial institutions is clearly designed to make the listing a success, as well as to encourage the small investor, Cape Town analysts and stockbrokers pointed out yesterday

The offer comes at a time when there are other opportunities, including rights offers, competing for the cash available to invest "If the price were higher it could turn out to be a disastrous listing," said Glenn Moore of Personal Trust

He thinks the share a good, longterm investment which will be in the portfolios of most major institutions "I don't think it will be a spectacular share to hold It will probably be a very solid sort of counter"

He expects the share to trade at between R2,30 and R2,50 at the end of the first day it is listed on the Johannesburg Stock Exchange "provided the market is stable"

However, Moore warned that the steel industry was cyclical "It is a good industry to be in, particularly as Iscor is an exporter, as long as the rand is weak and demand good

"But demand can dry up in a recession and earnings at such times could be lower than forecast"

Anthony Gibson of Syfrets said "I think the share is fairly priced I am sure that some people would have liked it to be higher But the Government is clearly determined to make the listing a success, and at that level it is generous enough for the man in the street to go for it

"The Government has probably been influenced by what happened in the UK, and wants to set a trend of a share-owning nation And it has learned the lesson of the BP privatisation, which was not a success

"It might be said that the Government is giving State assets away at that price — but then it is giving them back to the taxpayer"

Gibson said the number of opportunities available to investors now, including rights offers, was "setting some sort of ceiling on the market"

He doubted whether Iscor would attract many foreign investors "The time factor through which they look at SA probably makes gilts more attractive to them"

He also doubted whether Iscor shares would provide a quick stagging profit for people planning to sell their allocation immediately "This is not the market of 1987 when you could expect a premium of 50% You could probably make a profit of 10% or 15% if you sold them straight away

"But this is really intended for the long-term investor"

This was confirmed by Senbank MD Doug Anderson, who said that in-depth discussions were held with 15 key institutional investors on how they saw the investment climate over the next few months, and how they rated Iscor and the market in which it operated

"The conclusion was that the price and price earnings, as well as the dividend and earnings yields will make the listing a success

"This pricing will allow capital growth for the share and will pave the way for future successful privatisations"

Unidev's attributable profits grow by 60%

BDay 13/9/89

232

ZILLA EFRAT

UNIDEV has pushed up attributable profits by 60% to R5,7m (R3,5m) for the six months to end June, 1989, with all divisions performing well

Earnings rose 62% to 34c (21c) a share

MD Ronnie Stein said all divisions operated strongly and contributed well to profits in the past six months

No turnover figures have been provided However, operating profit jumped 290% to R7,4m (R1,9m) because of better results from existing operations and the inclusion of Cortech's profits

The higher interest bill rose by nearly 300% to R6,5m (R1,6m)

However, Stein said the R20m rights issue, which closes on Friday, would slash the interest bill and high finance costs

Taxed profits were up 61% after Unidev enjoyed a tax free interim period and its R5,5m (R3,8m) share of taxed earnings from associates

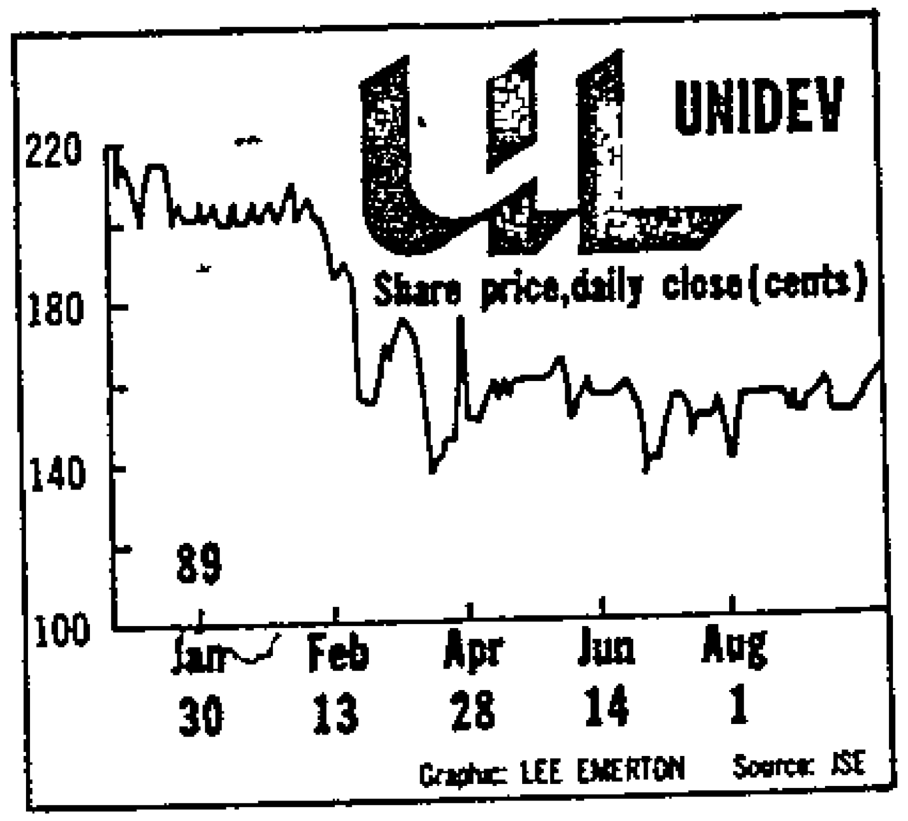
Steyn said Unidev's earnings for the second half would be equally good

He was confident Unidev could maintain its improved earnings in spite of the dilution caused by the rights issue

The group has a sharpened corporate focus, a highly motivated management team and future prospects look good

The rights issue has also put it in the market for possible acquisitions

However, Unidev will concentrate on larger, more established companies rather than the small development capital concerns it previously looked at



Henry Vorster has been appointed as the new Unidev chairman as directors felt a non-executive chairman was more suited to its structure

He replaces Geoff Grylls who will continue as an executive director of Unidev and will act as Cortech's chairman and executive director

The rights offer of 80 new shares for every 100 Unidev held, has been underwritten by Garcon.

An interim dividend of 6c a share was declared in August in anticipation of the rights offer

Directors anticipate declaring a final of not less than 8c a share This will bring the annual total to not less than 14c a share against the previous year's total of 12c a share

Iscor's share issue holds rich pickings for investors

Star 13/9/89

232

By Derek Tommey

The small investor should show a handsome profit from the Iscor share issue

Details revealed yesterday show Iscor is laying out the red carpet for the ordinary individual, making it extremely easy to obtain shares at an attractive price

But Iscor's advisers are satisfied the state is getting real value for its shares, says Hennie van der Merwe, chief executive of Finansbank, one of the two merchant banks involved in the issue

Iscor shares are being issued at a price of R2 the minimum subscription being for 100 shares

To ensure that the small investor has a reasonable chance of securing an allocation Iscor is setting aside 150 million shares worth R300 million for the general public

However despite the huge number of shares reserved for the small investor it does not mean they will receive all the shares for which they subscribe

Brokers believe the public issue could be oversubscribed two or three times

So small investors can expect to receive only one-third to two-thirds of the number of shares for which they subscribe

Calculated on Iscor's taxed profits of R812 million for the year to June, the shares are being issued at a price of 4,56 times earnings

But on Iscor's expected profits of just over R1 billion for the current financial year, the prospective P/E ratio is an extremely attractive 3,8

Expected earnings

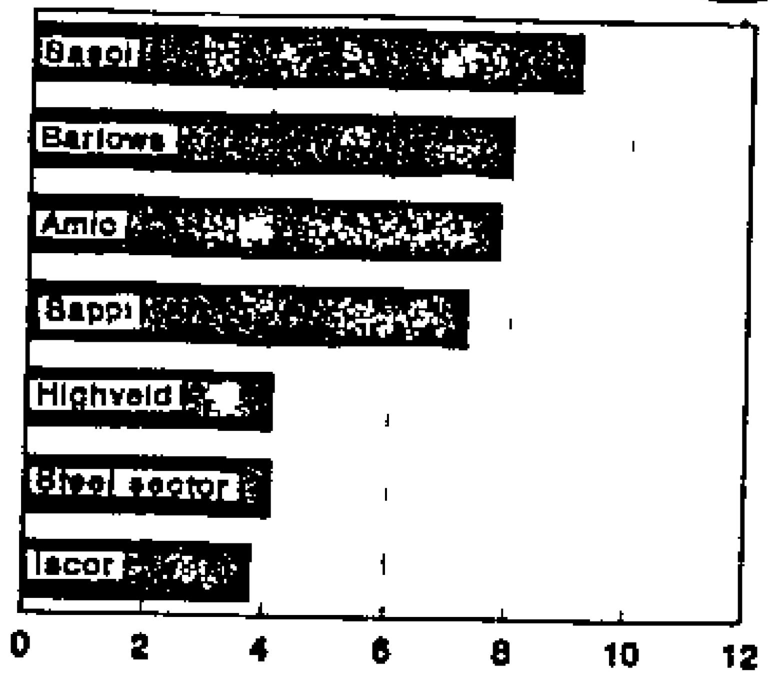
This compares favourably with the prospective P/E ratios of other blue-chips for the year to June 1990

To buy Hiveld an investor would have to pay 4,1 times its expected earnings

To buy Barlows one would have to pay 7,3 times earnings

Other P/E ratios are 7,3 for Sappi, 9,1 for Sasol, 7,8 for Amic, 4,1 for the steel sector as a whole and 8,2 for the industrial index

It is clear that those investors taking up Iscor shares will be getting much more for their money than if they were



Comparative prospective P/Es for year to June 1990

to buy Hiveld and about twice as much as they would get if they were to buy Barlow, Sappi, Sasol or Amic

Iscor is proposing to pay dividends of 17,6c a share for the year to June 1990 This is a return of 8,8 percent on the R2 issue price

The dividend will be covered three times by earnings, which is somewhat more generous than the four-times cover some analysts were expecting

The Iscor offer opens on October 2 and closes on October 25 Shares will be listed on the JSE on November 8

Mr van der Merwe said yesterday Iscor wanted to attract a wide spread of investors But the emphasis would be on responsible marketing

Discretionary funds

"We would be delighted if the Iscor share register topped 100 000 names, but only if applicants were using discretionary funds for their share purchases.

"If they public offer is a real success and we get the over-subscription we expect, the allocation will favour the smaller, rather than the larger, applicant"

He said Iscor had been valued at R3,7 billion by its two merchant banks

Iscor would have 1,85 billion shares in issue, of which 300 million would be held by the Industrial Development Corporation (IDC), 185 million by Iscor employees, 150 million by the general public and the balance of 1,215 billion by institutions

Mr van der Merwe said discussions with institutions had indicated Iscor would have no difficulty placing these shares with them

In fact, some of the 200 institutions which had indicated they would be taking up Iscor shares were unlikely to get all they wanted This meant they would have to buy extra shares in the market, which should ensure a strong demand for the shares

Every Iscor employee would get 200 Iscor shares at no charge In addition, Iscor employees would be able to buy a substantial number at a 20 percent discount and a further substantial number at the offer price

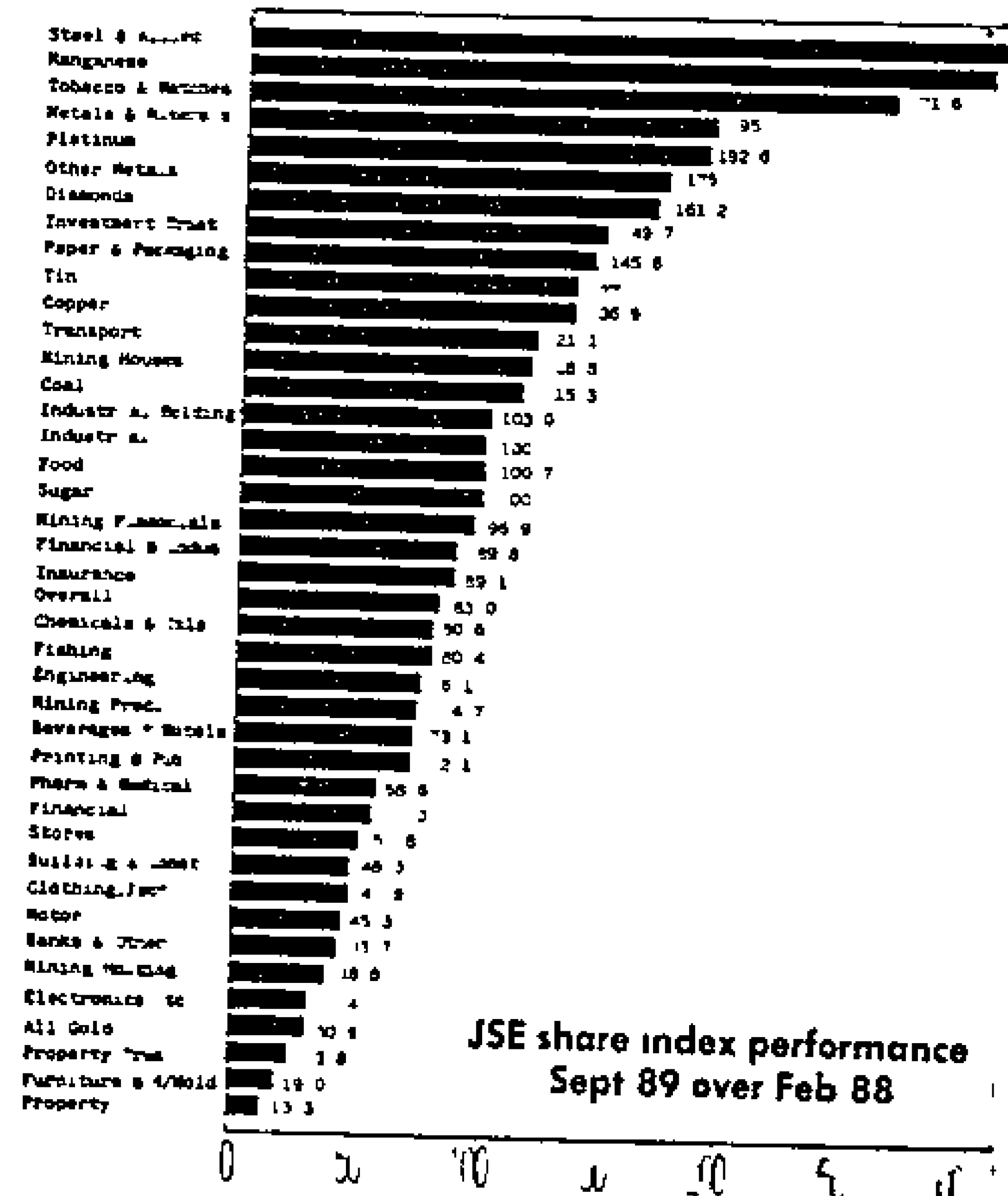
Piet du Plessis of Iscor said the feedback from the workers on the share issue had been positive

Market conditions

Mr van der Merwe said the IDC was not allowed to vote its Iscor shares and would have to sell them once market conditions favoured their sale

About 75 percent of the IDC's holdings would be offered to other Iscor shareholders by way of a rights issue The balance would also be offered to shareholders on a similar basis at a later stage

The state has already received R600 million from the IDC for its Iscor shares and will receive a further R3,1 billion when the offer closes on October 25, making a total of R3,76 billion in all



JSE share index performance Sept 89 over Feb 88

Iscor comes to the market on November 8 with the steel and allied sector of the JSE riding the crest of the wave having outperformed all other sectors since the market bottomed-out in February last year Since February last year the sector has recorded a total return (capital appreciation plus dividends) of 318 percent, ousting the manganese sector by a short head Worst performing sector on the JSE in this time was the property sector, which has risen by only 13,3 percent

Iscor workers favoured in share offer

Star 13/9/89

By Derek Tommey

Details issued last night show that Iscor workers are being specially favoured in Iscor's planned share offer

When the share offer closes on October 25, they will hold 185 million or 10 percent of Iscor's total issued share capital This is a larger number of shares than will be held by the general public

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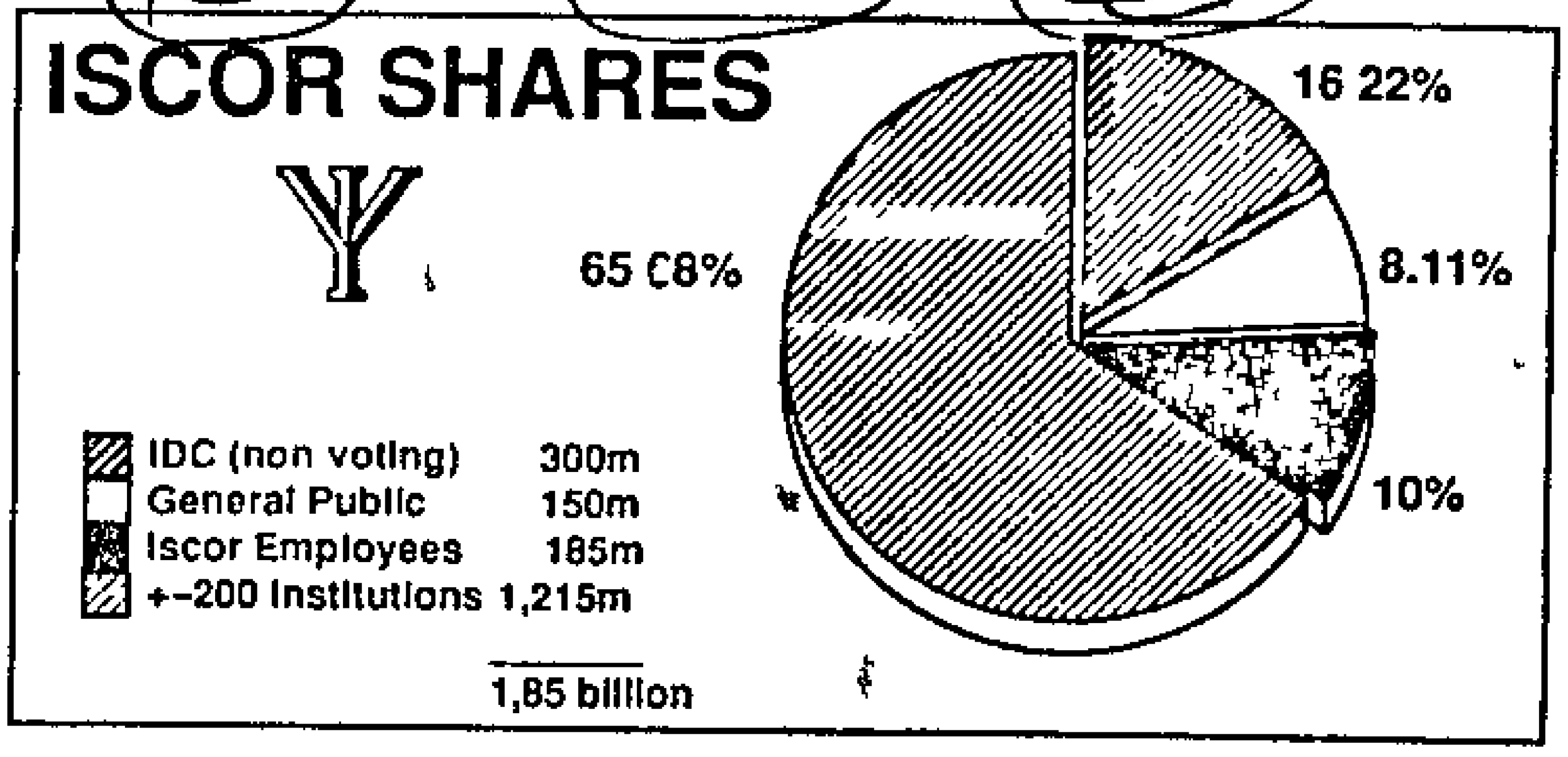

NO CHARGE

Every Iscor worker is to receive 200 shares at no charge

In addition they will have the right to take up more Iscor shares to a total of 5 percent of the issued capital at a discount of 20 percent on the R2 issue price

They will also be entitled to subscribe for a further 5 percent at the issue price of R2 a share Payment for the shares will be over three years

This favourable treatment of Iscor workers reflects Government policy to give people employed in privatised operations a substantial stake in these enterprises

Market sources point out that this should help to overcome worker objections to the planned privatisation of other State enterprises Iscor will have a share capital of 1,85 billion shares when the issue is completed

Of these, 150 million will be held by the general public, 1,215 billion by some 200 institutions, 300 million by the Industrial Development Corporation and virtually all of the balance by Iscor workers

The offer price is R2 a share which is 3,8 times prospective earnings a share for the financial year ending next June This is a highly favourable price and should ensure that the issue is well-supported

EARNINGS

The 3,8 times earnings compares with a 4,1 price-earnings ratio for Highveld Steel, another major steel producer, 8,0 for leading mining and industrial share Barlows, 7,3 for paper producer Sappi, 9,1 for synthetic oil producer Sasol and 7,? for Anglo American's major industrial company Amic.

The proposed dividend yield is 8,8 percent, which will be covered three times by earnings.

● See Page 18

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B

Iscor shares offer big profit for those lucky to get them

From DEREK TOMMEY

JOHANNESBURG — The small investor should show a handsome profit from the Iscor share issue — if he is lucky enough to get some

Iscor is laying out the red carpet for the individual, making it easy to buy shares and setting aside 150-million worth R300-million

But this is only 8 percent of the total shares to be issued, the lion's share going to financial institutions

The share price will be R2 for a minimum 100 shares

However in spite of the large number of shares reserved for those investing small, it does not mean they will receive all they apply for Brokers believe the public issue could be over subscribed two or three times

Calculated on Iscor's taxed profits of R812-million for the year to June, the shares are being issued at a price of 4,56 times earnings

But on Iscor's expected profits of just over R1-billion for the current financial year, the prospective P/E ratio is an extremely attractive 3,8

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Mr van der Merwe said discussions with institutions had indicated Iscor would have no difficulty placing these shares with them

In fact some of the 200 institutions that had indicated they would be taking up Iscor shares were unlikely to get all they wanted This meant they would have to buy extra shares in the market, which should ensure a strong demand

Every Iscor employee would get 200 Iscor shares free In addition, Iscor employees would be able to buy a substantial number at a 20 percent discount and a further substantial number at the offer price

Mr Piet du Plessis of Iscor said feedback from workers had been positive

Mr van der Merwe said the IDC was not allowed to vote its Iscor shares and would have to sell them once market conditions favoured their sale

About 75 percent of the IDC's holdings would be offered to other Iscor shareholders by way of a rights issue The balance would be offered on a similar basis later

The state has already received R600-million from the IDC for its Iscor shares and will receive a further R3,1-billion when the offer closes on October 25, making a total of R3,76-billion in all

Iscor staff get more shares than public

Argus 13/9/89

232

By TOM HOOD
Business Editor

EMPLOYEES of the steel giant Iscor are to get more shares than the general public in the record R3 700-million share issue.

Only 150-million shares (8 percent) worth R300-million will be allocated for small investors at R2 a share.

By contrast, 185-million shares — 10 percent of the share issue — will go to employees.

The 58 000 workers are to get 20 free shares each, a total of 1 160 000 worth R2 320 000.

They can also buy 91 340 000 shares at a 20 percent discount, saving about R365 000.

BLOCK RESERVED

And a block of 92 500 000 shares worth R185-million will be reserved which employees can buy at R2 a share.

These details were disclosed today when Iscor published share issue documents

Because of the small allocation to the public, a pent-up demand for shares is likely to see a stampede to buy and a huge over-subscription.

However small investors are promised a minimum of 100 shares.

The bulk of the shares will be given to about 200 financial institutions.

Mr Hennie van der Merwe, chief executive of one of the merchant banks involved in the share issue, said the share register could top 100 000 names.

Investors can apply for shares from October 2, the offer closes on October 25 and the shares will be listed on the Johannesburg Stock Exchange on November 8.

See page 14

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State to retain overseer role in Iscor till '94

Cape Times 16/9/83 (232)

Own Correspondent

JOHANNESBURG — The state will retain an overseer role in Iscor until 1994 through a token holding of 100 ordinary, non-voting shares

This was said yesterday by the Privatisation Unit's Pieter van Huysteen.

The token holding, through the Minister for Administration and Privatisation, is to ensure that key provisions of Iscor's Articles of Association were observed until 1994.

These include restrictions on individual or clustered institutions' holdings and foreign holdings in Iscor

But, a leading corporate counsel believes that definition which Iscor will use to identify institutional cross-holdings is inadequate It could also have the effect of forcing institutions to count in personal holdings by officers as part of their holding

To allay fears of Iscor falling into the hands of a few dominant private sector institutions, the articles forbid holdings of more than 20% by a single institution or association of institutions

Up to 1994, the holdings of individual institutions and associated institutions' holdings will be policed by Iscor and its directors

This was disclosed on Tuesday by one of the state's merchant banker advisers, Hennie van der Merwe of Finansbank, in announcing terms of the Iscor public offer

After 1994, shareholders and the company may change the articles

He said the definition of associated institutions would be based on relevant portions of the Banks and Companies Act.

Practically, the monitoring will be through computer checks The Competitions Board will also have a role to play, Van der Merwe said

Henry Vorster of Hofmeyr van der Merwe, warns that Banks Act concepts of "associates" could cause considerable uncertainty for Iscor, unless significantly modified

The Act was drafted in 1965, before institutional activities became characterised by intricate family relationships and cross-holdings, he said.

He warns that an effect of applying Banks Act definitions of "associates" to Iscor could be that institutional investors would have to include personal holdings by their and their subsidiaries' officers and "business partners" as part of their 20% maximum

This means that if all the officers of an institution, their "business partners" and the officers of their subsidiaries together own 2% of Iscor in their personal capacities, the institution may only own 18% because of the wide concept of an associate, as defined in the act

But JSE president Tony Norton said "The personal holdings would have to be enormous to register and it would be extremely difficult to monitor."

Acquisition a boost for Sam Steele

(232) NEIL YORKE SMITH

SUPREME Industrial Holdings (Supreme) announced yesterday it had acquired furniture manufacturer Victoria Lewis and merged Vic Lewis's manufacturing interests with those of Sam Steel company Steel and Barnett

Supreme is the listed subsidiary of Supreme Bond, which acquired Sam Steele in a R39m deal in July.

Vic Lewis is to issue 60-million new shares to Supreme at 33c each In return it will receive the assets of Mewa Manufacturing and Insulated structures These are virtually debt free and will substantially reduce the gearing of Vic Lewis, according to Supreme chairman Edward Ronbeck

B.Day 14/9/89

Ronbeck said the deal would substantially reduce Sam Steele's borrowings and interest burden

He said Sam Steele was to concentrate on furniture retailing Through Protea Stores the company has 78 retail outlets selling mainly to the lower end of the market

Ronbeck added Sam Steele would be operating from a much firmer base as gearing had been substantially reduced He said Sam Steele could further reduce gearing by selling the Steel and Barnett property at Steeledale This currently has a book value of R9,6m

Ronbeck said the deal would increase Supreme's NAV by 25c

B/Day 14/9/89

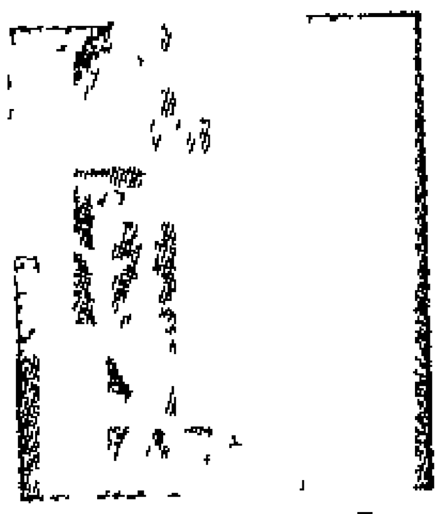
MALBAK BUYS INTO BABY FOODS, DRUGS

BRENT MELVILLE

MALBAK is continuing on its acquisition trail with the cash purchase of 80% of infant food and ethical drugs producer Wyeth-Ayerst.

The announcement comes in conjunction with the announcement by Wyeth-Ayerst's parent, US-controlled American Home Products Corporation, that it intends to disinvest from SA.

The equity interests of American Home Products includes SA subsidiary Wyeth-Ayerst and two related entities Market sources place the purchase figure at between R70m-R80m The other 20% is to be spread among an unnamed group of local investors



CHALMERS

Malbak executive director Tom Chalmers says the acquisition will "significantly" expand the group's pharmaceutical business — pushing turnover to "well in excess of R200m".

Sources say 1989 sales for the group — which joins several of Malbak's recent pharmaceutical acquisitions including East London based Pharmador, previously Swiss owned Lagamed, haircare giant Schwartzkopf and MPS laboratories — should top R100m

And Malbak is planning to restructure its medical division, previously under the Protea Medical banner, into a separate division. Following the purchase, Chalmers estimates that the division will rank within the top five health care companies in SA

"Wyeth-Ayerst is well-managed, financially sound and already holds a major share of its principal markets," said Chalmers

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Nutritional

Wyeth's present MD Francois du Toit and his management team will continue to run things and licensing and supply agreements will be in effect for a limited period of time to allow for a smooth changeover to new owners

Wyeth has an estimated 37% share in the infant nutritional products market, 37% of the tranquilliser market and 46% of the oral contraceptive market in SA It is also a leading producer of hormone drugs

"The acquisition is not expected to have any immediate material effect on earnings, dividend or the net asset value of Malbak ordinary shares," says Chalmers

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Malbak buys Wyeth as US parent quits

Tom Chalmers.

By Ann Crotty

Another Malbak acquisition and another US disinvestment. This time around it's pharmaceutical group Wyeth-Ayerst.

Yesterday Malbak said it had bought an 80 percent interest in the infant food and ethical drugs producer from its US parent, American Home Products Corporation.

The acquisition will not have any immediate material effect on earnings, dividends or the net asset value of Malbak ordinary shares.

In what seems to have become customary with US disinvestments, detailed information is fairly thin on the ground because of sensitivity over the issue.

But industry sources say Wyeth-Ayerst's turnover is around R80-R90 million a year.

Working on the assumption that operating margins are in the region of 15-20 percent and allowing for tax and interest payments, a price-tag of R70-R80 million seems to be on the cards.

The SA company will continue to pay royalties to its former parent.

The name will be changed, but Wyeth will have continued use of its existing brand names.

Malbak executive director Tom Chalmers would not comment yesterday on the turnover level or the price paid, saying the matter was sensitive.

But he did say a technical knowhow agreement had been signed with the US group.

The deal will give a significant boost to Malbak's pharmaceutical activities, lifting annual turnover to above R200 million.

Mr Chalmers said "Wyeth-Ayerst is well-managed, financially sound and already holds a major share of its principal markets.

"We believe that under Malbak's ownership, its considerable potential for continued real growth in financial as well as operational terms will be fully realised."

The trend has been for local operations to perform well once they have been released from US owners who tend to be ambivalent about having an operation in SA.

This ambivalence makes them reluctant to invest resources to ensure that the asset is maintained at its most efficient level.

The existing management team will continue to run the business.

Although released from strict adherence to the Sullivan code, Mr Chalmers says that basically Malbak does adhere to it.

Wyeth-Ayerst's major areas of interest are infant nutritional products (including SMA), hormone drugs and oral contraceptives (including Loganin).

Malbak has been in contact with Wyeth-Ayerst for a number of years. It bought an East London production facility from Wyeth about three years ago.

Iscor share issue will be heavily over-subscribed

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By David Canning

The R2 price at which steel giant Iscor last night pitched its shares appears set to result in a large over-subscription by the public It also should yield a substantial profit for those lucky enough to get an allocation.

As the share price has been pitched at an attractive rate, relative to other blue chips, stockbrokers generally expect the shares to be listed at a healthy premium. Star 14/9 1891.

However some eyebrows have been raised by the fact that Iscor's employees are due to get more shares than small investors, partly in a free handout.

The workforce has been allocated 10 percent of the total compared with eight percent for the general public. The institutions get about 66 percent and the Industrial Development Corporation retains 16 percent.

The State is to give Iscor's 58000 workers 200 free shares each, a total of 1,16 million shares worth R23,2 million. They can also buy into a another pool of shares at a 20 percent discount and into a third pool at the normal price.

An Iscor spokeswoman said it was important to give employees a stake in the privatised company and that smaller investor would have the resources to buy more than the eight percent allocated.

Spokeswoman Penny Gracie said from Johannesburg that the eight percent allocation to the general public in fact was high, bearing in mind "guesstimates" that there are only 350 000 shareholders in the country.

Asked about Inland Revenue's likely reaction to stagging of the huge issue, tax expert Costa Divaris said the Receiver had become much more aggressive and he was not sure whether he would follow the normal convention "of not taxing once-off profits by the small investor"

Mr Divaris said the State was very ill-advised to already have announced its intention to allocate at least 100 shares to every applicant.

Unless there was some watertight method of checking, this could lead to many applications in fictitious names.

● **The National Union of Metal Workers (Numsa) yesterday said its members were reluctant to take up even their free share issue and that they would rather have cash. The union said at R2 a share, the assets of Iscor were being sold "cheaply to those who are sufficiently wealthy enough to invest".**

Nice profit seen in battle for BoE

Star 4/9/89

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By Ann Crotty

It looks as though investors are expecting to reap nice profits in the battle for control of Board of Executors — yesterday its share price reached 470c, up from 435c.

The movement indicates that the market believes the matter is far from resolved.

Yesterday Mercury Trust, the major shareholder in BoE, issued its first formal response to the bid, saying the directors were "seeking independent advice on the Investec offer and on receipt of this advice will issue a takeover statement as required in terms of the Companies Act".

The statement will be issued on or before September 21.

This will not shed too much light on the situation for shareholders who would probably like to have some matters cleared up, particularly as it is rumoured that Investec is not the only party stalking BoE.

What needs to be clarified is the exact level of Mercury's holding in BoE and the extent of BoE's holding in Mercury.

There appears to be disagreement on the latter point arising out the legal implications of a subsidiary (BoE) buying shares in its holding company (Mercury).

The market is keen to hear why the Investec bid (which should help to clean up the Mercury-BoE relationship and rationalise and perhaps make more efficient their combined assets) should be rejected.

The only obvious reason at this stage is cultural incompatibility — a major factor in the financial services sector.

Supreme buys Viclewis (232)

Star 14/9/88 Finance Staff

Supreme Bond, which acquired Sam Steele Holdings in a R39 million deal in July, has acted quickly to reshape the group for recovery.

In a series of transactions announced yesterday, Supreme's listed subsidiary Supreme Industrial Holdings has taken over another listed furniture manufacturer, Victoria Lewis Holdings, and has merged Sam Steele's furniture manufacturing interests in Steel and Barnett Limited with those of Victoria Lewis.

Supreme's chairman, Edward Ronbeck, says the deal substantially reduces Sam Steele's borrowings and its heavy interest burden.

The Victoria Lewis acquisition, which is still subject to shareholder approval, involves Supreme Industrial Holdings and its subsidiaries, Mewa Manufacturing and Insulated Structures, in an assets-for-shares swop with Viclewis. The assets of Mewa Manufacturing and Insulated Structures are virtually debt free and will therefore reduce Viclewis's gearing substantially.

Supreme Industrial Holdings has also bought out Victoria Lewis shareholders, Ozz Ltd and Mr Roy Woolf, who held approximately 42 percent of the shares collectively. The deal was struck at 33 cents a share and will give Supreme Industrial Holdings an effective 87 percent share holding in Viclewis, assuming the assets-for-shares swop is approved. Minority shareholders in Viclewis will also be offered 33 cents a share.

Mr Ronbeck, who has joined the board of Viclewis as chairman, says that as a result of the deal, Supreme Industrial Holdings' net asset value has increased by approximately 25 cents a share.

"Supreme Industrial Holdings now has a spread of activities that encompasses furniture manufacturing as well as refrigeration through Insulated Structures, and stainless steel fabrication through Mewa," he says

Metal workers oppose Iscor share offer

(232) W Mail

THE National Union of Metalworkers (Numsa) has come out against the Iscor share offer saying it will "result in the assets of the people of South Africa being sold cheaply to those who are sufficiently wealthy to invest".

It said at the share price of R2 announced this week, the flotation would be a cheap sale. "Most shares will be very quickly concentrated into the ownership of the major institutions as has been the experience in other countries," the union said.

Numsa, which represents a majority of Iscor's black workers, specifically rejected the offer of discount and free shares to the corporation's employees, adding that the employee share offer was clearly intended mainly for senior Iscor staff.

The government is to offer 185-million shares to employees (10 percent of the total) in the run-up to the Iscor listing in November. Of these, 12-million will be given free to employees.

"Numsa members have indicated that they are reluctant to take up even their free share issue and that they would rather have cash," the union said in a statement this week.

It noted that the company had issued a brief to employees saying each employee would be individually advised of how many shares he or she might apply for in terms of the discount and preferential allocation of shares.

"This is clearly an attempt to disguise the fact that the majority of the 10 percent shares being issued will be allocated to management level staff of Iscor," Numsa said.

15-21/9/89.

Iscor – all offers will be considered

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Star 15/9/87

Staff Reporter

In the Iscor share offer which opens on October 2, every person who applies for shares has an equal chance.

Mr Hennie van der Merwe, managing director of Finansbank, which together with Senbank is handling the share offer, says that provided the application form is correctly completed and is accompanied by a chèque or banker's draft, it will be considered.

Mr van der Merwe added that the final basis of allocation of shares, should the offer be over-subscribed, could only be determined once the number of shares applied for had been established.

"The State and its advisors will, when deciding on a basis of allocation, do so taking into consideration the State's declared intention to promote the concept of wider share ownership amongst the peoples of the Republic".

He added that the allocation would not be handled on a "first come, first served" basis.

NEWS FOCUS

Privatisation is progressing well

(232)

B/Day 18/9/89

ROBERT GREIG

PRIVATISATION projects involving thousands of state employees are on track, says privatisation czar Kallie Saayman, director of privatisation in the Office of the Commission for Administration

Speaking this week to University of Pretoria students, Saayman said SA's privatisation record in the last two years compared well with the results of Britain in five years "SA is being placed firmly back on the capitalist road," Saayman said.

Public service privatisation accomplishments included:

□ The sale of the SA Mint in 1988 to an affiliate of the SA Reserve Bank, involving 288 state employees,

□ 32 000 state employees had been involved in the contracting-out of road-building which has an annual budget of R2,2bn The Cabinet has set an immediate target of 70% to be contracted out. By 1994/5, Saayman expects 75% of this to be in private sector hands

□ 38 000 catering, gardening and cleaning services workers are involved in a three-year contracting-out privatisation programme with an annual budget of about R400m

"Together these two projects involve 10% of public service employees," says Saayman — an indication, he says, of the scale of projects already being implemented

□ 170 000 hospital and health services employees are affected by an investigation into privatisation being performed by Dr Wim de Villiers

□ The capital-intensive state forestry department is in what Saayman calls "the privatisation cooking-pot",

□ Consultants are investigating the privatisation of the Department of Water Affairs,

□ The privatisation of the Department of Public Works' workshops — involving 2 000 employees — is being implemented; and,

□ The Government Garage is on the privatisation agenda

Saayman says. "There is great private sector interest in this, which is understandable because of assets of R300m and an annual budget of R400m.

He said he could also cite other "perhaps less spectacular" results of privatisation, like the sale of "approximately R100m of state properties" and contracting out of certain services like R7m of auditing to the private sector.

Commission

Saayman said, too, that departmental directors-general had been drawn directly "and personally" as department heads into privatisation through "an action plan" activated by the new Commission for Administration chairman Piet van der Merwe.

"DGs will, through the commission, have the opportunity of personally reporting to the Committee of Cabinet Ministers"

Twelve projects had been initiated and, Saayman said, next week "the Committee of Ministers will evaluate and decide on the first five".

"Outside the public service, specific state corporations had been identified as privatisation candidates (Escom, Iscor and Foskor).

Blueprints for privatising the Department of Posts and Telecommunications and SA Transport Services had been accepted by Parliament. These were being "systematically implemented".

BDay 15/9/89 (232)

Govt efforts to privatise must be 'speeded up'

GERALD REILLY

PRETORIA — Government investigations into the privatisation of a whole range of public services should be speeded up to give credibility to the whole privatisation exercise, according to economists.

They said the operation must not get bogged down by unnecessarily lengthy probes

Earlier this week Commission for Administration privatisation director Pieter Saayman said a number of big investigations were in progress which would have substantial results in the foreseeable future

Currently, hospital and health services with 170 000 workers were being looked at by Dr Wim de Villiers, he said

Government's commercial forestry industry and the entire Water Affairs Department were being investigated.

The privatisation of Public Works Department workshops with 2 000 employees was now being implemented

The privatisation of government motor transport, which involved asets of more than R300m and an annual budget of about R400m, was currently under consideration and private sector interest was great

Public resorts as well as the whole framework of financial aid to the farming community was another example of actual privatisation progress

Institutions ready to absorb excess Iscor shares

BDay 15/9/89

(232)

LESLEY LAMBERT

CAPE TOWN — Leading financial institutions have indicated that they are willing to absorb excess Iscor shares, which may be dumped by stags after the listing, to ensure the longer-term success of the issue

A state merchant banker adviser, Finansbank CEO Hennie van der Merwe, confirmed this but denied suggestions that the institutions' support would depend on their requirements being met within the 20% limit on their allocations

Rather, he said, institutions whose portfolio requirements had not been fulfilled by the initial allocation would [illegible] the excess to top up their Iscor holdings

Van der Merwe also denied suggestions that another strategy to ensure post-listing success would be to keep some institutions deliberately hungry for Iscor stock by allocating far less than they had applied for

The merchant bankers who have structured the listing have done everything possible in their efforts to ensure the success of SA's first privatisation issue

The timing of the November listing appears to be good with the domestic earnings cycle and world steel markets at peak levels, according to institutional investors And the share has been marketed and priced to draw in the public

Investors have been impressed by the

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Iscor

(232) BDay 15/9/89.

☐ From Page 1

way the state has withdrawn, relinquishing direct voting rights by issuing Iscor's entire holding and appointing a highly-acclaimed board of directors

Some observers have argued, though, that the marketing hype which has preceded the listing and the relatively low share price may serve only to ensure superficial success on listing day

Private investors who have borrowed money, and Iscor employees who receive free and discounted share allotments, are those most likely to take stagging profits.

Institutional investors' support should help to diminish any major overhang

Van der Merwe said he had had an encouraging response from institutional investors, with indications of interest well in excess of the total R1,85bn shares on offer

Most major institutional investors approached by Business Day approved of the price

Investment managers from Old Mutual, Sanlam and Southern Life said their applications would be substantial but within the 20% limit The highest application is not expected to exceed 15%, according to Van der Merwe

(232) Finance 15/9/89

ISCOR

Casting as wide a net as possible

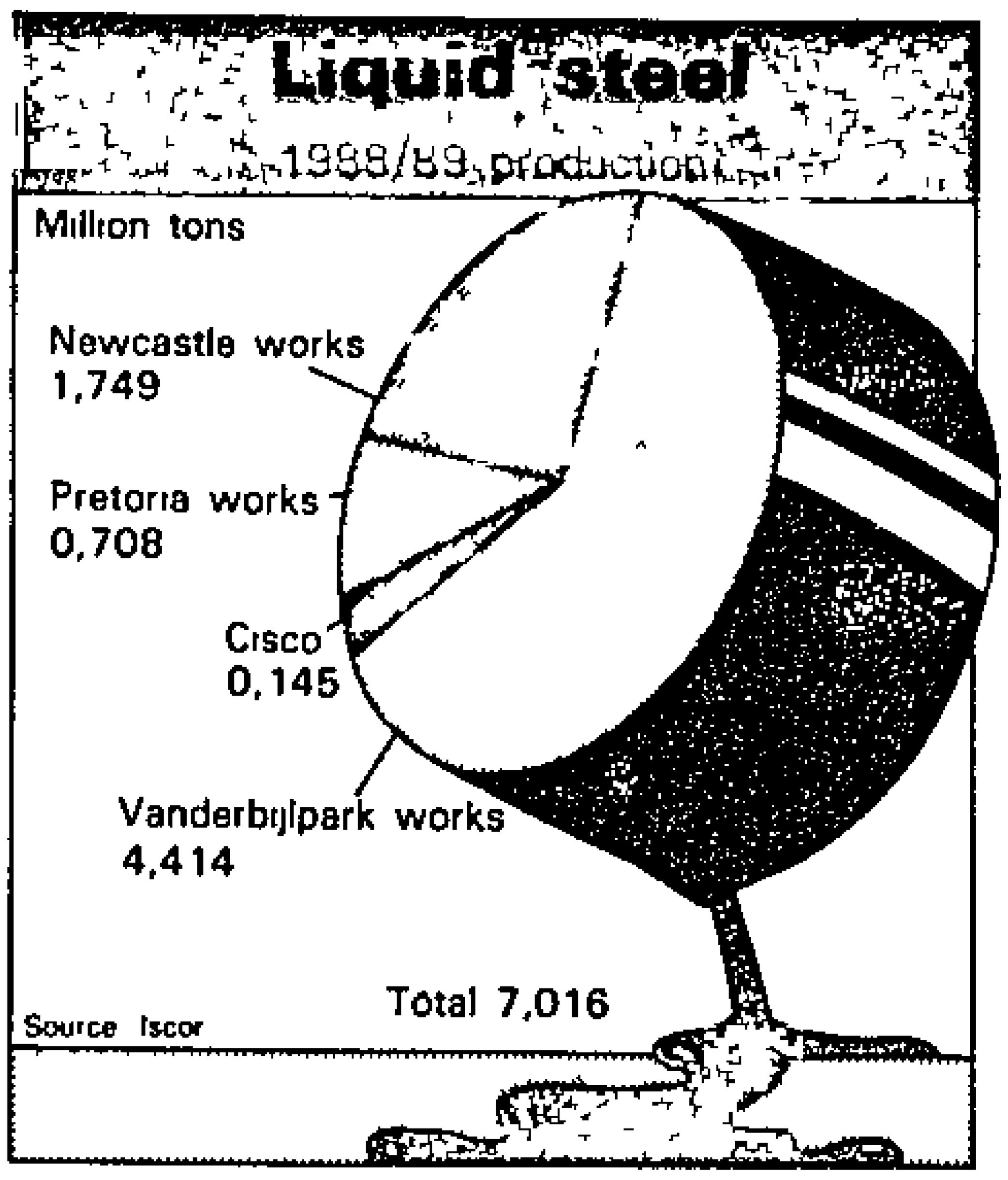
The share price is low and there seems to be enough for all

Even without the major advertising campaign to bring Iscor to investors' attention, the size of the issue — together with the fact that it is the first privatisation issue — is bound to make it the listing of the year In addition, it's well-known that government was determined to make a success of this first foray into privatisation and that the price would be attractive The price, announced on the day of going to press, is indeed attractive

It was set at R2 a share which, says Finansbank MD Hennie van der Merwe, has many logistical advantages when dealing with the large volume of applications expected The question then was what the p e would be In the event it is an historic 4,56 times, a little higher than the four expected by a number of brokers But forward p e is 3,8, based on a 20% rise in earnings this year The historic yield is a hefty 7,3%

To reconcile share price and p e, the number of shares on issue was raised by 350m to 1,85bn This gives a capitalisation of R3,7bn at the issue price If the market gives Iscor the same rating as Highveld, whose current p e is 5,4, its market capitalisation will rise to R4,4bn This makes it about the eighth most highly capitalised industrial company on the JSE Ahead of it would still be such giants as Richemont, SA Breweries, Barlows, Sasol, Remgro, Amic and Sappi Highveld is way behind, at R1,4bn

Van der Merwe says that the merchant banks involved (Senbank and Finansbank) went to a lot of trouble to test the market and found clear indications that there would be no difficulty placing shares with institutions at a 4,56 p e "They will actually want more shares than are available to them, which is good, as it means that there will be a demand on the JSE after the listing," he says

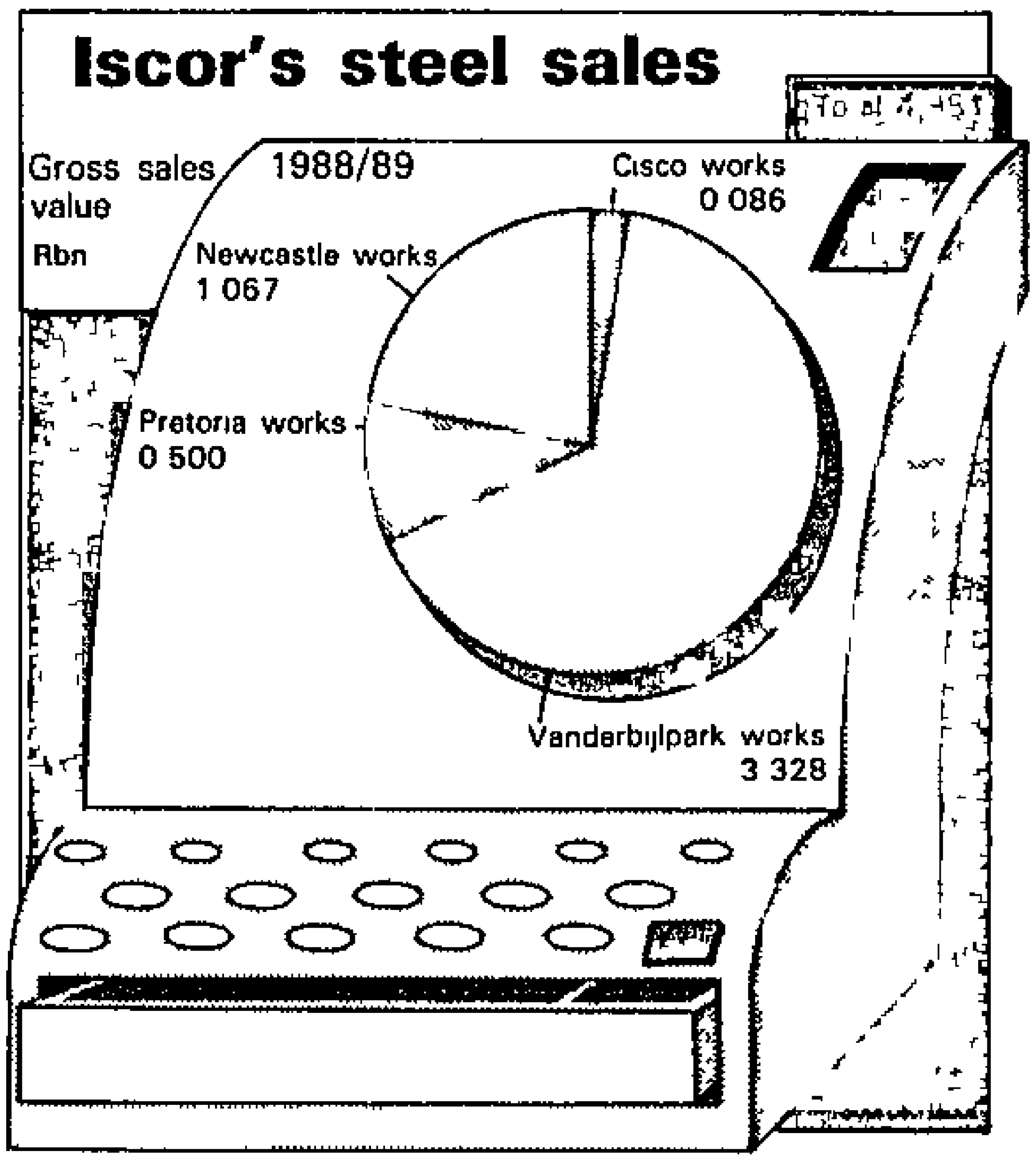


No company — nor group of companies — may, however, hold more than 20% of the issued capital The Privatisation Unit's Eugene van Rensburg says this is a recommendation by the Competition Board "Because of Iscor's dominant position, the board did not want control to fall into the hands of any one group "

There is also a 10% limit on the number of shares any one foreign shareholder may hold, for the same reason, and a further limit of 20% on total foreign holdings Pieter van Huyssteen, also of the Privatisation Unit, says foreign steel manufacturers have shown interest in acquiring control of Iscor and it is intended to block control leaving SA

Since this provision has been introduced, there has been some foreign interest, but no attempt has been made to woo it

All these conditions are incorporated in the Memorandum and Articles of Association Controls have been introduced to ensure they are not violated, but the articles can be changed from 1994 by the shareholders in general meeting



Local institutions (the top 50, according to Van der Merwe) will be allocated 1,22bn shares "They will largely get what they apply for," he says "We may have to cut back if they apply for too many, but the basis of allocation has not yet been established There is an understanding that the institutions will then buy additional shares in the market to support the issue just after listing, when the stags will be rampant "

The basis of allocation for individuals has also not been determined, but, says Van Huyssteen, will be weighted to favour small investors All applicants will be allocated some shares Iscor employees will be given free (not dependent upon period of service) 200 shares each In addition they will be able to apply for further allocations and receive a 20% discount on the balance of the first 5%, making a total of 92,5m shares for the first two tranches They can apply for yet more shares in the public issue and will be given preference on another 5% The maximum number of shares that may be allotted to employees will thus be 185m, of which 11,6m will be free

Investors who attempt the old trick of putting in multiple applications and using different names are unlikely to be successful because computer programmes have been written to pick up these cases Minimum subscription is for 100 shares

The IDC, with 300m shares (16,22%), will remain a major holder, but has undertaken not to vote its shares All shares owned by the state are to be sold and Van Huyssteen emphasises that the IDC holding is not a method to retain control The IDC will sell its shares "as soon as practically possible" when the market is right and can absorb such a large quantity, but will do so by placing 75% of its holding in a rights issue to other Iscor shareholders The remaining 25% will be offered to the public if appropriate, says Van der Merwe

As another part of the State's determination to show that it is handing over control completely, new non-executive directors were appointed this week They are Barlow CE and vice-chairman Warren Clewlow, SA Breweries MD Meyer Kahn, Gencor executive chairman Derek Keys, and Jan van den Berg (director of companies) From October 1 they will replace Sarel du Plessis, Rod Ironside, Leon Knoll, Hendrik Schoeman and Philip Theron The board now consists of Marius de Waal (chairman), Willem van Wyk (MD), Clewlow, Kahn, Keys, Van den Berg, Chris van Wyk (MD of Bankorp), Colin Fenton (GFSA) and Peter Morum (a director of Firestone SA)

Willem van Wyk

Only the public issue, which will amount to 150m shares, will be underwritten by merchant banks

P.T.O

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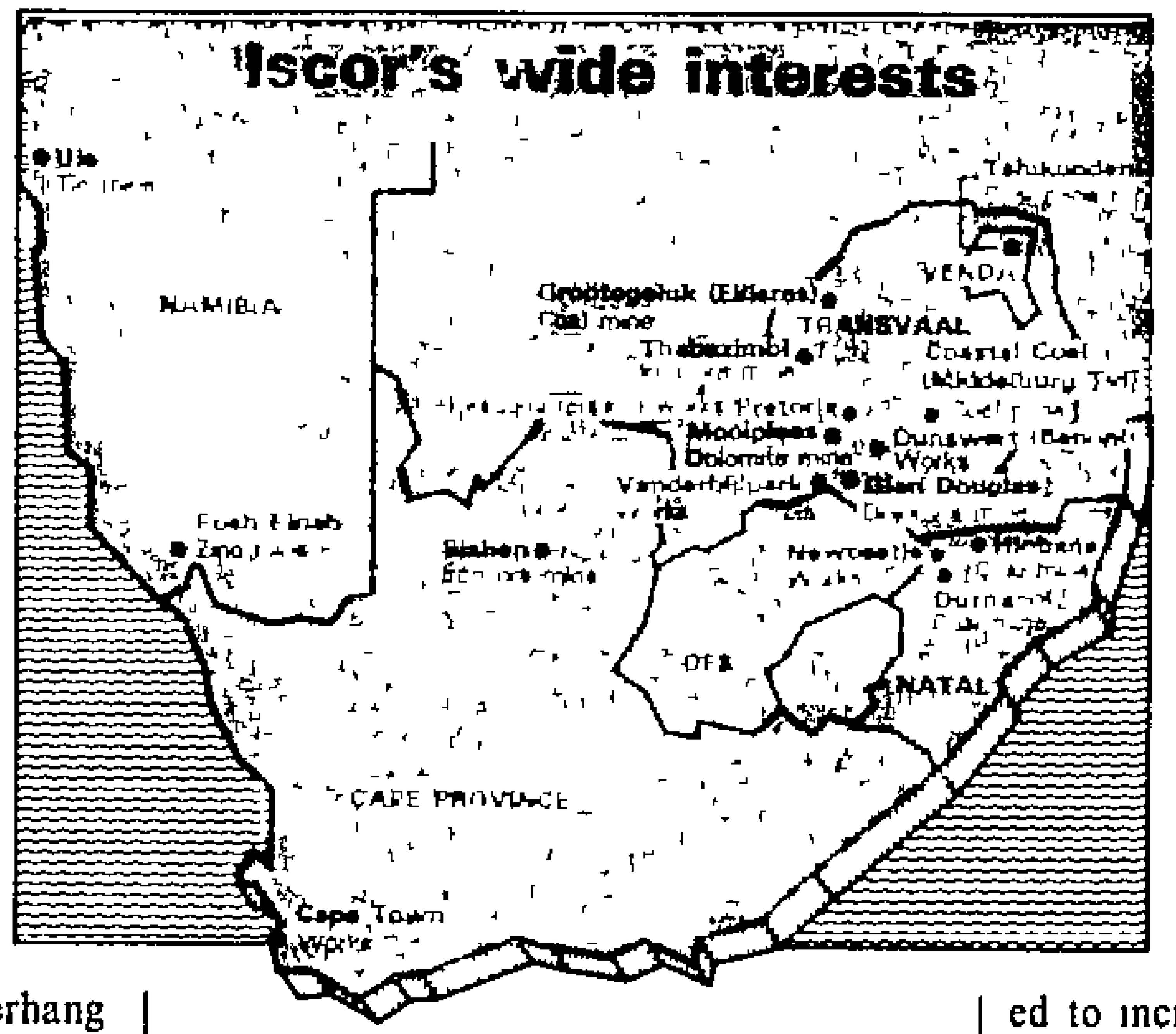
Will the price prove attractive enough, or will there be a fall below issue price, or just a stagnant market? Obviously, the large number of shareholders (Van Huyssteen mentions 100 000 — Iscor has 70 000 employees and pensioners alone) must mean some overhang. This is why institutions are required to undertake that they will be buyers in the market. There will be stagging and most individual shareholders will be potential sellers, especially as many will never have owned shares. In addition, it has been said that banks are preparing to lend substantial funds to potential investors, who will have to sell to repay the loans.



There is no question that large numbers of shareholders, as with Sasol and UBS, do constitute an overhang. This tends to place a ceiling on the share price for some time.

Looking at dividend yield, there certainly seems to be room for upside potential. The dividend is three times covered and the historic yield of 7,3% compares with Highveld's 3,9%. Some brokers see this as very bullish, though they admit that the p e may be a little higher than expected. "Highveld is actually underpriced," says one. He suggests that the price could rise to around 270c, but points out that it is still a long time to the listing date of November 8. A lot could change in the market in that time.

Highveld is the obvious comparison because it is in much the same line of business. Unfortunately, Highveld's latest annual report is for calendar 1988, which means that the figures are six months older than Iscor's — an important factor when demand and the dollar price are rising and the rand falling. Other differences are that Highveld produces more value-added products and that much of its profit comes from vanadium.

Bearing in mind these provisos, Iscor's turnover is five times Highveld's and attributable profit nearly three times. Iscor has substantially higher interest payments (3,8% of income, against less than 1% for Highveld) and outside shareholders' interests.

Highveld's operating margin is 20,4% against Iscor's 19,5%, but this is not surprising in view of the fact that Highveld produces more high-margin products and Iscor's capital expenditure is much greater. In the year to end June, Iscor's capex was R682m (11% of turnover) compared with R20,9m (1,8%) for Highveld. Highveld employs 7 250 people against Iscor's 58 000.

A vital factor is the outlook for the industry. Iscor went through a bad patch in the early Eighties, recording losses in 1982 and 1983. However, it has since been through a major rationalisation and world steel demand is expected to increase about 2%-3% a year in real terms for a few years. In addition there is the possibility of increasing the amount of value-added products made, and also further productivity gains.

These factors, combined with the declining rand and the fact that exports account for about 30% of sales, suggest that growth should continue in the near future.

There is no doubt that the issue will be a success — it will fail only if it immediately follows another Crash — and institutions' enthusiasm seems to indicate that it will be a popular institutional share, which assures a source of steady buying.

Pat Kenney

15/9/89 (232) Fmail

WHAT ABOUT THE WORKERS?

Iscor employees were made a three-part offer of about 185m shares in the State steel corporation this week as part of the forthcoming sale The employee share ownership scheme offers 10% of the corporation's 1,85bn shares

Each of Iscor's 58 000 employees is to receive on application 200 free shares worth R400 (valued at R2 a share at listing) The second part of the scheme is an offer of a number of 20% discounted shares which can be paid for over three years

Parts one and two of the scheme will take up 92,5m shares (5% of the total shares) while the third part will take up another 5%

The third option — of a preferential placement — will be open to all employees

They will be allowed a further allocation of shares equal to the number of shares under the discount scheme, but must pay the issue price of R2

The scheme has drawn sharp criticism from the National Union of Metalworkers (Numsa) which has the majority black membership in Iscor Numsa claims the offer is heavily weighted in favour of white employees, particularly those in the upper echelon

No union has come to Iscor with complaints, though By far more than 50% of Iscor employees fall within the lower salary levels and thus will have the benefit of these shares

National organiser Bobby Marie says that at the weekend Numsa organisers had to persuade a meeting of suspicious and angry members not to reject the free shares but rather to cash them in He says "They felt the scheme is so heavily loaded in favour of whites that it amounts to nothing more than a fortuitous hand-out for black workers"

Numsa estimates that the free share offer will take up only 11,6m shares, compared to 81m taken up by the discount offer and 92,5m by the third The union calculates that 20 000 black employees stand to earn R123,2m from the deal, while 30 000 whites stand to earn R246,4m

However, the union says this figure could be altered "substantially" as Iscor managers have offered to set up offices to arrange for the predicted rush of black workers cashing in their shares The union believes these shares are likely to land up in the hands of other Iscor employees and employers This perception is causing problems

Marie says "The scheme is bogus, with the ultimate aim being to buy off the support of the white employees, who are generally rightwing"

Iscor public relations manager Piet du Plessis says employees in the categories which traditionally include trade union members could get more than 70% of shares in the scheme Including first-line supervisors, this could go to 80% and beyond Du Plessis says he fails to see how the union did its sums, which are "incorrect"

He says the offer to set up offices is merely to assist employees who have had no previous experience with obtaining shares, they will not be used by senior employees to buy worker shares

Du Plessis defends Iscor's reluctance to provide information on how the scheme benefits the top two employee categories as being confidential

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Twelve departments ripe for privatisation

By Roy Cokayne

Activities of twelve government departments have been identified by Piet van der Merwe, chairman of the Commission for Administration, as having the potential to be privatised.

"The Counil of Ministers will evaluate them and take a decision about the first five projects next week," JNP Saayman, the commission's director of privatisation, said yesterday

He was speaking at a seminar, 'Privatisation The Implications for Management", at Pretoria University

He said the commission was involved in a number of extensive investigations that would produce substantial privatisation results in the foreseeable future

These included

- An investigation by Dr Wim de Villiers into hospital and health services, which involved about 170 000 personnel
- Government commercial forestry, a capital-intensive industry
- A probe into the Department of Water Affairs to be conducted by a consulting group
- The implementation of the privatisation of Department of Public Works workshops, involving more than 2 000 officials

Private sector interest

The privatisation of transport was being given some thought at the highest level Great private sector interest existed because it had assets of more than R300 million and an annual budget of R400 million, he said

Further examples of actual privatisation projects were public resorts and the framework relating to financial assistance to the farming community

'Against this background, I believe the privatisation process in the public service is gaining momentum," Mr Saayman said

A further reason for optimism was the initiative taken several weeks ago by the chairman of the Commission for Administration in launching an action plan in terms of which directors-general and department heads were being involved in the privatisation process

"In short, this implies that they become convenors of task groups concerned with privatising identified activities of their departments"

Top businessmen preparing for takeover battle

16/9/89

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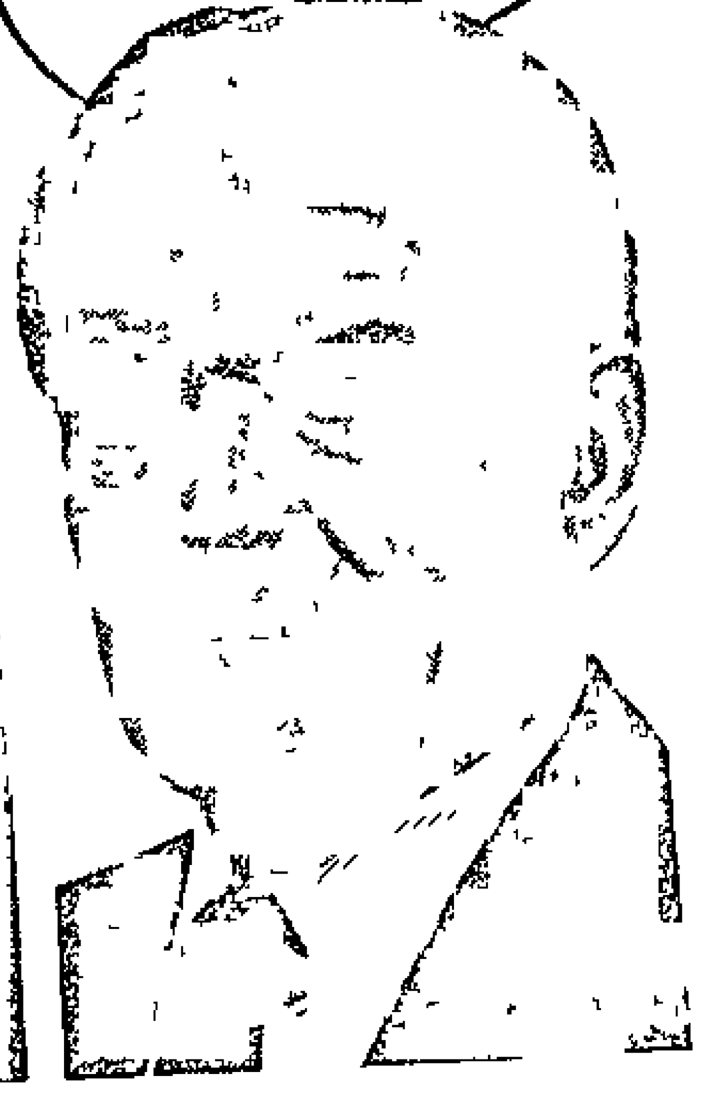
By AUDREY D'ANGELO
Financial Editor

Bill McAdam



Bas Kardol

"IT'S like something that happens in Wall Street — not in Cape Town", protested a young city executive

Like most of the city's business community he was discussing the attempted takeover of the long-established but far from staid Board of Executors (BOE) by the rapidly expanding, Johannesburg-based Investec Bank

Both organisations are headed by men to be reckoned with

CE of "The Board" — as everyone calls it, in spite of the short form of BOE it adopted when it was listed on the JSE in 1987 — is Bill McAdam, a former Western Province cricket captain and one of the shrewdest financial brains in the country

He came top when he wrote the Stock Exchange exam in 1972, and joined the Board to establish a pension fund management division in 1977 Before long he had recognised an opportunity to establish a money market which now accounts for a large proportion of the Board's business

Interviewed in 1984, two years after he was appointed MD, he said he enjoyed the challenge of management as well as "the investment game"

Under McAdam, the Board has branched into new ventures including retail, with an investment in the Storeco group

It has grown much bigger Last year, when it celebrated its 150th anniversary, it had about R1,5bn of funds under its administration and its property activities were contributing about 25% of profit

McAdam said it was expanding its activities into the Transvaal, where it intended to become "a much more meaningful player"

Its financial year ends in a few days' time, on September 30, and its results are expected to be impressive

This is one of the things its senior executives are believed to be pointing out to shareholders in unlisted Mercury Trust, BOE's holding company, which Investec is trying to take over with a R52m offer

The executive chairman of Investec Bank, Bastiaan (Bas) Kardol, has earned a formidable reputation A former chairman of the huge C G Smith group, he became chairman of Barlow's overseas division after it acquired the British group J Bibby & Sons

He came to live in Cape Town two years ago when he retired at the age of 60 But, after decades at the top in business, the "retirement" did not last long

Kardol remained a director of several companies, jetting around the world very much in touch with what was going on

He soon became non-executive chairman of the Corporate Consulting Group (CCG), a firm of management consultants with a client list including some of SA's top industrial and financial services organisation

Now he is executive chairman of the dynamic, rapidly expanding Investec Bank which recently took over Duros Merchant Bank

A spokesman for the bank said yesterday that, whatever the outcome of the offer for Mercury Trust, Investec intended to expand its presence and activities in the Cape

Kardol said this week that he had a high regard for the Board and its management, and hoped for important synergies if the takeover succeeded.

Meanwhile, BOE executives are understood to be urging Mercury shareholders not to allow themselves to be rushed into taking a hasty decision

Brokers bullish on Iscor share issue

Star 16/9/89.

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ISCOR shares are likely to come to the market in November at around 250c — delivering a healthy 25 percent premium on the 200c issue price

However, brokers say the organisation may have erred in restricting the number of shares available to the public to just eight percent, while launching SA's most costly — and apparently effective — programme to woo thousands of new shareholders

Changing market conditions could alter any predictions of Iscor's listing price but broker's views at present tend to be bullish — anything between 240c and 300c. If the market adjusts Iscor's PE (price earnings ratio) to that of fellow steel maker Hiveld's 5,4, one could expect the shares to open — in today's conditions — at nearly 240c

There is, however, a strong possibility that Iscor will get a better PE rating — making 250c to 270c a more realistic bet

In a very bullish market, excitement of the listing and pent-up demand from disappointed applicants

DAVID CANNING

could put upward pressure on the market A bear market at the time could produce a price at the lower end of the range

Against the many positive current influences on the price must be weighed the high degree of "overhang" from many novice investors, stags and some staff members who will want to sell in order to realise their profits quickly The pattern was seen in the listing of building societies, the supply of shares from them tending to restrain prices

Over-subscription

Durban stockbroker David Evans said originally there was talk of an over-subscription of two or three times Now some people are talking about five times

While all applicants have been promised some shares, there is a strong possibility that larger investors will receive only a portion of their applications This could make large individual allocations, based on overdraft or other borrowings, unattractive

Only eight percent, or 150 million shares out of 1,85 billion, — are being made available to the man in the street The institutions will get 66 percent and Iscor staff 10 percent.

Despite their allocation, the institutions clearly will be unable to get all they want and can be expected to buy up stagged shares

Iscor's financial planners appear to have been conservative in esti mating the number of individual applicants — they would be happy with 100 000

Under these circumstances the average number of shares for individuals would be 1500 (obviously that would consist of large and small shareholders)

Should the number be 350 000 (roughly estimated to be the total number of existing shareholders) the average per individual could fall to just over 400 each

Guy Harris of of Pim Goldby Management Consultants, said oversubscription would augur well for future privatisations, and vice versa

Mr Evans feels Iscor has done an excellent job in advertising privatisation as such, which will help future issues like Sats, SAA and Eskom

If, however, too many applicants are disappointed — in other words, they receive only a tiny portion of their applications — they may not bother to apply for shares in future privatisations

A few investors may be put off by the unhappy experience of British Steel's listing

In that case, despite analyst's predictions of a listing price of 140 pence, the shares came on the market precisely at their issue price of 125 pence. The historical PE, at listing price, was 6,09 times and the forward PE 4,46 times with a prospective dividend yield of 8

The two issues bear little resemblence and comparisons are largely irrelevant

According to brokers Ed Hern Rudolph Inc, British Steel underperformed because of an initially weak stock market, predictions at the time of a higher tax rate, lack of profit growth, a weakening demand for steel, currency fluctuations, etc

British Steel issue

Iscor has reported strong profits growth (although it was in a loss situation in the mid-Eighties) and world demand for steel has turned steadily firm It has overcome many of its sanctions problems and, this year, could sell two to three times its volume of exports, if it had the steel

It is moving into the more profitable value-added arena and has successfully boosted productivity

● The Iscor share-issue has captured the imagination of the South African public. Iscor's toll-free number has been jammed up by a stream of inquiries and many members of the public were unable to get through. Due to an overwhelming demand from the public, the Iscor-listing will be discussed on John Berk's Talk Show on Radio 702 on Monday morning at 09h00 by Magnus Heystek, finance editor of The Star. The direct line to call is (011)331-0702.

Call to curb Iscor employees selling shares for two years

W/ARGUS 16/9/87

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By TOM HOOD
Business Editor

ISCOR employees should be barred from selling within two years the shares they get free or at a big discount, says Mr Issy Goldberg, chairman of the Shareholders' Association of South Africa

Ten percent of the shares worth R370-million have been earmarked for staff, while only eight percent, worth R300-million, have been allocated for the general public, the bulk (R2 430-million) going to financial institutions

"The issue of shares to employees is supposed to encourage productivity but there is no restriction on employees stagging them for an immediate profit," said Mr Goldberg today

"If an employee sells the shares on opening day and gets say R2,20 a share he could be extremely disgruntled if the price rises later to R2,80 and that is not going to help productivity"

Mr Goldberg also criticised the low allocation for the small investor and said the average shareholder was entitled to a much better deal than he was getting

"There are hundreds of thousands of people across the nation who would buy shares The average investor is not a stag — he is a long-term investor"

Mr Goldberg said the promise to give every applicant a minimunm of 100 shares could also be abused

Some people might try to to apply in different names and be sure of getting 100 shares each time

Worked out

However, a spokesman for one of the state-appointed merchant banks handling the offer said the number of Iscor shares being offered to institutions, Iscor employees and the general public had being carefully worked out and only after much market research

He said 200 major institutions indicated they would be in the market for the 1 215-million shares allocated to them at 200c a share

Iscor employees would be able to buy a maximum of 185-million shares from a trust fund set up by the government and any shares not taken up will be sold in the market after three years

He said this left the 300-million shares that the steel producer was offering to the public

Political arena

"We believe the issue will be oversubscribed, but as it will be the first private sale of state assets of such a magnitude, we really have no idea what might happen

"Anything could happen in the political arena between now and November 8 when the shares will be traded on the stock market for the first time

"The R300-million in the present economic climate of high interest rates and slow down in personal savings has made the outcome difficult to forecast

"What we do not want is for the man or woman in the street to raid grocery money or borrow from the banks to apply for shares in the offer

Borrowed money

"With present borrowing rates, which could be as high 24 percent, it would not be wise to try and fund a stagging exercise on borrowed money"

He said if the offer was massively oversubscribed it would be a poor reflection on the bank's research

On the other hand, if it was undersubscribed it would be an equally poor indictment of its expertise

Major shakeup to electronics industry ahead

232 W/Argus 16/9/89

From DAVID CUMMING

JOHANNESBURG — The South African electronics industry could be heading for a major shakeup in the wake of the takeover of Plessey plc in the UK by Siemens and GEC, say industry sources

And Plessey SA's management is still in the dark as to what might transpire locally, after the takeover of its parent.

"It is very difficult to tell at this stage what might transpire," financial director John van Zyl said this week

"There are multiple scenarios and we are waiting for larger issues to be cleared up in the UK

"However, I can say that ours is a successful company which should be much sought-after and therefore the future looks rosy."

Industry sources were quick to point out, however, that Sanlam holds 26 percent of Plessey SA through Sankorp and has a pre-emptive right to buy the rest of the company in the case of disinvestment

"Sanlam also has a 12,5 percent portfolio investment in Grinaker Electronics and the temptation to put the two together to form a new electronics giant would be great," an industry source said

He added that the deal could see the start of a long-overdue rationalisation of the South African telecommunications industry.

Should the merger of Plessey and Grinaker arise, it would be in line with the known strategic aims of the late Dr Fred du Plessis, the Sanlam chairman killed earlier this year in a motor accident

He was known to favour increasing Sanlam's investment in the energy and electronics industries

S/Times 232 17/9/89

Tourism lift-off as airways freed

Business Times Reporter

DEREGULATION of the airways over South Africa will bring economic benefits from tourism.

Forecast for late next year, deregulation will free the skies to charter flights, bringing the cost of fares down and boosting tourism

This prediction comes from John Fryer, new chief executive of Gundelfingers Travel Group, which is under the wing of listed United Service Technologies (Uniserv)

Mr Fryer sees a lucrative niche for his company in specialist tourism

He says "For instance, we could bring in a planeload of people interested in visiting Anglo-Boer War battlefields — or we could attract steam-train enthusiasts"

Gundelfingers — under Uniserv an independent entity for the first time — is concentrating on improving and expanding its business travel operations

Mr Fryer believes that businesses could slash their annual travel budgets by planning He claims that through planning the cost of a round-the-world trip could be less than for a shorter direct return flight to a destination

One sample alternative itinerary shows that a customer could take in stops in Tokyo, Los Angeles, New York and European destinations and save R229 on an intended scheduled return trip to Taipei

Perk

Many frequent business travellers receive an annual perk of being able to take a spouse on a foreign trip Mr Fryer quotes a "special" offered on the fare to Hong Kong-Taipei as a sizeable saving to a company

A businessman and his wife can upgrade to first class at less than the cost of two business-class tickets

"Two business-class tickets cost R17 448 The first-class special 'spouse' fare for two costs R16 725 — a saving to the company of R723"

He believes in the "industrialisation of the retail travel agency" Gundelfingers has restructured its personnel to solve the problem of "undertravelled travel agents" It also has consultants to attend to specifice travel needs

"In the past, the industry has attempted to educate junior and senior consultants to be fundis on a broad base of travel knowledge That's not working any more Travel educationals are a luxury — they cannot be handed out as freely or taken as easily on junior salaries"

Gundelfingers — founded 50 years ago — now has five offices and has introduced a computerised travel accounting system, which can provide information reports to track budgets by departments and type of service

"The traditional approach — mainly reactive in responding to corporate customers' travel requirements — will not be good enough in future," says Mr Fryer

"Our intention is to become increasingly proactive in understanding and meeting customers' needs and to cut unnecessary client expenditure"

DIAGONAL STREET by

Money for old rope from Iscor

S/Times 17/9/89 (232)

STAND by for a great scramble for the 150-million Iscor shares being offered to the public at R2 each.

The privatisation terms value Iscor at R3,7-billion — 4,5 times historic earnings and 3,8 times the forecast — nice low PEs

One can only guess at Iscor's real asset value Consider, for instance, the replacement cost of its coal mines and the Sishen-Saldanha ore export facilities The discount to asset value must be large

EASIER

If Meyer Kahn is only half correct in saying that Iscor's comparative advantages give it the potential to become a major player in steel internationally, prospects must also be bright

Most analysts I speak to say last year's earnings of R812-million were rock solid Accounting conservatism will make it that much easier for Iscor to attain targeted earnings growth of 18% to 20%

All in all, the shares are a great offer to investors, if not for the taxpayers, to whom Iscor belongs

One shudders at the thought of the cost, but Iscor deserves to be congratulated on its print and television campaign that directly plugs its shares

The hard sell continued at Tuesday's news conference where management and advisers went to great lengths to convince us that everything had been researched to the umpteenth degree

As a measure of Iscor's confidence, only the public's R300-million portion of the offer will be underwritten The offer opens on October 2 It closes on October 25

Of course, there is some downside Otherwise the shares would not be so cheap

The world steel industry is in reasonable shape today, but there have been rough times The possibility of tighter sanctions bothers some minds — and in Iscor there could be remnants of a bureaucratic hangover

ACRONYM

But all things considered, the issue is likely to be heavily oversubscribed and I expect the shares to open at at least 250c — which, after all, will be only 5,7 times historic earnings

The issue is aimed largely at the man in the street (which throws up a wonderful acronym — mits)

The bridge-club ladies tell me they hope to subscribe for a few shares and sell them quickly for a profit

One wonders how vigilant the Receiver of Revenue's (RoR) office will be towards what could be fat stagging profits among the three no-trumps

Will he slam down on them, or show a little finesse?

The RoR is in a delicate position Strictly speaking, speculative profits are taxable, and it would be hard to convince him that "I bought the Iscor shares with view to a long-term investment, but there was a change of intention as soon as they were listed"

STING

That would wear a bit thin after the hundred thousandth time — Iscor desires that number of members on its share register

On the other hand, those who get stung by tax on what they see as capital gains might be less keen to support subsequent privatisation moves — not that this would cut much ice with the RoR

If I am right in speculating that the price does get to 250c on opening day, a person on the maximum marginal tax rate would need to buy 3 600 shares for R7 200 to make a stagging profit after tax of about R1 000

NAUGHTY

More interesting to the longer-term investor's mind is how the share price will perform over the years and who is going to make sure that it performs in the desired way

British Steel was one of the late privatisations in the UK, and one of the least successful from the point of view of shareholders Iscor is SA's first — a different ball game

Iscor even goes so far as to provide information about the British Steel experience reported by a sponsor-stockbroker

It lists the reasons for underperformance as initial weak market, higher tax rate expected, no profit growth, weakening demand for steel, currency fluctuations, ex-dividend of five pence, and staffing (I think they meant stagging) profit before second tranche payable

MYSTERY

How a share going ex-dividend contributes to underperformance is a mystery to me

Did those naughty stags who took profits before the second tranche of payment ruin the market for British Steel shares?

Iscor believes that not enough attention was paid to giving British Steel employees shares at the listing All Iscor staff members will get 200 free shares and the chance for more at a small discount

My bridge-club friends are itching to subscribe for the issue They were small-time dabblers in the pre-October 1987 days, and still have a few DCM-type shares left worth less than subscription price, but they are unperturbed

There are many permutations on how the money may flow in Perhaps 1,5-million mits could apply for 100 shares each Alternatively, 150 000 could apply for an average of 1 000 shares each That needs R2 000 a head — not beyond too many mits' pockets

Perhaps 100 000 mits will invest R3 000 each

FAST

Of course some people are will go overboard with their applications Some will borrow to make a fast buck They should be wary, for markets have been known to crash and it is never wise to have all your eggs in one basket

On the other hand, Iscor is being sold at a discount, will have almost guaranteed earnings growth of 20% in its maiden year on the JSE, and will yield a reasonable dividend, so the shares look destined to trade at a good premium to issue price So go for it

JULIE WALKER

Bankorp bid to beef itself up

S-Times 17/9/89

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CHRIS VAN WYK polishing the image

AT the end of my interview with Chris Van Wyk, chief executive of Bankorp, I asked him whose shares should readers buy — Bankorp's or Iscor's.

"Both," was the diplomat's reply This man thinks on his feet Until then I had detected a sense of valiant recital in what was his 11th interview with members of the press in what is a new move aimed at improving public relations

DELISTING

After a lack-lustre performance and a slashed dividend, his was the task of explaining the reasons for the rights offer of R340-million and the delisting of Trust Bank

It appears the sum to be raised was arrived at amid the sucking of thumbs Trust Bank needs R200-million of new capital, and Bankorp could need R58-million more to buy out the Trust Bank minorities if they elect to take the cash

That was already looking at a 75-for-100 share offer, so why not go the whole hog and make it 100-for-100 at a discount to the current trading price?

BED

"We don't want the market wondering when Bankorp's next rights offer will be," says Dr Van Wyk — a Business Times Top Five Businessman of the Year in 1988

So much for the discount theory Bankorp's share price fell out of bed on Wednesday, and gave up 100c in three trading days to reach 340c

Major shareholder Sankorp will follow its rights, and will underwrite the offer It has been granted permission to hold more than the statutory maximum of 30% should the position arise

On the credit side for Bankorp, timeous action is being taken to deal with the group's problems Its assets grew by 40% in the year to June 1989, and its market share among SA's big five banking groups from 15,5% in 1985 to 20,5% now

But the growth in total shareholders' funds — share capital and reserves from accumulated undistributed profits — did not match the rate of asset growth

A bank needs differing amounts in its reserves depending on who is borrowing Lending to government and quasi-government is regarded as solid, and no reserves are required to do that

VULNERABLE

Riskier business, such as vehicle financing or home loans, requires about 5% of the sum lent to be covered by reserves. Really risky business requires 100% On average, Bankorp's total capital-to-total assets ratio is 4,2%

After the rights offer it will achieve that At present it is only 2,9%

By the way — and oversimplified — a bank's assets are actually what it has lent out, and its liabilities are the deposits which it has to pay back when the saver requires It is a bank's assets which are vulnerable

Bankorp's long-term goals can be abbreviated from the flowery news release to one idea — profit-driven people To achieve it, Dr Van Wyk seeks leadership from the executive, promises fuller disclosure to the shareholders, and is already strengthening the capital base

The fourth item on the short-term agenda is financial restructuring — referring to the delisting of Trust Bank SA's other big five banking groups do not have separately listed operations, and Trust Bank is being absorbed for the convenience factor

Shareholders can accept R200 cash or 50 Bankorp shares for 100 Trust Bank With Bankorp having dropped, and rallied to 360c, 50 of its shares are now worth only R180, so many will opt for the cash Trust Bank shares are 193c on the JSE

After the buyout of Trust Bank, Bankorp will have four operating arms — merchant bank Senbank, the commercial Trust Bank, the financier and general banker Santambank, and Corporate Services & Joint Ventures

The last division includes data services, broking and property among others

Bankorp has appointed Derek (Midas) Keys non-executive chairman from later this month The executive chairman of Gencor was previously the chief at National Discount House, and was coincidentally appointed to the Iscor board from next month

The bumph says that the appointment of Mr Keys to Bankorp does not mean that Gencor is investing in Bankorp

Perhaps it prefers to buy Iscor shares I can't say that I disagree with that

Deregulation is the only hope

Star 18/9/87 (232)

Deregulation is the best hope for South Africa's transport future — and for the national economy as well

This is the opinion of someone who should know R C Bowman, an American who was in a senior management position in the transport industry in the States during its chaotic and controversial transition from regulation to deregulation

He ~~was an~~ operations manager with Cement Transporters in Arizona, line haul manager with Lee Way Motor Freight in Ohio, and an executive with Ruan Leasing Company in Iowa He notched up nine years in the industry in America, which means he has the credentials to talk

His experiences included time with a company that was so unprepared for deregulation that it eventually went out of business Lee Way, a subsidiary of the giant Pepsico "I could see what they were doing was wrong, so I got out and went into an industry that I knew would blossom as a result of deregulation — fleet leasing

PARALLELS

"And incidentally, that should happen here in South Africa too Full maintenance leasing is bound to take off under deregulation, because it takes the onus off a lot of people who are not really transporters and puts it where it belongs — with the experts"

Bowman sees dire parallels between the States pre-deregulation and South Africa today "Competition was minimised, because only those and such as those had permits to operate Costs escalated dramatically because it was not a market-driven industry, and were passed on to the customer and the consumer who had no option but to carry them

"Inflation spiralled as a result"

It was no accident, he said, that America's inflation rate dropped so dramatically (below 5 percent) under Reagan, whose Administration forced through large-scale deregulation

"Deregulation achieved a lot. It broke the stranglehold of the Teamsters union, one of the most powerful and most feared in the country It opened up the transport industry to newcomers, and forced existing carriers to rethink the efficiency of their operations

"And it reduced shipping costs, and therefore the consumer costs, of many commodities"

He said companies turned their transport departments into separate profit centres, forcing transport managers to work as professionals Others opened up special Commodities Divisions to take advantage of owner/operator truck drivers hauling goods classified as special commodities

"Owner/operators flourished, and became very efficient They had to in order to survive, because the competition was tremendous"

There was a downside, he admitted "Truck safety certainly suffered, the accident rate soared because guys were driving longer hours on under-maintained rigs

"There was a rates war that pushed a lot of carriers to the wall, because every other Joe Soap was buying a rig and getting into the haulage business at ridiculous rates

"That soon sorted itself out, though The more efficient carriers just waded in there and competed, because they knew the drop in profitability would be temporary

"The service they offered was professional and reliable, which was more than Joe Soap could give Eventually, Joe Soap went out of business He only survived if he was efficient, professional and competitive"

Bowman said the American administrators had been remiss in not foreseeing the safety problem 'Had they organised sufficient enforcement before deregulation, the accident rate would not have been allowed to rise so dramatically

"California proved that It was extremely tough

CHECKS

Every truck that entered the state was run over a bank of mirrors to check its underside, while inspectors checked the load and the topside If anything was wrong, the truck was forced to park until it was fixed, safe and legal Speed laws were also very strictly enforced"

He said South Africa should learn from the American experience "Deregulate, and the sooner the better But make sure first that the enforcement structure is in place

"Devote some money to training enforcement officers Use existing facilities like Rand Afrikaans University's Department of Transport Economics, and take on people with the ability to benefit from it — black as well as white

'That should be happening right now Not only will it improve transport professionalism and safety, but it will help the economy by providing jobs"

His conclusions are a definite boost to the pro-deregulators in South Africa, and offer viable answers to the complaints of many detractors

The only problem is that events to date indicate the likelihood of South Africa repeating the America experience rather than learning from it

S Times 17/9/89 232

Bateman at R25 after a 66% rise

By Julie Walker

EDWARD L Bateman shares edged up to R25 this week on much-improved results from the engineering contracting and equipment supplier

Earnings a share for the year to June 1989 rose by 66% to 528c on a modest turnover increase of 13% to R890-million

This is explained by the fact that long lead times on large projects often give rise to lack of correlation between sales and profits Export allowances helped to depress the tax rate, and Bateman also earned foreign income

Chilly

Bateman says its operating management and shareholders share a common agenda of long-term profit growth, and expects real growth in the current year

Suncrush continued to deliver The bottler of Coca-Cola and other soft drinks suffered a little in the chilly summer, but turnover still climbed by 21% in the year to June Earnings added 22% to 828c and the dividend was raised by the same margin to 250c

Underpants were down at Meritex, which reported an 86% decline in earnings a share to only 1c Turnover was 24% up in the six months to July, but pre-interest and taxed income slipped from R2,94-million to R1,23-million Interest was up fivefold to R892 000

Meritex directors say a bottleneck in the dyehouse continued, machinery was late, the computer installation was delayed and relocation of a factory contributed to the poor performance Now, they say, all is hunky-dory, and earnings growth is expected from a buoyant market

W&A continued to impress in the six months to June Turnover more than doubled to top R1-billion Higher interest and tax could not dampen earnings a share growth of 25% to 393c An ordinary dividend of 120c was 20% up.

All the operating companies improved earnings a share W&A shares surged to a new peak of R73 and attracted foreign buyers The preferred ordinaries rose to R71

Cooling

Safren, holder of Kersaf and Safmarine, boosted turnover by 37% to R3,8-billion, and deducted R143-million depreciation before interest and tax. Taxed profit was R410-million and earnings a share 38% higher at 404c The shares hit R36 to yield 5% on the 180c dividend

Gypsum enjoyed improved demand for its products in the year to June, turnover adding 27% to R147-million Better margins meant earnings climbed by 33% to 163c a share

Gypsum expects to maintain profits through better efficiency in spite of an expected cooling in the economy It is to build a third plasterboard plant to meet market needs

Concor lifted earnings by 68% to 23,7c a share The shares are only 65c, less than three times earnings.

Only a lower tax rate helped Sunpak to raise earnings by 14% to 20,5c, but the company has spent heavily on equipment for growth The chairman forecasts earnings a share growth of 50% in the year to August 1990

He says Sunpak's foresight in securing international licence agreements and its concentration on high-tech ozone-friendly products have been major successes

Micor turned over R425-million in the year to June — a rise of 15% But operating profit before tax jumped by 53% to R4,5-million and earnings a share by 64% to 148c

Return on shareholders' funds grew from 15% to 22% Micor is to be restructured soon

Disguised

Picardi Appliances disguised its turnover change, which probably fell by 33%, and its profits fared even worse Earnings a share for the year to June 1989 dived by 56% to 22,3c and the dividend was halved to 7,5c

Picapli blamed the poor show on Government clampdowns on consumer spending through import surcharges, HP restrictions and higher interest rates. Picapli had to cut margins to reduce stocks

In spite of expecting depressed demand for semi-durables, Picapli thinks its performance will improve in the current year The JSE disagrees, the shares hit a low of 115c this week.

Manserv subsidiaries reversed into Cashworths

CAPE TIMES 18/9/89

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By AUDREY D'ANGELO
Financial Editor

CASHWORTHS FASHION HOLDINGS will become a cash shell into which the operating subsidiaries of Management Services Corporation (Manserv) will be reversed, it was announced yesterday

It will become a financial and management services and banking group and will be renamed Colfin Holdings

The controlling shareholders of Manserv are the MAP consortium, represented by Yakoob Paruk, H S Spain, J M Wiggill, P A Tunstall and A S Klitofsky, who acquired Cashworths — a long-established Cape Town clothing retail and manufacturing firm — when it was in difficulties at the beginning of this year and have since sold off all its business operations and properties

Activity

They say they expect an increase in corporate activity flowing from the present economic and investment climate which will create significant opportunities for the new Colfin Holdings including its newly-formed banking division

The Manserv operating companies — Colfin, Punch Line Columbia Training, ACCSYS (Pty), Impact Training (Pty), Academy of Learning (Pty), Don Gray Systems (Pty) and Punch Line Education (Pty) — will be sold to Cashworths for R12,2m in cash

The MAP Consortium will retain effective control of both Cashworths and Manserv The sale of its operating subsidiaries will turn Manserv into a cash shell, but the MAP Consortium say they will look for new acquisitions to reverse into it

Renamed

Meanwhile, it will be renamed MAP Holdings

Yesterday it was announced that Cashworths had sold its last remaining major asset, Starter Manufacturing Co, to Sechic (Pty) for R1,1m in cash

The announcement was made with the release of audited results for the year to April 30, which show Cashworths made an operating loss of 7,5c a share compared with a profit of 11,1c the previous year

Turnover was higher at R21m compared with R19,9m in the previous financial year But the directors report a net loss before tax of R1,1m compared with a profit of R1,6m An extraordinary profit of R1,9m comes from the sale of businesses and properties

Attributable income is R780 000 compared with R1,1m The interest bill rose to R680 000 (R520 000) and the tax bill fell to R25 000 (R235 000)

The balance sheet on April 30 showed that long-term liabilities had been reduced to R735 000 (R1,1m) Net current assets had risen to R7,1m (R4,6m)

Losses

The directors say the results were "disappointing and are attributable to losses incurred in the manufacturing division"

They say the recently introduced management team has reduced these losses through "the disposal of all major business operations and properties Cash proceeds have been placed in interest bearing investments from the date of receipt"

The directors say the realised value of the assets in cash "will not be less than 60c a share"

Cashworths was listed in the development capital market (DCM) sector of the JSE in 1987 after a private placing to raise R4,5m at R1 a share

It achieved after-tax profits of R1,6m — 127% above the previous year and comfortably ahead of the forecast R1,2m — in the year to April 1988

Norman Schutz, who was then chairman and whose parents founded the firm, said that the retailing arm had performed extremely well

New plant

The group was hoping for increased profits as a result of gaining full control of R Sassoon & Co and buying new plant for the Botticelli and Knit One factories

During the year it had expanded out of the Cape, opening a pilot women's fashion store as a springboard to the Transvaal market

But last January the company reported a R445 000 trading loss in addition to a R500 000 loss on the disposal of R Sassoon

Control of the company was sold to the MAP Consortium It is believed that the highest price paid was 35c a share

In March the retail businesses were sold as a going concern to to the Focus Holdings group in a R4m deal

ARGUS 18/9/89

Iscor swamped by small investors

By TOM HOOD 232
Business Editor

SMALL investors have overwhelmed Iscor's share information office with phone calls, says a spokesman, Mr Keith Rhodes.

Up to 400 calls an hour have been made and reply coupons seeking information about Iscor and the listing are pouring into the office at the rate of more than 5 000 a day, he said.

"We are extending office hours from 8am until 10pm from Monday to Saturday to cope with the pressure."

The Iscor share offer opens next Monday with 150-million shares at R2 each reserved for the public. Investors are guaranteed a minimum of 100 shares.

The share prospectus will be published in 16 national newspapers next Sunday and Monday.

● Three-hundred Iscor shares will be awarded to the winner of the second Argus share-ownership crossword competition which appears in tomorrow's paper.

At the end of the series of five competitions, 1 000 shares will be awarded to the overall winner.

Iscor's share offer is the biggest in South Africa's history and another article in The Argus tomorrow will help newcomers whose investment in Iscor will be their first venture into share ownership.

Money market should cope with Iscor issue

Star 18/9/89.

232

By Derek Tommey

The Iscor share offer, which will transfer R3,2 billion from the institutions and the pockets of private individuals to the Government, need not have any long-term effect on interest rates, say bankers

They accept that the money market could tighten considerably immediately after October 25, the closing date of the offer

A total of R3,2 billion worth of shares are being offered to the institutions and general public But depending on the degree of oversubscription, Iscor could receive anything up to R4,5 billion and possibly even R5,0 billion in cash in October.

This could cause a temporary shortage of cash in the banking system, but the position should be back to normal within a day or so, and certainly before the critical month-end period. The closing date of the offer was brought forward from the date originally planned to avoid any month-end cash crisis

But what will the Government do with this money? If it deposited this money with the Reserve Bank and sterilised it, it could have serious repercussions on the money market which would suddenly face a serious shortage of cash

But there is little likelihood of this happening

Mr Andre Hamersma of the Standard Bank points out that the level of interest rates is the result of a policy decision by the monetary authorities

If they do not want interest rates to go up they could easily compensate for the market shortage and maintain rates at their present level

The money need not be deposited with the Reserve Bank but placed with commercial banks and this would eliminate any strains arising from the Iscor issue, he said

Ultimately, Government sources say, the R3,2 billion Iscor money will be used to redeem some R3,4 billion worth of loan stock which falls due in November

Normally, the Government would have refinanced the loan by borrowing from the market But having the Iscor money means it will be able to repay the loan — and save itself some R500 million a year in interest payments for possibly the next 20 years.

With another R15 billion worth of Government assets waiting to be privatised, it seems a major inroad is about to be made into Government debt, which totals some R70 billion

Moreover, there should be no difficulty in finding the money, as the financial institutions, which hold most of the Government debt, are just converting this debt into shares of former state enterprises

Those who stag the offer should show a profit as long as their bank interest payments are not too high, and could increase their spending

No change in the spending pattern is seen in the case of those who see the issue as a long-term investment and use existing savings or the proceeds from the sale of current shareholdings to subscribe for Iscor shares

But Iscor is hoping to get people with limited means to take up its shares as a long-term investment, and in so doing it could mop up a fair amount of spending power from less affluent consumers

Cape Times 19/9/89

JSE getting ready for Iscor listing

232

Own Correspondent

JOHANNESBURG — The JSE has set up an unprecedented series of contingency plans to cope with the giant Iscor listing on November 8

Iscor will be floated after a R3,1bn share sale which closes at noon on October 25

JSE executive president Tony Norton said last night the JSE was bracing itself for an all time record of transactions on listing day

"We're controlling the controllable," said Norton

"We're expecting an all-time record, and we're planning maximum efficiency But we will not hesitate to curtail transactionss in Iscor if administrative hygiene is threatened or the environment gets out of control"

Anticipating a "tidal wave" of transactions listings day, Norton said that "if there were, for example, 75 000 transactions, the market simply could not handle it

"Trading in Iscor would have to be curtailed until deals have been booked and matched

"Trading would then ensue, within hours or days, depending on exactly what happens But we are busy taking every possible contingency measure to cope with a deluge"

The entire JSE administrative staff has been briefed to ensure that it is in a position to cope with the listing

A "bulk" system has been designed to cope with the possible deluge of shares from 55 000 Iscor employees, who are to receive 200 free shares each

The suggestion is that these shares will be dealt in what are effectively "sub-stock exchanges" outside the JSE, with bulk, rather than individual, orders coming onto the floor

Even in the heyday of the 1987 listings boom, the largest number of transactions on the JSE in a day was less than 12 000

Norton said it was doubtful that the JSE could cope with 40 000 transactions today without curtailing transactions in the share

He said that it had been predicted in some quarters that the floor of the JSE could be swamped by 10 000 or more people on listings day

"We would simply have to put up barriers after a certain figure had been reached"

Norton added that one of the most important features of the contingency measures was a series of shutdowns that could be taken at a moment's notice But nobody has any real idea of what would happen on listings day

"Nobody knows how their house will stand up to the tycoon until the tycoon has been through," said Norton

The Iscor share information office has received more than 50 000 inquires in the past 10 days

At this stage, estimates of the number of individual participants in the public offer of 150m shares of R2 each varies from 100 000 to 350 000 Possibly the single biggest threat to the JSE's systems on listings day is stags

Employees, individuals and institutions, who enter the market to take profits on listings day, could, in theory create pandemonium But Norton is adamant that whatever happens, the JSE will cope with it

"If there are, for example, 50 000 sell orders, shutdown systems will come in, and transactions in Iscor will be curtailed All the deals will have to be booked with buyers Trading will be restored when the systems can handle the volumes

"We may have an abnormal crisis on listings day, but investors have nothing to fear"

The Iscor listing, which is still six weeks away, has created a unpredicted level of public interest The next important date is October 2, when the prospectus is to be issued

BOE fires first salvo in takeover battle

Cape Times 19/9/89

232

By BRUCE WILLAN

THE Board of Executors (BOE) has fired the first salvo in response to the "hostile" takeover bid launched by Investec on BOE's Mercury Trust

In a strongly-worded statement issued by BOE late yesterday afternoon, it urges Mercury Trust shareholders not to accept the offer made by Investec

According to BOE, which owns 41,8% of the issued share capital of Mercury, it has received formal undertakings by shareholders representing a further 9,6% to reject the offer

On this basis it seems unlikely that Investec will succeed — it needs to secure the support of more than 50% of the voting rights in a general meeting of Mercury shareholders for the takeover to be successful

In the offer made by Investec a condition in this regard was made

The BOE has also come out strongly rejecting the allegations made by Investec that BOE is not entitled to exercise its right to vote as shareholders of Mercury

The rejection arises from opinions obtained separately from two well-known senior counsel, the BOE's own attorneys and a professor of law

The BOE has warned Mercury shareholders that should they elect to accept the offer, it becomes binding and shareholders will be unable to withdraw even if there is a higher offer made by a third party

This suggests that there could be an improved offer coming from the BOE itself in spite of the offer made by them being equivalent to the R27,50 cash offer made by Investec

BOE's original offer annouced on August 9, 1989 gave shareholders in Mercury an option of either 300 shares in BOE at R4,00 and R1 050,00 in cash plus the right to acquire an additional 100 shares in BOE at R4,00, or R2 250,00 in cash for every 100 Mercury shares held

Unlike BOE, Investec have made no share offer, enabling Mercury shareholders to benefit from the broader group

According to BOE, Investec have realised the potential of the company and do not want to share it with the present shareholders but have the sole benefit

If the claims made by the BOE are accurate, then it seems unlikely that Investec will succeed in gaining control

BOE say that an extensive survey conducted among Mercury shareholders last week reveal that the majority of shareholders canvassed want to retain an interest in the BOE/Mercury group

'Real return' on investments needed – Wim

232

5 Star 19/9/89

By Peter Fabricius, Political Correspondent

The basic aim of privatisation in South Africa should be for privatised corporations to achieve a real return on capital investment, the new Minister of Administration and Privatisation, Dr Wim de Villiers, said this week

Former Gencor executive Dr de Villiers said that the goal of privatisation in South Africa would have to be somewhat different from that of the British privatisation programme.

The aim of British Prime Minister Mrs Margaret Thatcher's privatisation was to create competition in the market place for the goods or services which were privatised But there was a very different situation in South Africa because of the large expanse of the country and its small population There were more natural monopolies here The country could not afford more than one network of electrical power or of railways or harbours

South Africa's critical problem was a shortage of capital Since World War 2, 20 percent of net capital investment had been foreign

This had made a "fantastic" contribution to South Africa's development, but now the country was exporting capital

The real problem with State corporations was that their missions were determined by laws which did not take into account the need for a return on capital.

For instance, showing a real return on capital had never been a criterion at Escom

But now for Escom — or any other corporation — to find capital in the capital market, it would have to have a profit and loss account and show a reasonable return on capital This was now beginning to happen, he said

Dr de Villiers would not comment on his plans for the public service — the other leg of his twin portfolio

● See Page 19.

SA Mercury 20/9/89

Container monopoly terminated

Own Correspondent

JOHANNESBURG — Government yesterday acted to dismantle Safren-controlled SA Container Depots' (SACD's) long-standing dominance of containerised cargo handling

The decision follows five years of intense lobbying by competitors of Renfreight, which holds 65% of SACD, to persuade government to implement a recommendation by the Competition Board in 1984 that SACD's monopoly be terminated

Commissioner of Customs and Excise (C&E) Daan Colesky said an extra depot would be commissioned for each of the major entrepots handling containerised cargo in Cape Town, Port Elizabeth, East London, Walvis Bay and Johannesburg

Trade and Industry Minister Kent Durr has confirmed the Competition Board's recommendation and the commissioner's suggested licencees

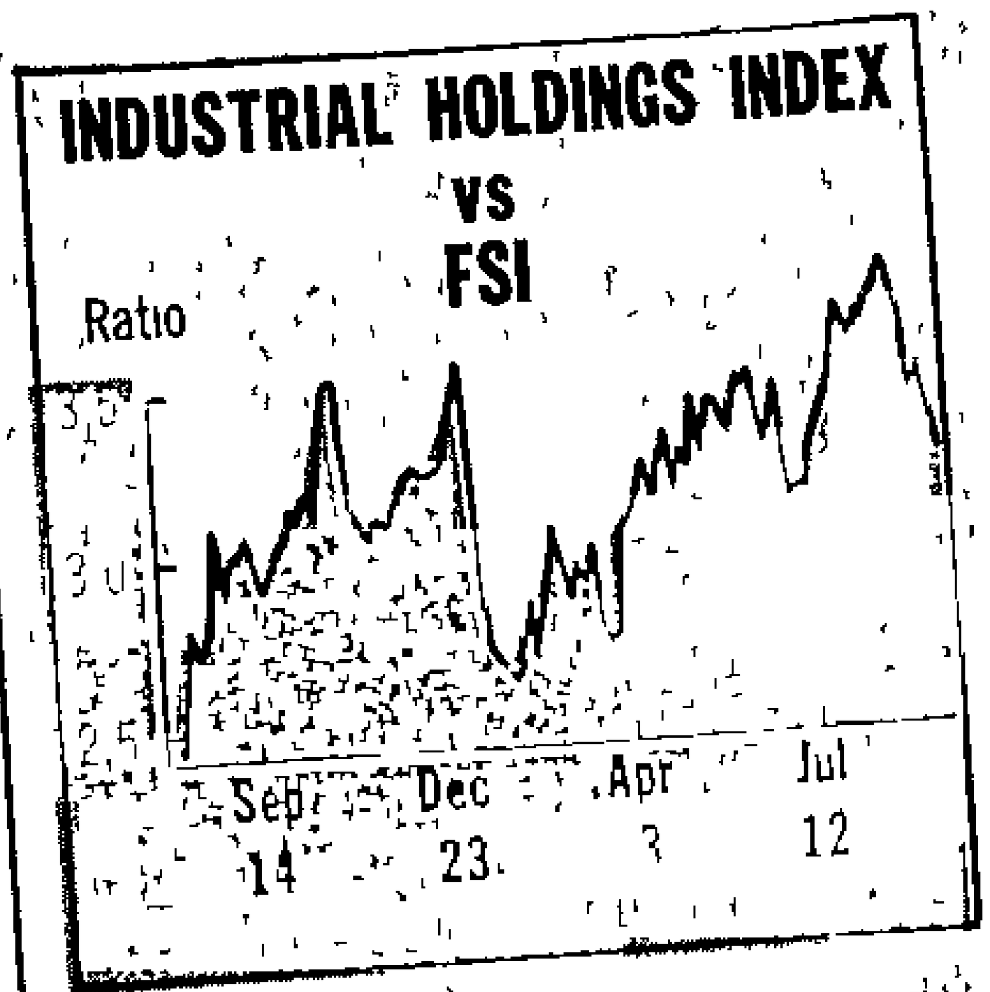
They are Grindrod for Durban and Cape Town, Aquamarine Container Depots for East London, Wesbank Transport for Walvis Bay, and Presto Transport Holdings for Johannesburg and Port Elizabeth

Approval is subject to the condition that depots become operational within four months from today Licensing is no longer on condition that SACD applies a uniform tariff to all facility users

An interdepartmental working group chaired by C & E deputy commissioner Izak Coetzee was formed to consider the board's recommendation It comprised the Department of Transport and SA Transport Services, with members of the Competition Board present as observers.

The committee drew up a set of conditions for applicants and left it to the commissioner to decide.

Coetzee said the inclusion of Grindrod — a 12,5% shareholder in SACD — was made provisional on the condition that it satisfied the Competition Board with the sale of its SACD holding



FSI Corporation's earnings rocket

(232)

BDay 20/9/89

BARRY SERGEANT

A STRONG performance from international operations helped FSI Corporation boost interim earning by 25% in the six months to June, enabling a 20% increase in the interim dividend

Earnings rose to 64c a share (51c) from which the interim dividend of 12c a share is to be paid (10c)

Full year earnings are expected to increase by more than the rate of the inflation, say the directors

Excellent results included a 66% increase in operating profit to R148m, a 63% increase in pre-tax profit to R100m and a 48% increase in attributable profit to R31m. BDay 20/9/89

In an interview last night, chairman Jeff Liebesman said the single most important contributor to operating profits of R148m were international trading operations FSI Corporation qualifies under section 15A of the Companies Act to refrain from disclosing details of foreign subsidiaries.

Liebesman said that along with international operations, subsidiaries and associates Gentyre, Homemakers and unlisted Form-Scaff, contributed 60% (R89m) of operating profit.

Of the R31m attributable profit, Liebesman said the single most important contributor was [illegible] Investment Corporation, followed by Form-Scaff and international operations He did not have details on hand to say what percentage these three contributed to attributable profit.

FSI equity-accounts its subsidiaries and

☐ To Page 2

FSI Corporation

(232) BDay 20/9/89

☐ From Page 1

associates line-by-line in its income statement On this basis, 50% of FSI's attributable profit, or R15,5m, would have been derived from W & A's R29,5m attributable profits for the six months to June 30

In its annual report for the year to December FSI disclosed that 65% of its attributable profit was from holding company and subsidiaries The balance of 35% came from associates, in which FSI has a 20%-50% stake, but no control over payment of dividends

This split has not been given in the interims But, Liebesman said, the contribution from associates in the interims was lower than 35%, particularly with respect to relevant changes at Elcentre and Homemakers

The smaller percentage contribution from associates explains, said Liebesman, the fall in interim dividend cover from 5,2 a year ago to 4,2 With a smaller percentage of attributable profits coming from associates there is stronger cash flow to support a cut in dividend cover

Nevertheless, with the line-by-line accounting, it is not clear from the interim statements how much of FSI's turnover, operating profit, profit before tax, profit after tax and attributable profit is derived from associate companies over which FSI has no effective control regarding dividends

Brokers tout for Numsa business

Offer for Iscor worker shares outrages govt

B/Day 20/9/89.

232

ALAN FINE

IN A move that has infuriated government's Privatisation Unit, two financial institutions have approached Numsa with offers to take over the 12-million Iscor shares to which its 10 000 members at the company are entitled.

Numsa's Bobby Marie confirmed yesterday that the union had been approached by stockbrokers Mechiel du Toit, Solms & Co and by the Rand Merchant Bank with proposals

RMB senior manager Rory Kirk said yesterday it was "not bank policy to confirm or deny deals before they may or may not have occurred"

Mechiel du Toit's James MacMillan confirmed an approach had been made to Numsa But, he added, the proposed deal had been called off because of Business Day's inquiries

The Privatisation Unit's Eugene van Rensburg said yesterday the offers "go against the whole grain of the employee share scheme, which was designed to give workers an opportunity to participate"

He said he was "very upset" to hear of these approaches, which were seemingly intended to abuse what the institutions seemed to believe were uninformed employees

Each employee is entitled to a free allotment of 200 shares, plus — in the case of Numsa members — an average of about 1 000 shares at a 20% discount on the R2 issue price

Financing the purchase of these shares would therefore amount to about R16m Assuming the shares came onto the market at around R2,50, the Numsa members' holdings would be worth R30m — a R14m profit equivalent to an average of R1 400 a member

Marie said the union had no mandate at this stage to negotiate any deals on behalf of Iscor members He said the union was seeking further information and would meet members at the weekend to discuss various options

Members, he said, were suspicious of, and reluctant to participate in, the scheme But he added "We are concerned that there are large amounts of money due to workers and we want to protect their interests"

It is understood RMB offered to finance the purchase of Numsa members' share entitlements, on condition that the shares were sold to RMB within a week of the Iscor listing on November 8

The Mechiel du Toit offer was also to be based on financing the employees' purchase of shares, but with a guaranteed R2 a share purchase offer immediately on listing MacMillan said, however, it had been planned that the offer price was negotiable

On Monday the firm told Business Day it was mainly a jobbing firm and the bulk of the approximately 12-million shares would be for its own book

Yesterday MacMillan denied this, saying it was an offer made on behalf of a client When the client was informed the

To Page 2

Offers for Iscor shares infuriate govt

Cape Times 20/9/89

(232)

Own Correspondent

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On Monday the firm told Business Day it was mainly a jobbing firm and the bulk of the approximately 12m shares would be for its own book.

Yesterday MacMillan denied this, saying it was an offer made on behalf of a client When the client was informed the deal may receive publicity, he had said he would rather go another route to acquire Iscor shares

Macmillan said the cancelation of the proposed transaction was a great disappointment to the firm

"The deal, which would have meant a great deal to us, is dead We have lost this business unless the client changes his mind," he said

He said the firm had spotted the possible opening on reading a Numsa statement that members at Iscor wanted cash rather than shares

Van Rensburg said the complex employee share offer, which includes, effectively, interest free loans financed by the state and repayable over three years, was designed to permit all employees to benefit.

For the same reason, shares not taken up this year would be held in trust allowing people to take up at least portions of their unallocated option over the next two years.

He said the Privatisation Unit's view was that employees, as responsible individuals, were entitled to deal with their share entitlements as they chose, on a well-informed basis

R35m more than bid?

CAPE TIMES 21/9/89

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Investec's 'bill' mounts on JSE rules

By BRUCE WILLAN

THE possible takeover of Mercury Trust by Investec could cost Investec some R35m more than the R52m being bid for the company.

Experts believe that if the 10-year-old Investec is successful in its takeover bid for Mercury it will have to comply with JSE rules and buy out the minority shareholders of 151-year-old The Board of Executors (BOE) — at a cost of some R35m

Questioned about this possibility, Investec CE Bas Kardol said in an interview yesterday that Investec was well aware of the rules of the JSE, and has complied and will continue to comply with them through-out

However, he was not able to say how the finance would be raised but indicated there were several options open to the company to raise the necessary funds

Some of the options open to Investec are to have a rights issue, borrow the money or have a placement of debentures

Whatever route is taken Kardol, is confident that Investec would raise the funds if needed

In spite of the size of the deal, the JSE has, at this stage, waived its right in terms of its own rules to call for a general meeting of Investec shareholders to ratify the takeover should it succeed

President of the JSE, Tony Norton said yesterday that in this case, the outcome of any voting in such a meeting is already known and that calling for a general meeting would be purely academic as Investec's holding company, Investec Holdings, has already undertaken to support the takeover

Investec Holdings owns some 75% of the shares in Investec

It appears that the approval of minorities will not be necessary and has not been taken into account

However, it is still not clear what Investec's intention is should the takeover succeed

Rumours have it that Investec's target is BOE and possibly Fidelity Bank, and that it has no interest in the non-banking interests of the Mercury Group

Furthermore, it is rumoured that Investec plans to strip these non-banking assets from the group in an effort to reduce the cost of the takeover, should the result be in its favour

But Kardol says that "detailed planning has not yet been considered" and that this is one of the motivations for further talks with BOE

However Bill McAdam, CE of BOE, said that while talks were held in March this year, the position is very clear and there is nothing further to talk about

It is also understood from reliable sources that legal counsel are investigating any breach of JSE rules which may have occurred in regard to the takeover

Whatever the outcome of this seemingly hostile takeover, it is clear that the minority shareholders of both Investec and the broader Mercury group have not been considered

JSE's Norton warns on Iscor/Numsa share deals

CAP TIME 21/9/89

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Own Correspondent

JOHANNESBURG — JSE members may not deal in Iscor shares with Numsa or any other prospective shareholder or agent until the corporation is listed on November 8, according to JSE president Tony Norton

Norton was commenting on yesterday's report that Numsa had been approached by a broker and a merchant bank with proposed deals regarding the share entitlements of its Iscor members

He said the JSE rules proscribed dealings in the period between the date on which a company's listing application goes up and the date of listing, so as to avoid a "pre-market". In Iscor's case, the application officially went up last Friday morning

This restriction applies only to JSE members and not to banks and other institutions, Norton said

Meanwhile Paul Browning, author of the recently-published book *Black Economic Empowerment* criticised the nature of the Iscor privatisation plan and said the Privatisation Unit was "naive" in its anger at the proposed deals

He said the offer to employees was inadequate, and it would be unrealistic to expect them to treat the offer as anything more than a chance to cash in on a once-off opportunity

Browning's view, as expressed in his book, was that the "greatest opportunity for rapid, even dramatic, promotion of black economic empowerment comes from the transfer of ownership of state corporations to majority black ownership"

He proposed the creation of a trust which would purchase the majority of shares in state corporations.

In a R30m deal . . .

Finansbank gets control of Furngro

CAPE TIMES 22/9/87.

(232)

By BRUCE WILLAN

FOLLOWING rumours in the marketplace yesterday, Ivan Hammerschlag, CE of the rapidly expanding Furniture Fair Group (Furngro) yesterday confirmed that control of the group has been sold to Finansbank for R30m

The deal which was only concluded late yesterday afternoon could amount to R50m, should minorities of Furngro and its operating subsidiary Furniture Fair (Furnfair) accept the standby offer of 180c a share made by Finansbank.

Some 17m shares changed hands at 180c between the two parties in a deal which Hammerschlag described as a surprise move

He added that the deal was accepted on sound financial decisions and had nothing to do with rumours of the family emigrating

"It was a strategic decision taken for the sake of our families and one which gives us an opportunity to diversify our risks," he said

However, Finansbank has requested both Ivan Hammerschlag and his brother Jeff to remain in their respective positions of CE and financial director till the end of the year

Ivan Hammerschlag said that both he and his brother would then make a decision about their future

The deal became apparent on the Johannesburg Stock Exchange during afternoon trade yesterday when a special bargain was struck at 180c in Furngro

Prior to this, Furngro shares traded at 205c with minimal volume on September 15 They closed at 180c (sellers) yesterday

The operating subsidiary, Furnfair's share price closed at 190c (sellers) with the last trade at 200c

In the five years since the Hammerschlags started the burgeoning furniture retail business, the Furngro empire has grown from the one store in Woodstock opened in April 1984, to 24 stores at present

The group acquired, in a series of deals, both Harmony and Montana Furnishers and then proceeded to open its own specialist store, TV Time

The group has recorded phenomenal growth over the past few years and with the use of assessed tax losses and a growing debtors book has never had to pay tax or found it neccessary to make provision for deferred taxation

Experts believe that the group would have to continue to grow at a substantial rate to keep the profits up as well as meaningful returns to shareholders

However, it is also believed that in the future the debtors book might not be able to keep up the necessary growth due to the slowdown in the economy and the group would become liable for tax

This could in due course negatively affect earnings attributable to shareholders

(232) Priva(t)

PRIVATISATION

Cabinet focus

22/9/89

Commerce and industry, generally, have welcomed the appointment of Wim de Villiers as Minister for Administration & Privatisation as well as the renewed focus on privatisation and a streamlined bureaucracy that the move signals

Business leaders have reservations, however, about government's economic policy and the lack of new blood in the team headed by Finance Minister Barend du Plessis They are also concerned that employer bodies — such as Assocom, FCI and Seifsa — are no longer represented on the President's Economic Advisory Council Its role will be discussed at Assocom's national congress next month

Business is frustrated by its lack of ability to influence government's monetary and fiscal policies Assocom CE Raymond Parsons says government now has a "window of opportunity" to make most of the "unpopular but necessary" economic policy decisions

FCI executive director Ron Haywood sees the appointment of De Villiers and the elevation of Kent Durr to Minister of Trade & Industry and Tourism as confirming De Klerk's intention of forming a closer relationship with business

So too does AHI executive director Martin van den Bergh He says "This is in line with well-established US principles of bringing private sector experts into government"

He adds "De Villiers' expertise and the recent co-option of Tom de Beer and Jack Clark to the same department should help in applying scientific management principles"

Privatisation Unit CE Pieter van Huyssteen says Foskor, Sats — especially SAA and the road transport unit, SAPT, Eskom, sorghum beer and the State's catering, gar-

22/9/89.

dening and cleaning services will move into prominence once Iscor's privatisation is complete.

While Van den Bergh broadly approves of privatisation moves, he has, however, some reservations about privatising what he believes are natural monopolies, such as Eskom, Sats and SAPT. "The toll roads issue cost government a number of votes," he notes

However, Van Huyssteen insists State monopolies, such as Eskom, can be privatised — subject to a "clear, consistent and depoliticised" regulatory framework ■

Zulberg gets LBO control of Lucem

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S Times 24/9/89

By David Carte

IN an imaginatively structured leveraged buyout, First National Corporate and Investment Bank (First Corp) has helped Gary Zulberg and Ozz to buy outright control of Lucem from partners Solly and Abe Krok.

Starting with R2,5-million only four years ago, Mr Zulberg has built Ozz into a property, construction and engineering group with projected sales in the current year of R134-million, operating profit of R16,5-million and shareholders' funds of R39-million

In the year before he took it over, Lucem lost R12,4-million

Conglomerate

Before the LBO announced today, Ozz — controlled 65% by Mr Zulberg and family — had 40% of Bruma Lake, a small construction company and 26% of listed Lucem

Lucem is a conglomerate with three brickyards, Cape Gas, Eclipse Foundry in Benoni, West Rand Engineering, Tolemo and four other motor spare outlets

Ozz is paying R21,5-million, or 85c a share, for the Krok brothers' 25,3-million Lucem shares. These, added to the former holding of 23%, will give Ozz 56,9% of Lucem's equity

Ozz will sell all its operating assets for shares in a middle company to be called Newco initially Lucem will do the same Newco will thus be the holding company for all the assets in Ozz and Lucem today Ozz's only asset will be 85% of Newco It will thus be a pure pyramid First Corp will have the balance of 15%

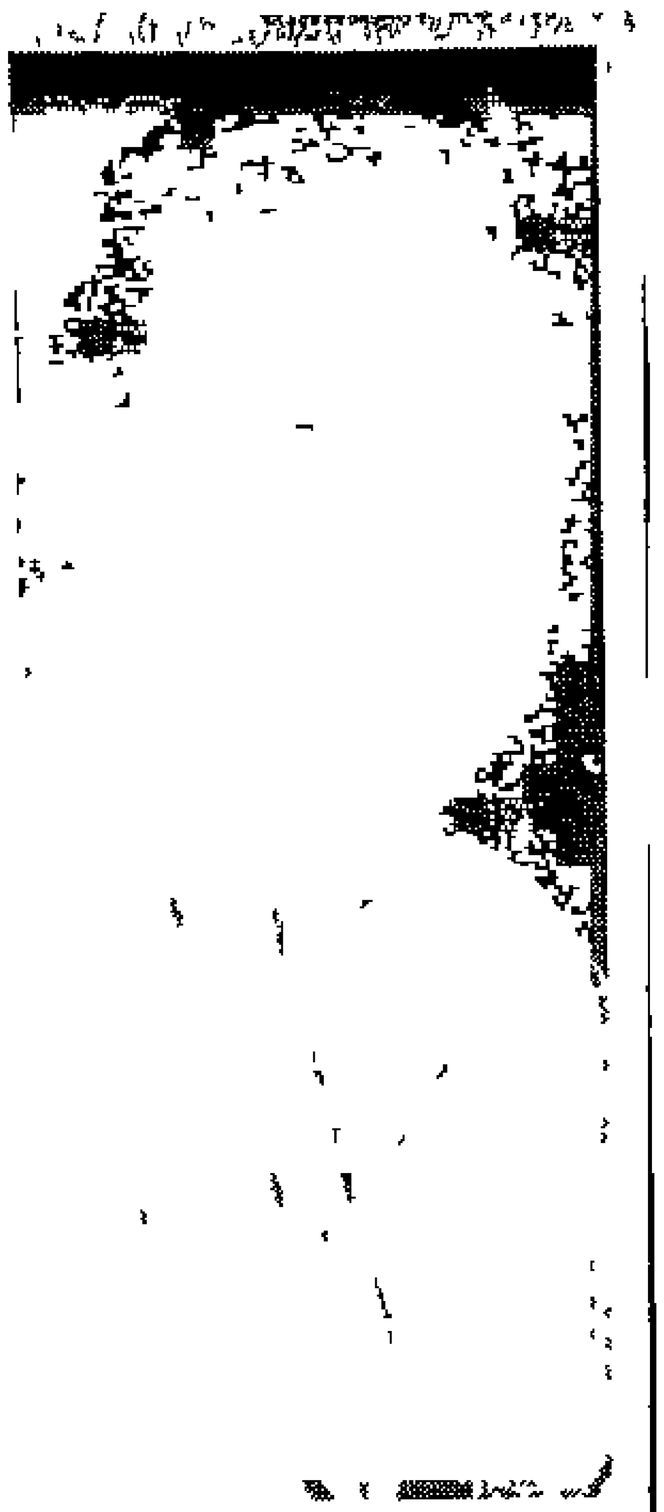
Debt

After the transaction, Ozz will have total debt of R40-million against shareholders' funds of R39-million

"For an LBO, that is conservative gearing," says Mr Zulberg "Remember, Bruma lake is in the balance sheet at a cost of R3-million Without taking account of any future profits, our 50% stake in Bruma is worth at least R15-million"

Mr Zulberg says the group will concentrate on construction, property development and engineering, suggesting there will be significant disposals, which will help to reduce gearing

The Johannesburg City Council has emptied Bruma Lake to clean out silt It is expected to be full of (clean) water when the novel Fisherman's Wharf opens in November



GARY ZULBERG . . sales of R134-million

Late Nite Al's has booked a 1 000 m² restaurant and Restaurante Parreirinha otherwise known as the La Rochelle Beerhall, has also taken space In addition there will be continental and Greek eateries

Other restaurants are planned by the La Rochelle Beer Hall A shopping centre with Woolworths as major tenant also opens shortly Anglo American Properties' first office block is fully let to Unihold Work starts soon on two office blocks, one costing R15-million and another R11-million

A SUMMARY of this week's

Norman Lowenthal and Gerald Rubenstein Picture: Oltman Minnie

Berardo rescue duo do a Southgo coup

S/Times 24/9/89 232

AFTER saving Joe Berardo's mining empire, attorney Gerald Rubenstein and stockbroker Norman Lowenthal have pulled off another coup by bringing Southgo into the stable

Business Times Reporter

Southgo will join the Rubenstein-Lowenthal consortium in control of Johannesburg Mining & Finance Corporation (JMFC) Southgo and the JMF consortium will have 25,5% each of JMFC, which is to be renamed.

JMFC is to take the minority out of Corex at 30c a share and will end up with 70% of Egoli

Frigate

Egoli will hold 77% of Southgo and 75% of Carrigs Southgo will hold 100% of Johannesburg Mineral Corporation, 62% of Nigel, 60% of West Wits, 57% of Wit Nigel, 25% of Knights and all of Claw Coal

Southgo will acquire 60% of West Wits and 100% of Johannesburg Mineral Corp, which owns the Protea, Kleinfontein and Denver dumps for R65,9-million in Southgo shares at R1 each

Egoli will thus come to own 50% of Southgo

Southgo will acquire Claw Coal, which has 11,3% of soon-to-be listed Frigate Group Egoli will acquire 35-million Southgo shares

Together, JMFC and Southgo will produce 5 400kg of gold a year worth more than R173-million at current prices JMFC also produces diamonds worth R12-million a year All the mines in the stable are cash positive

Mr Rubenstein and Mr Lowenthal have known Southgo's Glenn Laing and Roy Flowerday for years and helped the entrepreneurs to list it In common with most new mines, Southgo has struggled to meet targets, but is now on its feet

Mr Rubenstein pays tribute to Joe Berardo, who is believed to be in Madeira, saying "People scorn and laugh at the market gardener who made millions and lost them — but this country owes him

"He was the first to show that gold could be extracted from dumps, today a major industry To save the minority shareholders, he was big enough to walk away from his shares for nothing

"When our consortium took over, JMFC had no money left from the R81-million sale of Marlin Granite When Joe got into trouble, his attorney Monty Koppel came to see us to discuss a possible deal The only way we could save the company was by taking Joe's 60-million shares at no cost

"The company had overdrafts of about R24-million To save the company, we had to do a deal with the banks

Wheeling

"The company has been recapitalised. What we have done this week is pull off a true merger Now JMFC and Southgo are being run by three men who know mining — Roy Flowerday, Glenn Laing and Monty Schechter "

The Rubenstein-Lowenthal team has been together wheeling and dealing for 30 years They usually have a dozen deals on at a time, yet still find time for law and stockbroking

The old cronies were also involved in the restructuring this week of Adco and Micor, last week's controversial mi-

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Southgo litigation

☐ From Page 1

nority takeout of Solid Doors and last month's contentious R26-million restructure of Unidev

Less than a year ago, they led an unsuccessful bid to grab control of Garlicks from John Garlick and his fellow executives. They are often in the thick of controversy and litigation

Former Wit Nigel chairman Peter George and other minority shareholders plan an action to force an offer equal to the price paid by JMFC for Wit Nigel

A Rubenstein-Lowenthal speciality is rescuing companies in trouble, often by takeover and negotiation with creditors A colleague calls them the rag and bone men of the JSE".

Having been advisers to Punch Line since its inception, they brought it to the JSE — and then with consummate timing, sold their stake to Bill Venter's Fintech before the market crashed Later, problems emerged in Punch Line

In the great listing boom of 1986, the duo brought dozens of firms to the JSE lists. But unlike some brokers, they avoided being caught with piles of stock when the market crashed in 1987 They have also been the cash-shell kings of the JSE and have been active in property

Mr Rubenstein has been in law all his working life. After obtaining a BA majoring in law, Mr Lowenthal took a spade and a pick and started looking for diamonds on the Vaal River Together with the legendary Otto Thaning, he discovered diamonds in the Orange River

Through Broadacres, he pioneered diamond mining from the surf off Namaqualand He has maintained an interest in diamonds ever since. He became a stockbroker in 1970

"We have made some money," says Mr Lowenthal, "and we've had a lot of fun, but we are not Croesus-rich — yet."

Musical chairs — Cashworths and cash shells

S/Times 24/9/89

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WHEN a listed company sells its operating subsidiaries to a listed cash shell, and in doing so becomes a cash shell itself, the rationale needs to be examined

So it is with Cashworths, which this week bought the operations of Management Services Corporation (Manserv) for more money than it possessed.

CONSORTIUM

Cashworths used to be a fashion house. In the year to April 1988 its earnings fell a little short of its prospectus forecast, but nothing too serious. The directors were confident about the group's outlook.

In November, Cashworths issued a warning, a refresher in December, and at the end of January this year a change of control was announced

The MAP consortium — represented largely by members of Columbia Corporate Finance (Colfin) — bought 57% of Cashworths for R3,2-million, or 37,8c a share cash

The deal coincided with results from Cashworths for the six months to October — a loss of 3c a share was reported It was attributed to the manufacturing operations, although the retail outlets were doing well

Another warning came in February, and the next month Cashworths sold its retail outlets to Focus Holdings for R4-million It also sold other operations

Cashworths minority shareholders were offered 39,7c in a standby offer

Last week the final operations were sold and Cashworths became a cash-only shell worth R10,2-million

The JSE requires cash shells to acquire viable assets within six months or be delisted

So Cashworths bought the operating arms of Manserv, which has no less a tortuous history

PROUDLY

Originally Don Gray later renamed Colfin Ltd, Manserv was formed in June 1989 through the amalgamation of Colfin, Don Gray, Punch Line Columbia Training and minority interests in Concorde Travel and unlisted Wingate

Minorities in Don Gray are being offered 64,5c a share because control of it has gone to MAP

Manserv issued a warning in July, and proudly announced it had merged with Merhold's corporate finance consultancy The merged company would have been known as Colfin, so Manserv could not take that name

It was to have been equally owned by Manserv and Merhold

That deal is also off It looks as though Cashworths will be renamed Colfin, and Manserv will be renamed MAP Holdings.

Cashworths will hold Manserv's operating subsidiaries after shelling out R12,2-million to MAP MAP will own R15,4-million cash.

The MAP consortium will own 56,7% of Cashworths-Colfin, and 59,5% of Manserv-MAP Holdings

LIGHT

When early chemists performed pioneering work they used atomic symbols to record their findings in an attempt to keep out the layman Today's corporate financial pioneers use complicated means to achieve a similar end

Jeff Wiggill, a member of the MAP consortium and director of Manserv and Cashworths, casts some light on the moves.

He says "MAP controls two companies, Cashworths and Manserv The MAP members want to be active in two areas

"One is financial services, including corporate finance, training and short-term trading of investments The other is longer-term investment holdings, where we will put away strategic stakes in companies as investments

"Cashworths will house the first area of activity, and Manserv the second."

Mr Wiggill says it is better not to keep the two types of businesses in one listing because each will attract different tax rates

GOODWILL

Manserv can be geared up because it is starting with R15-million. It will be akin to an investment trust whereas Cashworths will be more of a trader

The deal complies with the requirements of the Companies Act and JSE regulations, but whatever the arguments put forward for the its rationale, it remains confusing

The announcement states that the MAP consortium will obtain an independent fair and reasonable statement. It could make interesting reading. When control of Manserv was acquired by MAP at 64,5c a share, a considerable amount for goodwill was paid over and above the tangible net asset value

Mr Wiggill says the goodwill paid for service companies which rely on people is not the major criterion The valuation has been based on earnings considerations. They have been sold for a price five times historic earnings, which could prove to be less than four times forward earnings

Indeed, in Monday's announcement that Manserv's operations are to be sold to Cashworths, the word tangible is excluded from the statement of Cashworths' NAV, but is included in Manserv's

This could explain why Cashworths shares at 38c trade at only 56% of the net asset value of 68c, and why Manserv at 75c is only 70% of its cash NAV of 107c.

Cashworths' executive will constitute Mr Wiggill, Harry Spain, Phillip Tunstall and Arthur Klitofsky, whereas Manserv's will be two members of the Paruk family, who have close ties with Merhold. Mr Wiggill says there are members common to both boards, and outsiders will be appointed.

Cashworths' pro forma earnings would have been 14,3c a share in the year to April 1989, calculated at a sustainable tax rate. This puts it on a historic PE of only 2,7

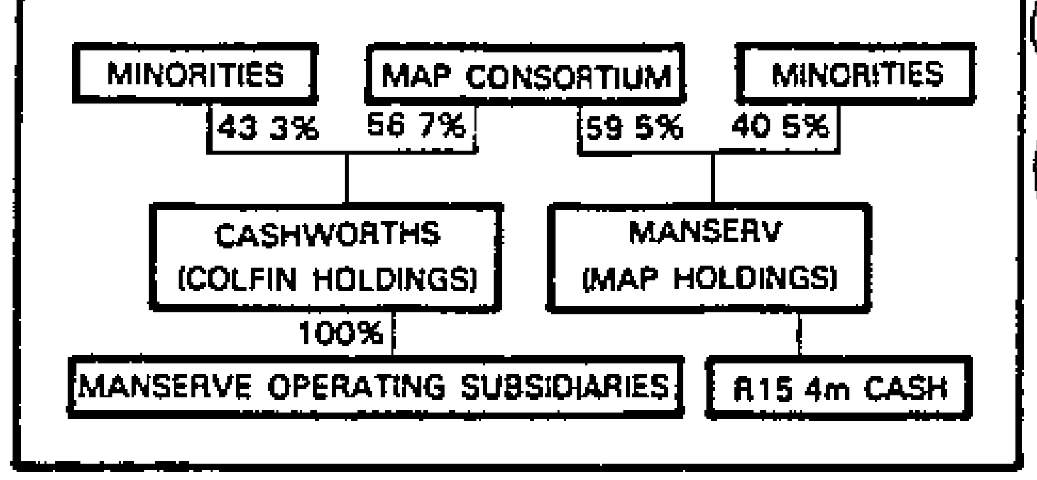
It could be that investors are cautious to buy when they do not know what will hapeen next, or retrospectively Mr Wiggill says his team should be given a chance to show what it can do

"We'll get Cashworths right, and achieve the earnings."

No doubt business will boom as more companies which get into financial difficulties become available for mergers and takeovers.

Cashworths is one to watch, but I would tread carefully.

PLOTTING OUT



Focus further in fashion

FOCUS Holdings has extended its move into fashion retailing with the R3,36-million acquisition of Smiley Blue and Goophees from Amrel S/Times 24/9/89

The two comprise 22 stores aiming at the middle- to upper-income shopper The move comes several months after the profitable retail side of Cashworths was bought Until then, Focus's specialist retailing had two arms — men's clothing and mattresses.

Focus's group profile includes 37 Mattress World of which 24 are franchised, 18 menswear stores such as Bachelors, Grant McKenzie and Aca Joe, 53 Cashworths, 19 Smiley Blue and three Goophees for a total of 110

All the shops operate for cash or credit up to six months (232)

The latest acquisitions were sold by Amrel because of their small size Focus chairman Irwin Sachs says they are right for his company

Focus has strengthened its middle and top management with high-profile appointments in each of the three divisions.

Mr Sachs says steps are being taken to pyramid control of Focus to allow more flexibility when acquisition opportunities arise The group's market capitalisation is only R11,6-million at 57c a share, but will rise because 5-million shares will be issued at 55c for the latest purchase

The shares will be placed with financial institutions, the balance to be paid in cash

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Unit trusts seek to shed fetters

By Ian Smith

SOUTH Africa's unit trust industry is tiny by UK and US standards — but it is beginning to stretch its wings

The fledgling, hatched in mid-1965 with assets of R600 000, now has 30 funds with total assets of R6-billion.

It has attracted 550 000 unitholders and it has achieved a compound growth rate of 27% to 28% in the past 10 years

The Association of Unit Trusts has decided to try to shake off some of the shackles of the Unit Trust Control Act and to seek more autonomy and self-regulation, along the lines of the JSE

Association chairman Roy McAlpine says the final form of the arguments to be put to the Government have not been decided, but preliminary talks have been held with the Registrar of Financial Institutions

Mr McAlpine believes the change will give the industry more flexibility and allow it to grow to its full potential

"We will be able to do more for unitholders"

But there is a lot still to be done, says Mr McAlpine The association has to persuade the Government to change the Act and it must draw up its own rules which must be subjected to public comment.

An association seminar this week was told that unit trusts accounted for 2% of the equity market capitalisation In the UK there are 1 200 funds and the US has 2 500 with total assets approaching $900-billion

SA fund managers have been encouraged by the way the industry came through the 1987 market crash

Momentum Life's Peter du Toit says unitholders showed a lot more maturity in 1987 than they did in 1969

"There was no loss of confidence in the industry after the last short bear market."

Some of the funds launched after the crash may have grown more slowly than they expected and they might not have achieved the size they hoped for But there had been no crises, even with the new funds

Mr McAlpine says most unitholders are satisfied — "but there are ways in which we can improve"

The big decision is about the direction the industry will take. It is strictly controlled by legislation which came into effect in 1965 and which has worked well.

"But some of the constraints have acted against the interests of unitholders They are there to protect the unitholders, but they have acted to their detriment."

An example is the 5% limitation which prevents trusts from holding more than 5% of their funds in one share. It applies equally to a company like De Beers and a small newcomer to the JSE

"This means that we have to be in 20 to 25 counters By the time you get to the bottom of that list you are getting some counters which should not be there.

"Rather than run to Pretoria to change the legislation every time we need a change we have opted for self-regulation"

Legislation does not lay down any criteria governing who can start a unit trust fund

The movement also wishes to change the Registrar's strict control of advertising Funds cannot compare their performance with that of others or competing investment avenues.

Some funds would probably want an increase in the statutory annual management fee of 0,5% of assets It is the lowest in the world and some small funds are probably finding it difficult to operate at a profit, says Mr McAlpine.

"If we are given greater flexibility I have every confidence that the industry will forge ahead

"Our total assets of R6-billion is a lot of money, but when we look at the life companies it is an infinitesimal share of the market."

Business Repor

10 MONDAY, SEPTEMBER 25, 1989

Mercury battle cry

Cape Times 25/9/89

Financial Staff

THE board of directors of Mercury Trust have delivered its defence document with a clear rejection of the takeover offer launched by Investec on September 18, 1989 — and have warned of a two-year legal battle ahead

Initial reaction from Investec chief Bas Kardol was "It contains nothing new"

It is understood that a more comprehensive reaction would be forthcoming later

In the defence document delivered late on Friday afternoon to Investec, Mercury contend that shareholders in the company have no need to sell their shares and warned shareholders to be cautious

The document also rejects the Investec claim that BOE is 80% held by Mercury saying that it owns only 40% of the issued shares

In the defence document the directors cautioned Mecury shareholders who do accept Investec's offer they will be losing control of their shares for at least four months even though they have not physically sold them

The directors of Mercury (three of which

Bas Kardol: 'Nothing new'

are members from the BOE), are confident that Investec will not be able to receive the more than 50% acceptances required from Mercury shareholders for the takeover to be effected

But, in addition to trying to gain the confidence of its shareholders, Mercury has also suggested that the 2750c being offered is a fair price

However, it has also stated that in the present situation the shareprice could go up — a possible indication that there may be a higher bid to come from Mercury or one of its subsidiaries

Mercury acknowledge that there are buyers for its shares unconditionally at 2750c and urge shareholders to contact the company secretary before deciding to sell their shares.

It is clear from the defence document that Mercury and BOE directors as well as a syndicate of BOE executives committed Mercury to giving the syndicate the first opportunity in placing any BOE shares Mercury may want to sell.

It also committed the parties to voting its BOE shares to the extent that the BOE board will be composed of up to four nominees of Mercury and up to four of the syndicate and up to four additional non-executive directors

While it is fair knowledge that BOE and Mercury intend to fight the Investec takeover bid, they also have the resources to do it

While the Mercury proposal to its shareholders is a repeat of the BOE one made a few days ago it does give the opportunity for shareholders to be part of a listed company

It is not only a business which is at stake, but also a reputation built up over the past 151 years

Clearly the Investec offer comes at a time when it needs to expand its market.

But it is likely that while the battle for control carries on, both groups are likely to experience a slight downturn in business

Central banks Engineering

Govt presses on with Minerals Bill (232)

No more debt guarantees for Sats, Eskom

BDay 25/9/89

GOVERNMENT will no longer guarantee the debt of Eskom, Sats and other bodies earmarked for privatisation, Mineral, Energy and Public Enterprises Minister Dawie de Villiers says.

De Villiers, in an interview on Friday, also indicated government's determination to press ahead with the controversial Minerals Bill.

He said if state enterprises had in the past been forced to compete without government guarantees for their capital requirements, many vast expansion projects would have been deemed too expensive.

● DE VILLIERS

"Return on investment was not regarded as vital.

"Now the corporations will have to compete in the capital market, and they will only succeed if they can persuade investors they can deliver a reasonable return.

"Government guarantees and prescribed assets are a thing of the past."

De Villiers said the new policy would reshape many existing enterprises by compelling them to adhere to market dictates.

De Villiers said there was already Cabinet approval in principle for the Minerals Bill, which sought to restore common law

MIKE ROBERTSON

rights to surface owners as well as getting mines to pay for their own policing.

While he did not wish to comment on the specifics of the Bill, De Villiers said government would not hesitate to implement sound principles.

Deregulation was firmly established as a principle, and government was determined to get rid of unecessary red tape and restrictions.

"The winds of the market are not always that pleasant. State corporations are expected to cope with them. We must expect the same from the private sector. They will have to fight for themselves."

De Villiers said there would be much closer co-operation between himself, Finance Minister Barend du Plessis, and Wim de Villiers and Kent Durr, who also held economic portfolios.

"We will find a way of structuring co-operation to meet the demands of the private sector for greater co-ordination of government economic policies," he said.

He said Sats's restructuring was well under way to meet the April 1 deadline, when various components would begin operating as individual business units.

"In principle we are looking to privatise everything, but the rail service in particular has problems in terms of profitability."

Legislation to turn the Post and Telecommunications Department into two separate business units would be introduced during Parliament's next session.

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A TIMES

Registrar to probe Iscor ad campaign

(232) B/Day 25/9/89

BARRY SERGEANT

REGISTRAR of Companies Mossie van Rensburg says he is studying official complaints that government has contravened the Companies Act

The complaints allege that the government-funded Iscor advertising campaign is an offence under the Act, and call on the Registrar to institute proceedings

Most of the complaints allege that government has solicited investor interest in Iscor shares before publication of the Iscor prospectus

Meanwhile, the huge promotional machine behind raising public awareness of privatisation in SA is convinced that it has not contravened the Act

The relevant part of the Act which has allegedly been contravened provides that it is an offence for a company to draw attention to its shares before a prospectus has been issued

The Iscor prospectus will first appear as an insert in Sunday newspapers on October 1 Bernard Kaiser of Senbank, one of the two merchant banks involved in the Iscor listing, says that potential investor interest in Iscor has been sanctioned by the Cabinet "If anyone drew attention to Iscor, it is the Cabinet

"Privatisation was made an official part of government policy some years ago," says Kaiser "The idea behind the Iscor campaign was to clear up misconceptions The key point is that the campaign has been a public awareness campaign of privatisation, hinged on Iscor

"Government's objective in privatisation is to create a new class of investors in shares Without the awareness campaign, it is doubtful that we would have been able to achieve that It would have been a piece of cake for us to sell the entire Iscor stock to the institutions, but that was not government's attention "

Promoters of the Iscor issue argue that everyone involved, including the potential

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Iscor probe

(232) B/Day 25/9/89

☐ From Page 1

investing public, is on a learning curve regarding privatisation One problem that has been clearly exposed are fundamental weaknesses in the Companies Act

Even if someone — it is not clear who — lands in court, they would be liable to a fine of up to R1 000 and/or imprisonment for a year Despite that absurd outcome, promotors of Iscor are puzzled by the motivation of those who want prosecution to go ahead

One letter sent to the Registrar of Companies reads "I have carefully studied the massive advertising campaign conducted by Iscor in which it solicits investor interest in its shares.

"In terms of the Companies Act, it is my considered opinion that Iscor has committed an offence I respectfully submit that your department institute proceedings against Iscor "

Iscor promoters say that before the public awareness campaign started, legal opinion was sought from some heavyweight lawyers in the country. "We weighed up the evidence," says Kaiser, "and as far as we are concerned we have played to the letter of the law

Meanwhile, it is believed that the Companies Act could be reviewed with privatisation in mind The Act was promulgated in 1973, when privatisation was hardly an issue The Act is due for major revision, even Mr Justic Cecil Margo, chairman of the Standing Advisory Committee on Company Law, has said that major portions of the Act are "unworkable"

Debt guarantees (232) B/Day 25/9/89.

□ From Page 1

The newly formed Telecommunications company is believed to be the more likely of the two to be privatised.

De Villiers said private sector individuals would be appointed to its board.

In some cases, government would seek to use private sector expertise and management skills when enterprises were being transformed with a view to privatisation

De Villiers said he felt Eskom could be privatised, but was awaiting a report on the effects of making it a taxpayer.

If a decision was taken to privatise Eskom, it would be sold off as an individual unit. "The regulation of the company will have to be carefully attended to."

He said Foskor had required extensive restructuring but could be ready to go to the market in 12-24 months' time.

He said in the case of Eskom and Sats, government would continue to subsidise particular end users who could not afford economic rates.

However, the cost of the subsidies would be clearly visible to the taxpayer.

Privatised firms 'should aim for a real return'

ARGUS 25/9/89

232

By PETER FABRICIUS, Political Staff

THE basic aim of privatisation in South Africa should be for privatised corporations to achieve a real return on capital investment, the new Minister of Administration and Privatisation, Dr Wim de Villiers says.

FINANCE

Speaking after his surprise appointment to the cabinet from the private sector, former Gencor executive Dr De Villiers said the goal of privatisation in South Africa would have to be somewhat different from that of the British privatisation programme.

The aim of British Prime Minister Mrs Margaret Thatcher's privatisation was to create competition in the market place for the goods or services which were privatised.

But there was a very different situation in South Africa because of the large expanse of the country compared to the small population

There were more natural monopolies here The country could not afford more than one network of say, electrical power or of railways or harbours.

But South Africa's critical problem was a shortage of capital Since the second world war 20 percent of net capital investment had been foreign This had made a "fantastic" contribution to SA's development but now the country was exporting capital

The real problem with state corporations was that their missions were determined by laws which did not take into account the need for a return on capital

For instance Escom — one of the corporations he had investigated — had never had a criterion of showing a real return on capital. But now for Escom — or any other corporation — to find capital in the capital market, it would have to have a profit and loss account and show a reasonable return on capital

This was now beginning to happen he said

Dr De Viliers would not comment on his plans for the public service — the other leg of his twin portfolio

"I normally follow the approach of having a good look at something before deciding on a strategy

"That was also my strategy as far as Escom and others were concerned That way you get emotional and intellectual acceptance for what you do because it is seen to be done logically

Mercury warns of 2-year legal fight

CM Times 25/7/88 1232

JOHANNESBURG — Mercury directors have formally turned down Investec's 2 750c offer to Mercury shareholders, warning them of a two-year legal battle ahead

Investec executive chairman Mr Bas Kardol's off-the-cuff reaction to the Mercury document, received on Friday, was "It contains nothing new".

But sources, preferring not to be named, saw the Mercury battle warning as scare tactics

"There's no reason why it should take two years to get a decision on whether Board of Executors' (BOE) directors can vote on their 41,8% Mercury holding," a source said

Mercury warns shareholders "In a bidding situation, the (2 750c per Mercury share) price could still go higher and shareholders are advised to exercise caution before selling their shares"

Full Report — Page 10

Nationwide shareholders turn down liquidation move

Real estate group, Nationwide, has won a confidence vote from shareholders after a move by the managing director Lourens Badenhorst to have the company liquidated.

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Star 26/9/89

Mr Badenhorst brought an application for liquidation in which he alleged that the company was insolvent

At a general meeting yesterday, 92 percent of the members present or by proxy supported the Nationwide set-up

Mr Badenhorst, it is understood, required a 75 percent majority to succeed with his resolution

Nationwide was established by Mannie Osband and Scott McRae, both directors of the Camdon's real estate network.

Mr McRae says "The overwhelming majority of members have demonstrated their confidence in Nationwide, which will continue to operate even more successfully than it has in the past"

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Iscor Share Competition No 3 — stake your claim on 300 shares

AS PART of its commitment to a free market system The Argus is running a series of articles on share ownership ahead of the listing of Iscor, the biggest single share offer in South Africa's history For many people Iscor's flotation will be their first venture into share ownership These articles are designed to help the newcomer make an informed choice when the offer opens to the public on October 2

Enter The Argus Share Ownership Crossword Competition and win 300 Iscor shares! At the end of the series, there will be a lucky draw of all entries from Crosswords 1, 2, 3 4 and 5 and you could be the winner of 1 000 Iscor shares!

Looking at mining shares

The first principle an investor should bear in mind when looking at a mining company is that by its nature a mine is a wasting asset, since the amount of ore in the ground is limited

One day even the richest mine is going to run out of ore When that day comes the company that owns the mine will stop mining return as much of its capital as possible to shareholders and liquidate itself

It is therefore of prime importance to an investor to know the life expectancy of the mines he is interested in

In some cases for instance some of the older Witwatersrand gold producers that life expectancy might be only a few years In other cases for instance some of the newer gold coal, copper and other mining companies the reserves of ore might be so extensive that nobody can say when they are likely to run dry

Where the life of a mine is clearly limited the wise investor will be trying to obtain not only an adequate return on his capital but the recovery of the capital itself by way of the dividends the company will be able to pay until the day it bites the dust. This process is known as amortisation.

A simple example of how to amortise involves a mine that is expected to close down after five years, when it will sell its plant and any freehold land

Assuming the dividends over the five years are estimated at 20c a year and the 'break-up' operations seem likely to produce a further 60c a share, spread over a three-year break up period an investor can expect a total of 160c a share over eight years

The shares in this particular mine stand at 80c in the market and apparently offer a current return of 25c (calculated on the present dividend of 20c on the share price of 80c).

However after eight years the shares are going to be worthless so the investor must recover the 80c he has paid for them Therefore he decides to regard half the 20c dividend as a return of his capital and to keep a record showing a progressively lower cost price for the shares.

The other half of his annual income from this share (10c) he regards as income, seeing the yield as 12 5

Personal tax

This is a very elementary explanation of the principle of amortisation In practice an investor might make much more complex calculations involving his personal tax situation and also the fact that, as his capital is coming back during the life of the investment, it is available to reinvest somewhere else

Of course, how accurate any of these calculations will be depends on the soundness of the estimate of the life of the mine

Quite apart from the question of how long a mine will continue to produce ore, mining shares have many features peculiar to themselves that demand from an investor some knowledge of the technical terms used in mining

Nearly all the mining companies produce extensive statistics each year while the gold mining industry also provides quarterly reports detailing tonnages milled gold recovered, etc

In the past, when gold was sold at a fixed price, investors could make predictions with a fair chance of being proved right.

These days when the price of gold is determined by the international market for the metal accurate predictions are far more difficult, or even impossible, to make

Government policy

For one thing earnings now depend not only on the market price which is subject to unpredictable events throughout the world, but also on Government policy on gold sales

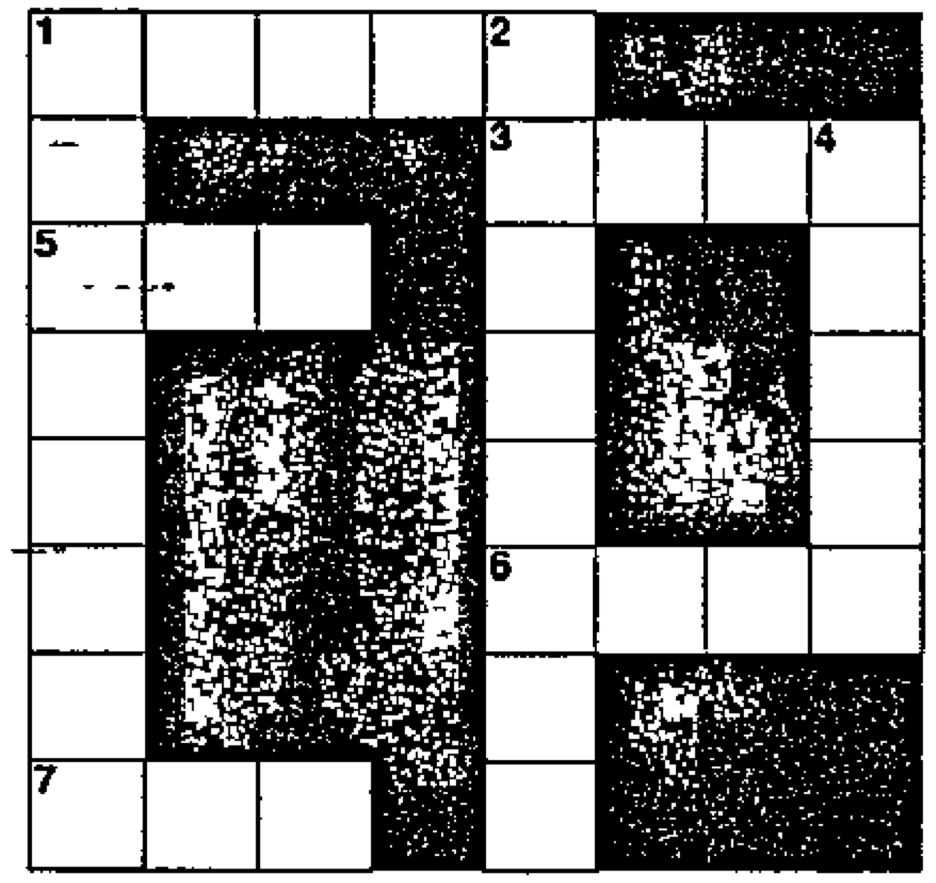
Other uncertainties in assessing gold mining shares include the normal hazards of mining, rock bursts for instance, the erosion of profits by higher working costs and the possibility of labour disputes

Turning to industrial companies the wise investor considers the macro picture of the world and national economies before turning his attention to particular companies

The sort of questions to consider when thinking of investing in an industrial company include.

- Is there anything happening in the world economy that could affect the local market?
- What are the general prospects for industry in the light of the financial and commercial prospects for the country as a whole?
- What is the outlook for the section of trade or industry with which the company is concerned?
- How does the company compare with its competitors? If it has no serious competitors, is there a threat to its future because of its monopoly?

Next week we will look at how to go about buying shares and timing decisions to buy and sell.



Crossword Competition No 3

Clues

ACROSS

1 All you own is one (5)

3 Earnings now depend not on the market price (4)

5 Where 6 across comes from (3)

6 See 5 across (4)

8 And so on (3)

DOWN

1 You must get your money back before the shares become worthless. Allow for this from your dividends (8)

2 A measure of the miner's output (8)

4 The amount of value of the miner's output (5)

Answers to Crossword No 2

Across

1 Predict. 4 Finance 7 Wise

Down

1 Profit 2 Economy 3 In 5 Chip 6 Well

Rules

1 Cut out the completed crossword and paste it on the back of a postcard clearly marking your name address, phone number and the number of the crossword and send it to The Argus Share Competition, P O Box 15399, 8018 Vlaeberg

2 Any number of entries are acceptable provided they are hand drawn

3 Staff members of the Argus Group, TWS Communications, and their immediate families may not enter

4 The winner will be notified by post and will receive the Iscor shares after Iscor has been listed on the Johannesburg Stock Exchange

5 Entries to Crossword No 3 must be received by 10 am on October 3

6 The solution to Crossword No 3 will be published next week and the winner of the 1 000 Iscor shares will be announced in the week of October 24

Bureau to quiz investments

Bank plans favour SA

Sunday. With him is the group's manager, Christine Connor.

Goodyear changes name

From PAT CANDIDO
Argus Bureau

ARGUS 26/9/89

232

PORT ELIZABETH — Goodyear Tyre and Rubber has changed its name to Tycon.

The company, which was bought by Anglo Vaal subsidiary Consol, will continue to produce Goodyear and Kelly tyres and a wide range of rubber products at its Uitenhage plant in terms of a technology agreement with Goodyear in the United States.

Three Consol executives have joined the board of Tycon. They are Consol managing director Mr P J Neethling, who is chairman, Mr H Stroh and Mr K H Forgan. They replace Mr Basil Hersov, Professor Nic Wiehahn and Mr E Mafuna.

Meanwhile, more than 1 500 of the company's employees have withdrawn R7,5- million from the company's pension fund in terms of a deal struck with Numsa two weeks ago.

The agreement included a provision that employees were entitled to withdraw double their own contributions, plus interest. The company would also pay R1 000 a worker into the fund.

Govt plan for Iscor funds sparks a row

B/Day 26/9/89 (232)

BARRY SERGEANT

A ROW has erupted over how government is going to use the R3bn proceeds of the Iscor share offer.

Finance Minister Barend du Plessis has often said the proceeds would not be used to reduce the deficit before borrowing

Last night, Reserve Bank deputy governor Japie Jacobs said the R3bn from Iscor would be used to reduce government's R12,7bn budgeted loan issues for the full 1989-1990 fiscal year Jacobs agreed with Du Plessis that the R3bn would be used to retire existing debt of that amount

"It will be bought into the Exchequer accounts as a one-off capital item"

But Nedcor chief economist Edward Osborn said "Strictly speaking, this is in conflict with the Minister's undertaking not to use the Iscor proceeds to fund current expenditure

"In terms of what is now being said, the use of the R3bn will simply result in the debt increase this year being R3bn less than it would have been

"It's equivalent to the proceeds being used to fund the current account deficit

"However, the method of dealing with the R3bn is ingenious, as it would otherwise have meant anonther R3bn issue in the market, for the redemption of debt, for which there might not have been takers"

Jacobs said government had been operating its stabilisation account, announced by Du Plessis at the weekend, since September 1 The stabilisation account would be a separate account and only proceeds from new issues would go into it.

Jacobs said it would distort the markets to give an exact amount of funds intended for the stabilisation account at this stage.

He said the R3bn expected from Iscor would be used to retire debt, rather than roll it over.

Jacobs said in terms of government's strict monetary and fiscal policy, its balances at the Reserve Bank could be expected to increase by billions of rands more than the R8,6bn record Exchequer balance at end-August

Jacobs said within the first five months of the fiscal year to end-August, government had exceeded by billions of rands the net amount it intended to issue in the capital markets for the full year

Figures for the first five months of the fiscal year show that, of the R12,7bn loan financing budgeted for the full year, R6bn had been issued Jacobs said the R12,7bn originally proposed had to be reduced by the R750m loan levy income, about R3bn due from Iscor; and R5,5bn to be taken up by the Public Debt Commissioners This left R3,5bn, which had already been heavily exceeded by the R6bn capital market paper issued so far.

Jacobs explained the extra funds to be raised in the capital markets would, like the R8,6bn Exchequer balance, be steri-

☐ To Page 2

Business
[TU]ESDAY, SEPTEMBER 26 1989
[NA]TAL and CAPE 80c (71c + 9c tax)

Foreign investors to pump in R200m

GRETA STEYN

WASHINGTON — Sponsoring brokers for Iscor expect almost R200m from foreign investors and expect further foreign interest in Iscor shares once the company is listed in November

(232)

Brokers sounding out European and US institutions, stockbrokers and banks say the favourable response can be ascribed to the attractive price of R2,00 Foreign investors have to buy with the financial rand and the effective dividend yield through the currency is an impressive 11-0/0

The Iscor listing has also sparked interest from some of SA's foreign creditors who are keen to convert their debt to equity A broker said the enquiries had come from creditors with debt outside the standstill net. There is currently no arrangement for debt-equity swaps for debt outside the net, and the SA authorities are being sounded out about introducing these swaps

The exchange of debt for equity is one of the ways in which the Third World debt problem is being addressed with Mexico allowing foreigners to buy shares in privatised industries

However, conversion of debt inside the standstill net into equity has not proved a particularly popular method of exiting from the net But privatisation could trigger new interest in the option

Bus Day 26/9/89

Proceeds to retire existing debt

Public servants will ask for a 20% pay increase

B|Day 26/9/88 232

GERALD REILLY

PRETORIA — The Public Servants Association (PSA) was committed to "earnestly" negotiating for a 20% general salary increase from April next year, PSA president Colin Cameron said here yesterday

In his address to the PSA's AGM, he stressed this was needed if a semblance of a market-related renumeration packet was to be maintained

The request for a 15% pay increase during the current financial year had been rejected because of lack of funds

Cameron stressed the policy of occupational differentiation had failed and lost its credibility year after year for the same reason

"Major discrepancies have developed and we implore the authorities to rectify this position by immediately attending to all those categories that have not yet been assessed during the past three years" In the medium and long term the conventional approach to pay had failed to satisfy the stable corps of effective public servants

Year in and year out they were forced to go through the demoralising and degrading processes of negotiation when the role of the PSA should have been one of consultation with the authorities

To solve the "insidious" problem would demand innovative and even radical thought and action

Pay and other service conditions should be in equilibrium with statutory bodies and state corporations He had no vendetta against state corporations but it was undeniable that service conditions for similar personnel often differed greatly

Cameron said a deliberate effort was being made to discredit government and its officials and to give the impression that improper benefits and inefficiency were rife in the public service This was clear from a survey of Press reports over the past year, he said

Obligation

He called on the media to stop their "one-sided, biased and often distorted reporting"

"Every government department and the mass media has an obligation to do more to promote the image and activities of the public service," he said

Most work done by public servants was a service and of a benevolent nature, but the public perception was public servants were merely fat-cat bureaucrats It was imperative this image should be changed

On privatisation Cameron said this was supported by the PSA as long as it did not result in monopolies, and became an easy mechanism to channel public money into private pockets

Cameron said the negative effect of privatisation on the morale of personnel in the service was a source of great concern With the introduction of the personnel freeze in the service, privatisation could have a demoralising impact on personnel It was disturbing that so many senior officials had one thing in mind — to retire as soon as possible

Stressing the need for good administration Cameron said without this it would be fruitless to go through all the planning and consultation exercises only to find out in practice the system would not work because of a lack of the basic principles of good administration

It was hopeless to try to motivate people if the basic principles of good administration were neglected

On the free market system Cameron said this had a tendency to result in an accumulation of wealth by a relatively few persons and organisations However it was a generator of jobs and encouraged initiative and productivity

Loans will continue

B/Day 26/9/87

MIKE ROBERTSON

MINERAL, Energy and Public Enterprises Minister Dawie de Villiers said yesterday that while it was the stated policy of government to expose state enterprises to the capital market without government support, this would be introduced gradually

Government, he said, would continue to guarantee existing loans of those enterprises like Sats and Eskom until they had matured It could also guarantee loans entered into by the enterprises in the run up to privatisation (232)

Government would not guarantee new loans entered into by the various enterprises once they had been privatised, except where guarantees had to be granted for specifically approved situations.

s Day
60c (53c + 7c tax)
A TIMES MEDIA PUBLICATION

Road transport permits to be scrapped

B Day 26/9/89 (232)

EDWARD WEST

DEREGULATION of road transport will be finalised early in 1991 when regulations scrapping the permit system come into effect, effectively allowing free entry into the road transport market

The deregulation will precede the introduction of Road Transport Quality Systems (RTQS), designed to replaced the permit system which has irked private transporters for a decade due to the alleged manipulation of permits by Sats

Leader of the Inplan team — a consortium of consultants working for the Department of Transport (DoT) planning deregulation legislation — Hennie van Tonder, said last night RTQS would finally allow free entry into the road transport market

RTQS is a system based on the quality of the transport service and will replace the commodity based permit system

RTQS will entail laws that regulate aspects of the industry such as professionally trained drivers and overloaded vehicles

Formerly, transport permits had to be fought for by the private parties and were only issued where Sats did not have an alternative service

The structuring of a new information system called the National Traffic Information System to implement RTQS is expected to begin by August 1990, said van Tonder This entailed development of an information system replacing the outdated systems of the four provinces

A senior Sats official recommended the DoT implement the legislation according to the recommendations of the National Transport Policy Studies group as he believed the DoT did not have the manpower to staff the weighing bridges neccesary to

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Road transport

232

B Day 26/9/89

☐ From Page 1

enforce RTQS

The weight control stations, neccesary to police vehicle loads, will be constructed on routes around major centres in SA The preliminary designs for these structures have already been completed, van Tonder said

The Road Freight Association's Hugh Sutherland (formerly the Public Carriers Association), said private carriers were experiencing fleet growth problems because of shortened planning horisons

This was due to confusion and uncertainty concerning Sats' deregulation They were initially told RTQS would be in place by January 1990 Now they recently heard RTQS would only be in place a year later

Sutherland described the delays in implementing RTQS as a smokescreen enabling Sats to throw away tariff books and undercut market prices giving Sats time to gain market share as it moved towards commercialisation

Star 27/9/89

232

Attractive forecast from Iscor

By Derek Tommey

For the past couple of months the public has been subjected to a fairly high pressure advertising campaign aimed at getting it to buy Iscor shares

With the release today of Iscor's 1989 annual report, would-be subscribers can get an idea of what they will be getting for their money

Firstly, in terms of hard cash they will be investing in an organisation which expects to increase its attributable profits by 20 percent in the financial year to June 1990

Iscor chairman Marius de Waal says the current year has started well. Iscor has accepted an increased number of export orders at satisfactory profit margins, which should ensure the 20 percent profit increase even if the economy turns down

Most investors will find this forecast extremely attractive But what of the more distant future?

They should also find reassurance in the annual report. It shows they will be putting their money in an organisation that is greatly increasing efficiency, is gearing itself up with new products to meet an expanding domestic market, has plans for greater exports and, what could be most exciting of all, is developing new technology which, if all goes well, could greatly reduce the cost of steel.

Iscor is proud of the success it has had in increasing efficiency. In the past 10 years both labour and capital productivity have risen by 50 percent, it says

This reflects a 130 percent increase in the return on assets, a 47 percent increase in blast furnance production rate and a 30 percent reduction in consumption of refractory material for every ton of liquid metal.

Iscor is gearing up for increased domestic sales Apart from meeting the natural growth in demand for existing products, it has plans to produce several new products

In 1992 Iscor will begin producing electro-galvanised sheet to replace about 30 000 tons of imports worth R45 million and destined mainly for the motor industry

It expects to make an annual saving of R50 million in foreign exchange when Tosa Seamless Tubes, Iscor's joint venture with Dorbyl, starts operating in January, next year Other new products include steel roof tiles and insulated steel building panels.

Iscor is also looking to expand its exports which, it believes it could treble if it had the steel available.

In addition to exports of semi-processed products, Iscor is co-operating with local manufacturers to increase exports of fabricated products. In the year to June secondary manufacturers had exports of R390 000 tons of steel, earning R250 million more than if Iscor had exported the same volume of primary steel.

But a development which could have the greatest impact on Iscor's future is the Corex process being commissioned in Pretoria

It enables cheap coal to be used in place of expensive coke in the manufacture of steel. Mr de Waal says the plant is designed to produce 300 000 tons of liquid iron a year and, by mid-1991, it could be producing hot metal at a cost well below that of Pretoria's other blast furnances.

Allegations against RMB 'unfounded'

By Ann Crotty

Rand Merchant Bank's (RMB) plan to fund part of the Iscor share offer to employees seemed, from day one, to have had little chance of success, given the much more attractive funding facilities being offered by the Government.

The furore that broke out last week is indicative of the sensitive nature of the ambitious plan to include workers as shareholders in a privatised Iscor. It also highlights the difficulty involved in communicating the specific details to workers who, in general, are innocents in the hard-nosed business of JSE investment.

Charges that RMB went against the spirit of the privatisation scheme in its alleged attempt to buy up blocks of shares from the Iscor employees appear unfounded.

RMB's offer to the National Union of Metalworkers of South Africa (Numsa) represents an offer to fund the share acquisition for workers. It included a fee of 8,5c per share to cover interest, brokerage, administration and underwriting. It did not involve a commitment by workers to sell their shares at a predetermined price.

(232)

RMB says if the financing facility is accepted, then "each member has until November 15 1989 to decide whether to sell or hold all or any of his shares".

"If he decides to sell, he will, through Numsa, instruct RMB's transfer secretaries to sell the desired number of shares at the then-market price and to pay the surplus, if any, to the member, care of Numsa.

Star. 27/9/89

"If he decides to hold the shares after November 15, he has to arrange his own financing and settle his indebtedness to RMB by no later than November 30 1989," says the RMB.

This suggests that Numsa might have been informed of the full details of the implementation of the Iscor offer by end-August when it received the RMB offer.

iness Report

WEDNESDAY, SEPTEMBER 27, 1989

R36m Numsa/Iscor deal

GVT Times 27/9/89

Share plan disclosed by RMB

Own Correspondent

JOHANNESBURG — Rand Merchant Bank yesterday disclosed details of an estimated R36m offer to finance the purchase by 10 000 Numsa members of the Iscor shares to which they are entitled in terms of the employee share scheme

The offer included a guarantee that no Numsa member would lose money on the issue even if trading in the shares occurred at below the listing price This would occur through offering each subscriber a right to sell his shares to RMB at a price which covers the issue price, interest and underwriting costs

RMB chairman G T Ferreira also criticised what he called ill-informed and speculative press reports — which had created the impression RMB intended to exploit uninformed employees and which had caused the bank to suffer embarrassment and a loss of goodwill both locally and internationally

RMB said it had offered to make a short-term facility available to Numsa members to take up shares, on which interest would be charged at the prime overdraft rate plus 1% RMB said it would also charge a 2,5% underwriting fee to cover brokerage, administration costs and costs of hedging against market risk Numsa members wanting to take up the offer would apply individually through the union

In addition to the free 200 shares being offered to each Iscor employee as part of the privatisation process, each Numsa member is entitled to an average 1 000 shares at a 20% discount on the R2 issue price and a further, equivalent, preferential allocation at the full listing price

A Numsa spokesman yesterday refused to comment on the offer, saying members had asked the union to conduct with them a series of discussions on the entire Iscor share scheme

RMB said each member would have until November 15 — a week after the listing — to decide whether to sell or hold any or all of his shares If he decided to sell this would be done by asking Numsa to instruct RMB's transfer secretaries to sell the desired number at market prices. The surplus would then be paid over to him

If he decided not to sell, he would have to arrange his own financing and settle his indebtedness to RMB by November 30

The guarantee would give participants the right to sell their shares to RMB at R2,085 at any time in the first week after listing However, no one would be forced to sell shares to RMB The offer would not apply to the free shares

Ferreira said the offer had been made in August after Numsa had made known its reservations about the Iscor employee share scheme

This was before details about the share price and the State's special financing scheme (which includes deferred repayments over three years for the discount shares) for employees had become known

Iscor buyers can see what's in it

By DEREK TOMMEY

Argus 27/9/89 (???) 232

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Greatest impact

But a development that could have the greatest impact on Iscor's future is the Corex process being commissioned in Pretoria

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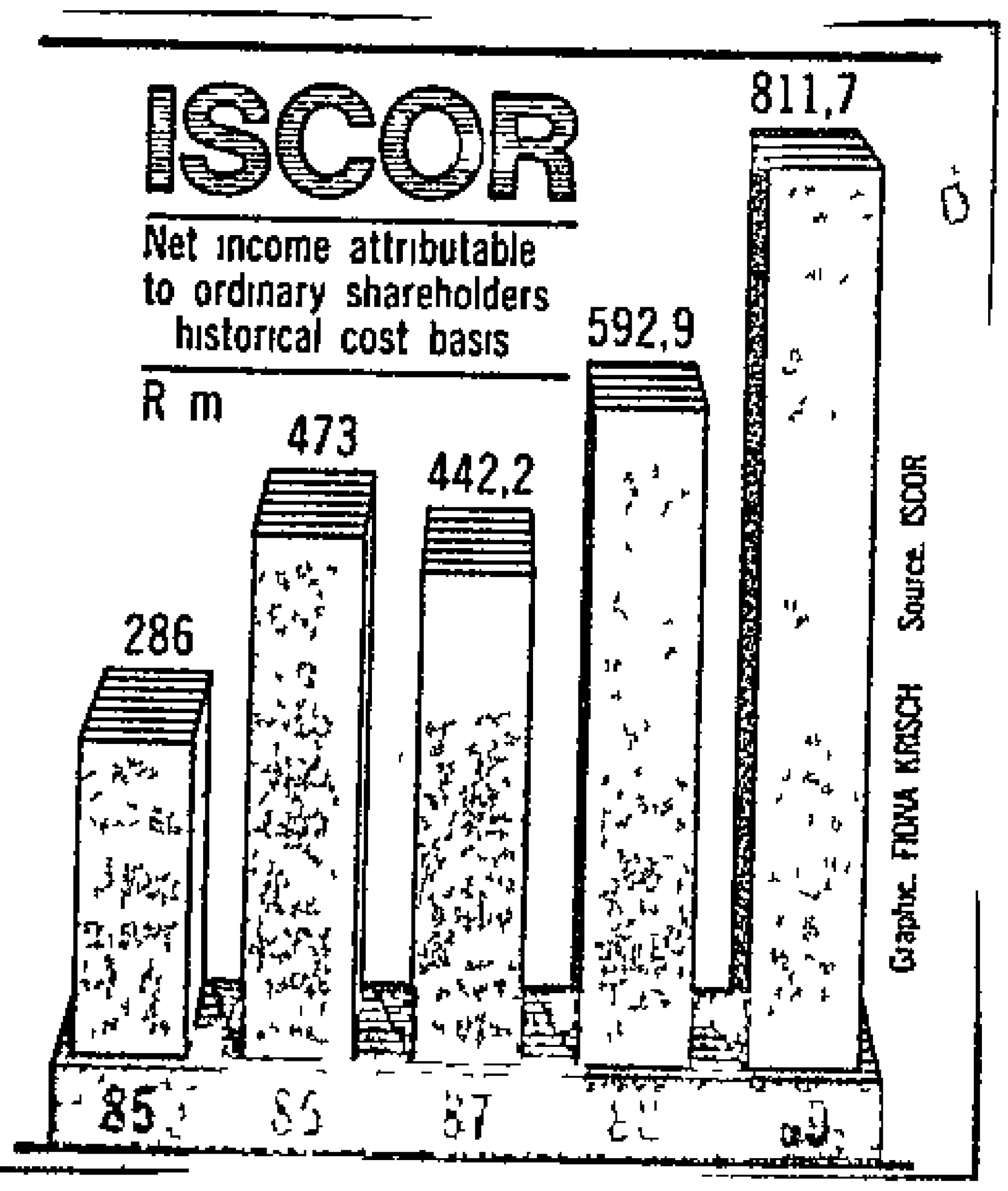
Meanwhile Rand Merchant Bank's plan to fund part of the Iscor share offer to employees seems to have had little chance of success, given the much more attractive funding facilities being offered by the Government

RMB gives guarantees to Numsa

R36m offer to aid purchase of Iscor shares

232

B/Day 27/9/89.



ALAN FINE

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Ferreira said the offer had been made in August after Numsa had made known its reservations about the Iscor employee share scheme.

This was before details about the share price and the state's special financing scheme (which included deferred repayments over three years for the discount shares) for employees had become known.

He said RMB was well aware that the intention of the employee share scheme was to encourage employees to become long-term holders of such shares.

In this regard, he said, RMB and Numsa had originally discussed the establishment of a trust to hold the shares on an ongoing basis

RMB had done its utmost to provide Numsa members with the facility to gain full benefit from their share entitlement

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Iscor profits

B/Day 27/9/89

232

☐ From Page 1

— Iscor has adopted the most conservative policies possible

The group's balance sheet is very powerful, as it heads for privatisation and a listing on the JSE on November 8

In 1988-1989, cash available from operating activities increased 64% to 1,3bn The debt assets ratio increased from 24,1% previously to 26,4%, "well within the self-imposed ceiling"

The ceiling is not disclosed, but is probably in the order of 33% With the level of offshore sales, net operating income is not fully broken down but depreciation and other provisions are disclosed and appear conservative.

De Waal predicts 20% profit rise

BARRY SERGEANT 232

ISCOR chairman Marius de Waal has forecast a 20% increase in attributable profits for the year to June 1990 De Waal is confident about the forecast "despite some observers expresssing concern about the short-term outlook for the SA economy."

De Waal says the strongest support for the 20% increase prediction is Iscor's ability "to maintain throughput by accepting a greater number of export orders at satisfactory profit margins".

It is estimated that between a quarter and a third of Iscor's sales are offshore With De Waal's particular reliance on offshore sales in the year ahead, the quality of Iscor shares after privatisation as a rand hedge share will be high

A 20% increase in attributable profits would mean an increase from a record R812m in 1989 to R974m in 1990. This follows the 1988-1989 increase in return on average shareholders' equity to 15,8% (13%). B/Day 27/9/89

Iscor's annual report reflects both current cost (inflation adjusted) and historic accounts. The additional historic accounts are included, say the directors "to make the results more comparable with those of quoted companies".

Iscor is on full disclosure, as if listed on the JSE. The auditor's report says the accounts have been prepared in the manner required by the Companies Act.

On two crucial issues — equity accounting and the capital maintenance reserve arising from the current cost adjustment

Iscor profits

B/Day 27/9/89

232

□ From Page 1

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Concern over Iscor shares funding

(232) BDay 28/9/89

ALAN FINE

THE Privatisation Unit yesterday expressed further concern over proposed outside financing of the 20% discounted Iscor employee shares, for which a state financing scheme is available

Unit head Pieter van Huysteen said, however, outside financing of the additional preferential allocation to employees at the full issue price could be of benefit to employees who would otherwise be unable to purchase these shares

He was reacting to the details of the Rand Merchant Bank (RMB) offer to Numsa members, reported in Business Day yesterday, to finance about R36m worth of shares to which they are entitled

RMB has offered a short-term facility to members, as well as a guaranteed buy-back option at R2,085 a share within the first week of listing, should trading occur below the break-even point for participants

RMB chairman G T Ferreira yesterday agreed that the state financing scheme on the discounted share allocation was more advantageous to employees than his firm's scheme

Recommend

The RMB offer, he said, had been made before the bank learned the details of the scheme and made little commercial sense now

"I would recommend they accept the state offer," he said

Iscor employees will be entitled to loans from state funds to purchase shares and repay the effectively interest-free loan over three years Shares not yet paid for will be kept in a trust

Van Huysteen said the state scheme was designed to be an incentive to employees to look upon their shareholdings as a long-term investment through which they would benefit from the excellent prospects of dividends as well as growth potential

A financing scheme which discouraged long-term shareholdings was contrary to the spirit of the privatisation offer to employees, he said

Numsa has repeatedly said its members do not share these sentiments

'Flashpoint' taxi warning

CAR Time 28/9/87

232

DURBAN — The South African Black Taxi Association, which represents about 40 000 minibus taxi owners, yesterday warned that growing white ownership of black taxis was "heading for a flashpoint"

In a blunt statement that "confrontation is looming", Sabta warned that if white domination of the industry continued, "it could be a tragedy for race relations"

At the same time, Sabta has launched a multi-million-rand training and education plan to reduce public concern about safety and road behaviour standards as black minibus taxis are "almost universally disliked and even feared"

Sabta national adviser Mr James Chapman said Sabta was once again warning the government of "pending violence and disorder at taxi ranks and white domination of the industry"

In some areas, whites owned up to 30% of black taxis and the number was growing Statistics suggested that about 45% of new minibus registrations were in white owners' names

He asked whether it was right that an industry developed by blacks should pass into the hands of whites

"There has to be some protection while the imbalances of the past are tackled

"Sabta has warned the government of the consequences in the industry and pleaded for self-regulation

"Taxi owners are afraid an uncontrolled flood of new entrants to the market will simply make all operators unprofitable and allow whites to take over the industry" — Sapa

Eskom privatisation deplored

STAR 29/9/89 (232)

By Meldody McDougall, Vereeniging Bureau

Management committee chairman Dr Mario Milani last night voiced his disapproval of the proposed privatisation of Eskom.

Saying he was very alarmed at the idea, Dr Milani told the Vereeniging Town Council's monthly meeting that the supply of electricity was an essential commodity which nobody could do without and one which should be "jealously guarded". Privatisation of Eskom would result in a profit motive for shareholders, which would lead to electricity tariffs soaring.

Rivers, forcing even crocodile and

Metalmen consider accepting Iskor share offer

By EDDIE KOCH

BLACK metalworkers at Iscor held a series of union meetings this week to decide whether to take up Iscor's offer of discount shares to employees when the company is privatised.

Bobby Marie, organiser for the National Union of Metalworkers of South Africa (Numsa), told the *Weekly Mail* that union members' were adamant that they would not participate actively in the share-ownership scheme.

However, Numsa has calculated that its 9 000 members at Iscor could make a combined profit of up to R12-million if they took up the maximum number of discount shares offered to them and then sold these one week after the company's public listing in early November.

For this reason workers were discussing an offer by Rand Merchant Bank to put up R36-million to finance the shares that Numsa members are entitled to, said Marie

"But workers are clear that prolonged participation in the scheme amounts to co-optation and will have the effect of preventing workers from using the strike weapon to back their wage demands"

For this reason the union was not prepared to take advantage of the government's incentive scheme which allows Iscor employees to borrow state funds to buy the shares and to repay what would amount to interest-free loans over three years

The union is wary of the amount of confusion and division that the issue could cause and is holding a series of seminars and meetings before taking a decision based on a clear mandate from the workforce

WM 232 29/9-5/10/89.

'Don't borrow to buy Iscor'

STAR 29/9/89 (232)

Political Correspondent

CAPE TOWN — Dr Dawie de Villiers, Minister of Mineral and Energy Affairs and Public Enterprises, has warned members of the public not to borrow money to buy Iscor shares or to use money needed for everyday expenses.

He was speaking at a ceremony at Tuynhuys where the first prospectus of the share offer was presented to President de Klerk

Dr de Villiers said he was delighted with the progess made with privatisation to date.

There had been an enthusiastic public response to the Iscor issue

Iscor should be seen as a long-term investment, not one to make quick overnight profits

Investors should, however, be cautioned that equity investment could be risky

Dr de Villiers said the privatisation process had now been established and other excellent investment opportunities would be presented in the coming years

Iscor shares warning

Argus 29/9/89

232

Political Correspondent

THE public has been warned not to buy Iscor shares with borrowed money or money needed for everyday expenses

The warning comes from Dr Dawie de Villiers, Minister of Mineral and Energy Affairs and Public Enterprises He was speaking at a ceremony at Tuynhuys where the first prospectus of the share offer which is being launched next week was presented to President De Klerk

Dr De Villiers said he was delighted with the progess that had been made with privatisation to date

Enthusiastic response

There had been an enthusiastic public response to the Iscor issue The Iscor privatisation had been handled in a professional way with the strong support of management and staff

Iscor was an excellent company with good long-term prospects and should be seen as a long-term investment, not one to make quick overnight profits

Investors should be cautioned, however, that equity investment could be risky and that share markets fluctuated.

Dr De Villiers said the privatisation process had now been established and other excellent investment opportunities would be presented in the coming years as other State assets were privatised.

He cautioned Iscor workers not to forfeit their individual benefits which had been made possible by the government through an employee share-ownership scheme.

Mr De Klerk said the Iscor move signalled the start of a new economic era in South Africa.

He was pleased there was such great interest in the share offer and praised the professional way in which this had been handled.

Investec launches Supreme Court action today

Cpt Tms 29/8/89 232

By BRUCE WILLAN

INVESTEC has announced it has submitted an application to the Cape Town Supreme Court contesting the legal ownership of Mercury Trust shares held by the Board of Executors in terms of the Companies Act

Due to the anticipated time it will take the Court to reach a decision, Investec has subsequently extended the date for acceptance of R27,50 cash offer to Mercury Trust shareholders to October 30, 1989

Informed sources say the papers submitted to the court argue that the purchases of Mercury shares, approximately R790 000 acquired by the Board since August 1989, are void

A court ruling in favour of Investec would indicate that the Board's shareholding will be drastically reduced and that it is in fact a subsidiary of Mercury Trust and will remain as such

In addition the shares would have to be returned to their previous owners

Investec CE, Bas Kardol declined to comment on any possible outcome He explained that the object of the court action was not to set aside shareholdings by BOE management in Mercury

Mercury contends that it holds 40% of BOE, at issue is whether loan stock in BOE held by Mercury would be considered equity share capital.

Corbank deal

● In a separate development it is expected that negotiations between Corbank and Investec will be concluded later today

A deal would lead to the creation of a joint merchant banking entity with assets of R5bn on- and off-balance sheet, virtually evenly divided between on- and off

The entity will embrace traditional merchant banking and corporate finance activities

According to Kardol the likelihood of an agreement is great

Rumours in financial circles of Investec wanting to use Corbank as a vehicle for listing one of its own operations have been denied by Kardol

Iscor to hold presentations in major centres

(232) 201

FINANCE STAFF

PUBLIC presentations to give prospective shareholders financial and operational information relating to the listing of Iscor, will be held in major centres around the country.

The presentations will be made by Mr Eric van der Merwe, general manager, finance, at Iscor, and members of the four sponsoring brokers to the listing Ed Hern Rudolph, Davis Borkum Hare, Fergusson Bros and Frankel Kruger Vinderine. Star 30/9/89

"The listing of Iscor will be the biggest single financial offer in South African history. Our aim is to assist memebers of the public to make an informed decision regarding the purchase of Iscor shares," said a spokesman for the sponsoring brokers.

"Each presentation will last about 45 minutes and there will be time set aside for questions afterwards," the spokesman said.

The presentation in Johannesburg will be held on Monday October 2(12h30) at the Transvaal Automobile Club, 60 5th Street, Lower Houghton and in Pretoria on Tuesday October 3 (12h30) at the Pretoria City Hall, Paul Kruger Street, Pretoria.

There is no charge for seating but as it is limited interested people should phone Tracy Watson or Carol Bradbury at (011) 726-5161 to reserve seats.