OWNERSHIP & CONTROL

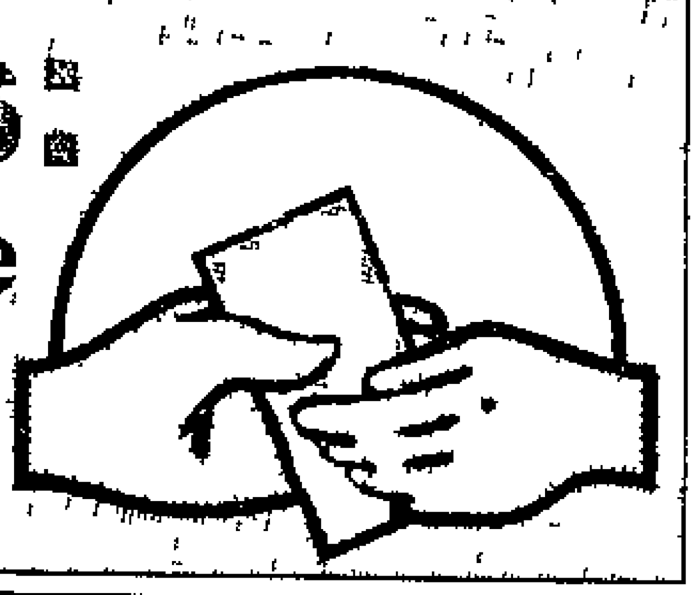
1992

SEPT. — DEC

Stokvels: a Star survey

Stokvels:

Free enterprise in action!



A [illegible] survey

EMMANUEL LEDIGA reports on the important economic role played by stokvels, which have a well-established place in black communities.

Unit trusts a growth area

THE growing influence of unit trusts (see main report alongside to see how unit trusts could be used by stokvels) is clearly reflected by research done by the Markinor Group, independent research consultants

The 1991 study reveals that membership of stokvels increased from 680 000 in 1989 to 989 000 by the end of 1991 — a growth of 45 percent And this number constitutes about 29 percent of the black metropolitan population (232)

Andrew Lukhele of Nasasa says this represents the tip of the iceberg considering there are many stokvels in rural areas where the majority of the black population — about 60 percent — still live

It is estimated that R83 million a month — a cool R996 million a year, this has probably reached a billion rand by the time of writing — is collected by stokvels

Haib Copper is delisted

229

JONO WATERS

232

HAIB Copper was delisted from the JSE yesterday because the company was bankrupt, listings and equity markets GM, Richard Connellan said. B/DAY

He said the company was "technically insolvent", but refused to elaborate.

Haib's shares last traded on the JSE on August 6 at 3c and were suspended on August 11. 2/9/92

Meanwhile, a spokesman for Glenn Laing's Revere Resources — which sold the mine to Mega Holdings in July — said the company was considering legal action for breach of contract and non-performance.

The company failed to come up with the R550 000 cash it was supposed to have paid for the mine.

Revere had originally intended to develop Haib as a low-cost, low-grade copper mine, but was unable to raise the development capital.

BDay 2/9/92

(232)

Mining firm liquidated

KLERKSDORP gold mining company New Machavie Gold Mine (Klerksdorp) Ltd, which owes R1m to a bankrupt creditor, was wound up provisionally in the Rand Supreme Court yesterday

The ANC wants parastatals to be controlled by the State for social transformation and development of disadvantaged communities. This is among the many critical issues facing SA. Economist **Tito Mboweni** puts the ANC case:

Sowetan 3/9/92

232

SOUTH AFRICAN PUBLIC CORPORATIONS have historically and, actually, to this day, operated within the context of the apartheid system.

Most, if not all of these corporations, functioned as an employer of last resort or as repositories for protected white labour.

In the developed countries of the West, public corporations marshalled cost-averaging and value of service pricing mechanisms. In South Africa these mechanisms were utilised to extend service to the white minority

Of course, the private sector also benefited a great deal. As a result, only about 30 percent of the South African population has access to such basic services as electricity and telephones Indeed, there is inadequate or even an absence of physical infrastructure in the black communities of South Africa.

In most communities, one can literally see Eskom high voltage lines pass over one's house without having any access to such electricity

Infrastructural development in most industrialised countries is almost complete.

These infrastructures were built out largely as a consequence of the state-owned enterprises model South Africa, in sharp contrast to these industrialised countries, has not even come anywhere close to building its basic infrastructure The existing differences in South Africa between black and white communities testifies to this

This is the time in South Africa for massive public and private sector capital investment A central task for a democratic majority government will be the universalisation of basic services which were deliberately channelled to the white minority during the apartheid period In this sense, public corporations will continue to play an important role in the overall economic, socio-economic and development programmes of South Africa.

But these corporations must change, adapt and gear themselves to play a more dynamic role within the context of strict efficiency and accountability rules. One can argue the existing South African public corporations are unaccountable and also operate without an overall socio-economic development programme.

Whatever their formal structure, public corporations must be made accountable and their workings transparent to the public. There are probably two levels of accountability that are now necessary.

Firstly, and most clearly, management autonomy is an important aspect of this process But management power without accountability always becomes flabby or tyrannical There must be real community and consumer participation in the decision-making processes of all public corporations

The second, and critical level, of accountability is through regulation Public corporations, commercialised or corporatised, must have clear statutory mandates to provide universal service and to pass on the benefits of improved efficiency to the public

To achieve this, there must be strong public regulation - regulation with teeth, serviced by expertise and characterised by a high level of political accountability too.

In conclusion, it seems to me that there are many critical issues which must be debated in the coming period in South Africa. In my view, some of the issues for the debate are:

1. Is cross-subsidisation necessarily a bad thing? Or does the question need to be posed differently, ie, how can cross-subsidisation be implemented in such a manner that the process and the destiny of the cross-subsidies can be identifiable, transparent and clearly accounted for,

2 What are the primary, fundamental objectives in our given situation? While efficiency and rationalisation are important, are these only achievable through commercialisation and privatisation? What about universal service and redistribution?

3. Clearly a racial approach to employment is not justifiable on any bases and this must be stopped But the primary question to be discussed in the South African case is whether, as a result of commercialisation and or corporatisation, jobs are lost under the disguise of rationalisation If jobs are lost, will such a programme sell to the majority of the people?,

4 How should the boards and management of all commercialised or corporatised enterprises be constituted and operate? How will the inclusion of community and consumers affect the corporate governance of these enterprises;

5 Does commercialisation disqualify these corporations from being part and parcel of a national programme of redistribution and development in which public enterprises should be an integral part

Some people do not have access to electricity in the townships.

Competition Board investigates transport tendering collusion

(232)

ARG 3/9/92

STEPHEN CRANSTON

JOHANNESBURG — The Competition Board is investigating an allegation of collusive tendering by transport companies, says board chairman Dr Pierre Brooks

The investigation deals with alleged collusive tendering by Sandton Office Removals (in the Transport Holdings Group), Stuttaford Van Lines (in the Laser Group) and Renpack (Elliott International) in respect of a tender submitted to First National Bank for the removal of office furniture

It is unusual for the Competition Board to name the parties in its investigation until it has firm foundations for its case

Dr Brooks said the board had been alerted to collusive tendering and had been provided with sufficient evidence by a party in the industry to proceed with an investigation.

It had already alerted the State Tender Board to be wary of collusive tenders for the removal industry, he said

It is thought transport companies discuss their tender prices and ensure they stay at a high level They could, in effect, decide who gets what business and then pool the profits

Elliott International chairman Tom Ansley, however, believes there is no justification for the investigation, but is prepared to wait and see what the board comes up with.

Sandton Office Removals managing director Eric Peterson says there are allegations of collusion every time a major company gets a job, particularly if a smaller competitor is not given the chance to tender on a big contract

"A company cannot be expected to invite 100 removers to tender for its business"

Referrals are often made through the South African Furniture Warehousing Association, which recommends a short list for any job

Mr Peterson insists that the removal companies do not discuss prices and are, in fact, cutting margins to the bone

Dr Brooks said price fixing, market sharing, resale price maintenance, horizontal collusion on conditions of supply and collusive tendering had been outlawed since May, 1986

Such activities carry stiff penalties of a maximum fine of R100 000 and/or up to five years' imprisonment

However, Dr Brooks said there were some businessmen "who flout the prohibition with impunity"

"When confronted with possible unlawful anti-competitive behaviour, the board will respond in a responsible uncompromising manner," he warned

Bank deals spark gilt selling frenzy

232

HILARY GUSH

TWO large local gilt sales set off a selling frenzy yesterday morning before losses were recovered and capital market rates moved down in the early afternoon

Meanwhile, after reaching an 18-month high of R2,7205 against the dollar, the commercial rand finished the session slightly weaker at R2,7283 on the back of dollar buying to fill import orders

From an opening rate of 14,36%, the yield on Eskom's bellwether E168 stock rose sharply to 14,6% in mid-morning Towards the close, the E168 had recovered some losses and traded at 14,39%

The yield on government R150 stock — the benchmark gilt — rose 24 points to 14,68% within two hours in "hectic" morning trade from an overnight 14,44% The gilt ended the session at around 14,46%

Dealers attributed the earlier sharp upward movement to two large bank sell orders — reaction to beliefs that "in general rates are too low considering SA's poor economic conditions"

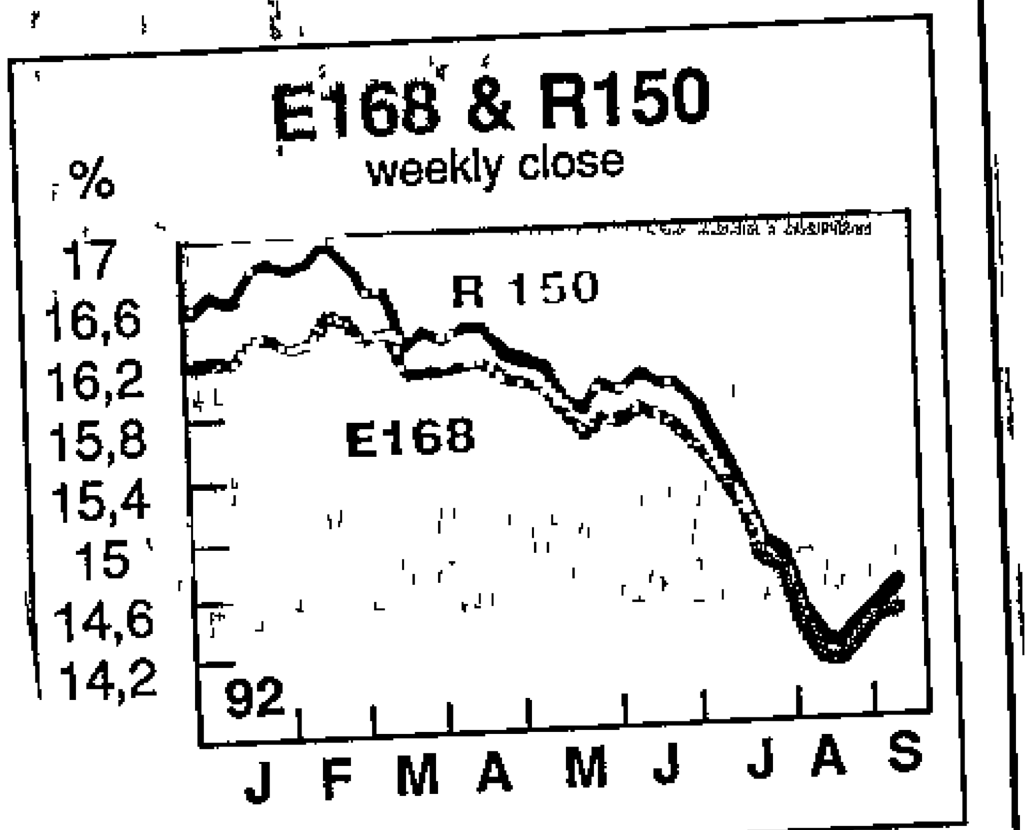
Traders said even after the recent bull run, which saw rates come off 150 points, the morning correction was too steep. By midday one dealer said rates should come down, and they did

Jobbers had cut their positions and sold off bonds as rates went up, fuelling the speedy correction Dealers said institutional demand had been keen on the way up Monday's July consumer inflation figure was no surprise and thus had not provided the market with any bullish tendencies

They said, however, "the market looks quite bullish at the moment and rates may very well come off over the week"

On the back of a weak dollar — which sank to a fresh low of DM1,386 — the commercial rand firmed to R2,7205 in afternoon trade from Tuesday's R2,7308

Near the close it lost a little ground as importers bought the dollar. The rand, which ended at R2,7283, is expected to weaken further in the week



Graphic LEE EMERTON Source I-NET

Columbia Consultants is to delist and bow out

232

BDay 4/9/92

MARCIA KLEIN

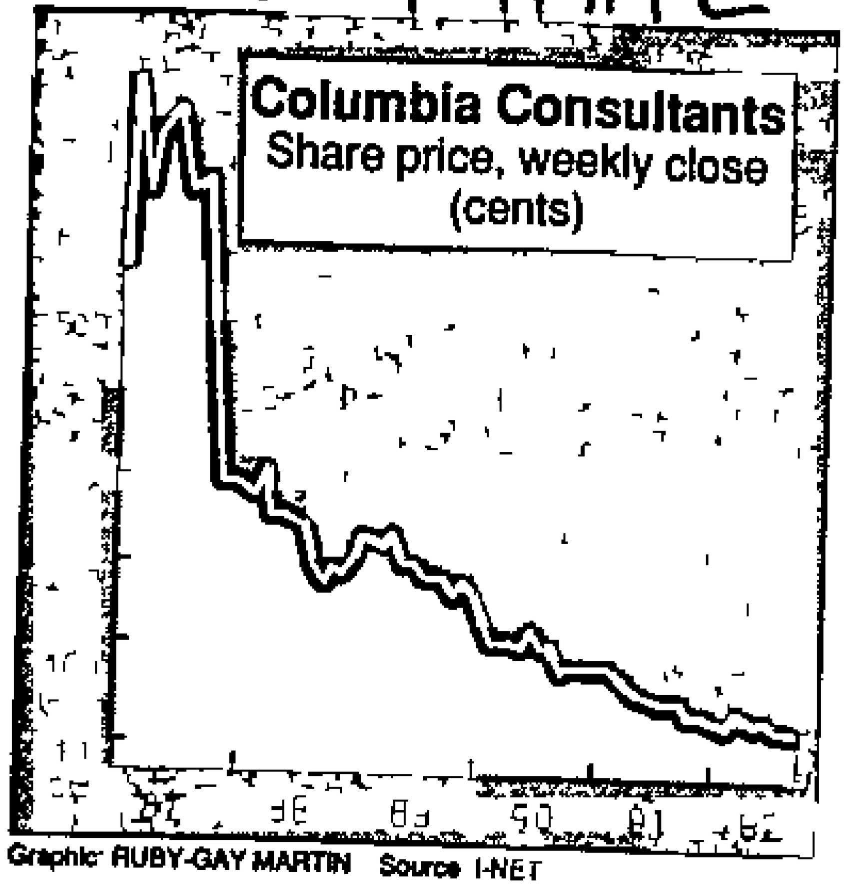
COLUMBIA Consultants, one of the high-flying groups of the late 1980s, would delist and either deregister or be wound up, the company announced yesterday.

After holding dozens of companies towards the end of the decade, it now has its investment in rural retailer Acrem — in which it holds 93,7% — as its sole asset.

The directors said they had decided to rationalise the group by distributing all the Acrem shares which Columbia held to its shareholders by declaring a dividend in specie.

Columbia shareholders would receive 244,3 Acrem shares for every 100 shares held. In terms of the rationalisation, Acrem would pay shareholders a special dividend of 9c a share. Columbia would use the dividend it received from Acrem to settle its debt of R6,2m owed to Acrem's operating company Acme Stores.

There was no practical need to keep two listed companies, and the delisting would lead to some cost savings, directors said. The move also would increase the tradeability of Acrem, which currently was 6,3%-held by minorities.



Graphic: RUBY-GAY MARTIN Source: I-NET

In addition, Columbia ordinary shareholders would have a direct interest in the main operating company.

Columbia listed in 1986 and reached a high of 800c in 1987 as one of the glamour stocks of the JSE boom, but dropped to 240c in the crash. Yesterday it was untraded — with its last traded price at 15c.

Since it was formed in 1979, Columbia's interests have included Concorde Travel, Toco, Milstan, Crusader Life, Pride Consultants, Trimtex and Punch Line. It sold many of these interests in 1989 to concentrate on a single large investment, Acrem.

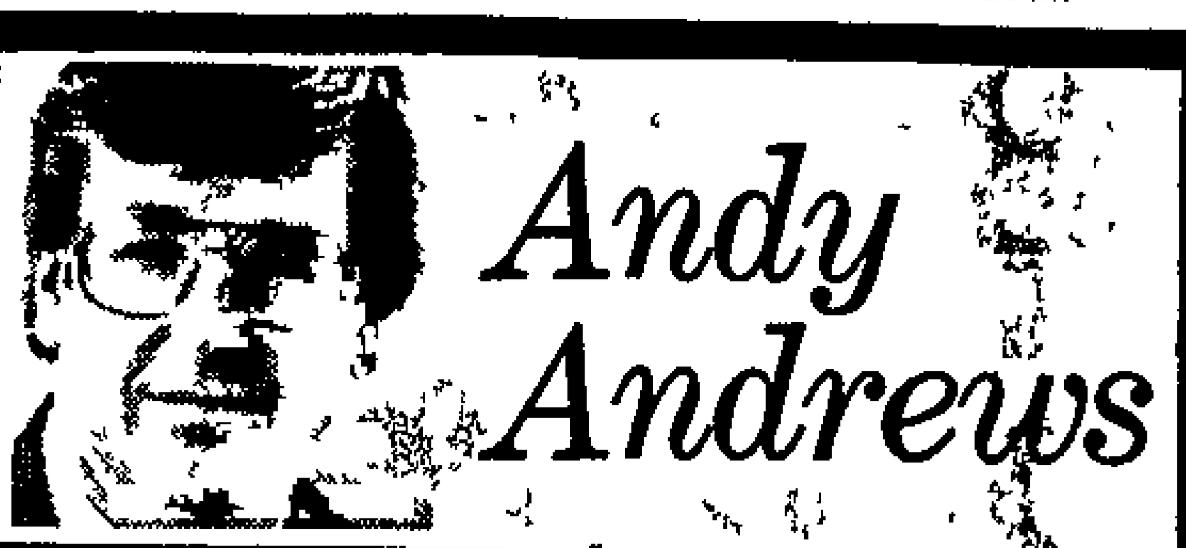
In the year to end-March, Acrem's earnings dropped 95,3% to 0,4c a share as it was hit by low consumer spending and a high tax charge. Columbia reported earnings of 1c a share compared with 21,2c a share in the previous year.

Acrem was hard hit by changes to Section 24 of the Income Tax Act, and it was reported recently that it expected to pay R10m over the next four years. Directors warned yesterday that the proposed dividend was a special one, and the prevailing economic climate would prevent Acrem from declaring ordinary dividends in the foreseeable future.

Early signs of a failing company

S/Times (BUSS) 6/9/92

232



ON BUSINESS

THE business press has been full of reports of declining profits, margins and share prices.

Many firms are in difficulty. Debt is rising and reports of record numbers of liquidations have been made.

It seems that we are in for an even tougher ride as the economy continues to decline and economists talk of depression and not recession.

Investors should "tread" carefully in times like these. I am often asked how I know when a firm is in trouble.

I think corporate failure can be predicted with surprising accuracy.

In the mid-1970s a colleague and I did some fairly basic research and found that one single ratio captures corporate vulnerability. This is the ratio of cash flow to total debt.

Key

Cash flow represents annual funds from operations after tax, interest, any non-cash items and working capital. Total debt includes all liabilities.

The ratio captures several key relationships. It reflects the ability of the company to repay its outstanding liabilities without additional external financing.

For example, a company with a ratio of 0,25 would be able to repay all debt in four years. Obviously, the ratio reflects a pessimistic view of the financial position because it includes current liabilities.

Our early research, which I expanded later with several studies, was concerned with the big "failures" of the time — Glen Anil, Van Achterberg, Lawsons and others.

We were able to show that this single, yet powerful ratio, was able to predict failure with 90% accuracy one year before failure.

Many would agree that an investor or banker needs an earlier signal. Well, the ratio did pretty well even five years before actual failure. The table shows the percentage of correctly classified firms over time.

We wanted to test the ratio and found an interesting pattern of decline when the CF/TD ratio of the failed firms was compared with a sample of so-called "blue chips". The blue chips averaged a ratio of about 19% over the five years whereas the failed groups' average ratio was found to deteriorate from 11% five years before failure to negative one year before collapse. The graph illustrates this trend.

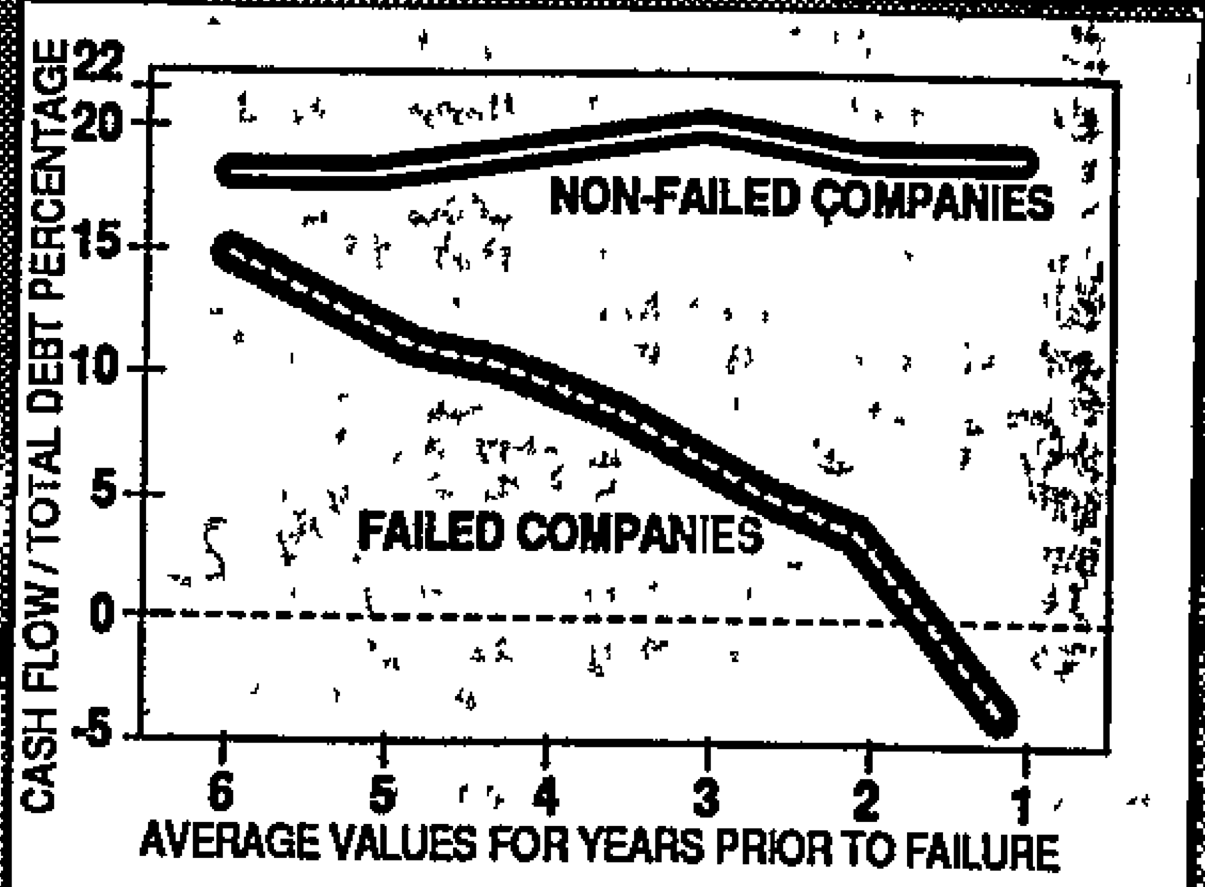
But this was in the 1970s and a long time ago. So I decided to check the power of the ratio in the recent recession (or is it depression?) with assistance from my colleagues at Laird-Andrews.

Guess what I found? The ratio still works. Six out of eight "failed" firms examined violated the 10% cut-off that I think is a signal of possible distress while a sample of current "blue chips", including SA Breweries, Tiger Oats, Murray & Roberts and Malbak, showed an average of 20% on their CF/TD ratios.

Exhibit 1: Percentage of correctly classified "failed" firms over time

Year Prior to failure	1	2	3	4	5
% Correctly classified	90	82	79	76	78

CASH FLOW / TOTAL DEBT RATIO FOR FAILED VS NON-FAILED COMPANIES



The results show a decline in the ratio for the failed group whereas the solvent group remains fairly steady at about 18%

I believe that if the ratio falls below 10% the potential for failure increases significantly and the company should be monitored carefully.

A recent case is an interesting example of the power of the ratio. In the three years before Rusfurn's difficulties, the ratio was negative in each year: -9,3%, -3,1% and -22,7% respectively.

Early action to halt a deteriorating ratio is essential and management should probe carefully to establish the reasons for decline. If the ratio is poor, three types of corrective action may help:

- Rightsize the firm and improve the cash flow by showing growth and reducing low margin product lines that do not generate sufficient cash and absorb management time.
- Focus on working capital management, concentrating on stock and debtors and reducing current debt.
- Avoid all new gearing and improve the capital structure by reducing debt exposure.

Of course, caution should be exercised. No single ratio which is itself open to "creative" accounting is infallible. To believe this is simply naive.

Go back to the basics. Cash flow has always been, and will always be critical — especially in times of recession. Declining cash flows and rising debt will kill you every time. Ignore cash flow and debt at your peril!

Professor Andy Andrews is director of the Graduate Institute of Management and Technology, which offers the Henley Executive MBA in South Africa and is co-founder of Laird-Andrews, strategic financial consultants

DIAGONAL STREET

by JULIE WALKER

Birds of a feather . . .

S/Times (BUSS)

6/9/92

THE Mont Fleur scenarios roadshow was presented to members of the investment community in Johannesburg this week on its tour of all those who will lend it an ear

Named after the venue at which the scenarios were conceived, Mont Fleur was initiated by Pieter le Roux, professor at the Institute for Social Development of the University of the Western Cape, in conjunction with largely left-of-centre thinkers

Team members — from political parties, unions, academia, business and industry — were chosen in their individual capacities although their contact with their groupings was considered. Shell SA manager Koosum Kalyan co-presented

Initially, 30 scenarios were put forward, narrowed to nine, culminating in four on which, importantly, the participants reached consensus

The four, depicted by winged creatures, give a glimpse of the potential outcomes

If negotiations fail, we have an ostrich government, non-representative but possibly without the reimposition of full-scale sanctions — perhaps some international sympathy lingers for the current Government in the face of too-great demands Eventually, the ostrich must resume negotiations

Next is the lame duck, resulting from a settlement but a government incapacitated by too many veto rights and protection clauses The lame duck is a possible format of a transitional government, the danger being too long a take-over period in which uncertainty about the next stage damages investor confidence.

Icarus, that wax-winged fool who flew too high and crashed even harder, comes from a new popular yet free-spending government which tries to satisfy every aspiration It spends more than it receives, only to collapse after a short flight

Finally, there is the flight of the flamingoes, inclusive of democracy and growth Flamingoes are a bit slow to get off the ground, but once up, fly long and together And, says Professor Le Roux, they are slightly pink. This government delivers sustained economic growth.

"Even the communists and Marxists among the team agreed that this was the way to go, at least for a few years," he says

The investment audience comprised flamingo-followers in the main One fund manager said all knew the best answer — it's the how to get there that counts

Professor Le Roux countered that Mont Fleur was not a blueprint but a starting point for discussion.

It was a bit lowbrow for the investment audience, but is aimed to appeal to all sectors of the community

JSE outlines protection for investors

232

S/Times (BUSS)

6/9/92

IN the wake of three stockbrokers defaulting in the past few months, the JSE has published a booklet summarising the protection it provides for investors and broking firms

Cover for investors is furnished by the R80-million guarantee fund and for brokers through the fidelity insurance policy

The summary explains that it does not override the wording of the rules of either the fund or the policy

The guarantee fund incorporates two bands of protection. General protection covers total loss, whereas restricted protection is applied in certain instances

General cover applies where an investor has acted in terms of the obligations of the Stock Exchanges Control Act. An ordinary cash purchase of securities, where the investor pays after the order has been filled but before he receives the scrip, is reimbursed in full

In the event of a client's making a voluntary payment in advance for securities to be bought, the claim falls within the R1-million aggregate a broking firm

A general claim is made in a switch where an investor sells one lot of securities and the broker holds the proceeds until new ones are bought. If a customer sells shares and delivers them to a broker, he will also be reimbursed in full.

But where securities are lodged with a broker for sale and remain unsold, the restricted claim applies

Any cash balance held as a result of a switch or for a managed account not paid to the JSE trustees is paid in full But any other cash balance after the purchase of securities is subject to restrictions

If a block certificate of more shares than the amount sold is presented by a client to a broker, the customer receives full cover for the portion of the block representing shares sold But the unsold portion is subject to the same R1-million-a-firm restriction.

Losses not covered by the guarantee fund include dealing in Krugerrands, the range of money-market instruments, money-market deposits not lodged with the JSE trustees, consequential losses arising from or subsequent to a default, liabilities to other broking members or foreign dealers and dealing in unlisted securities

Futures trading is covered by the rules of Safex

General claims are payable after a final sequestration or liquidation order has been granted against the defaulting broker or corporate member

Payment of restricted claims must wait until confirmation of the final liquidation order by the Master of the Supreme Court because a claim against the guarantee fund cannot be quantified until the final dividend is established

The JSE's summary recommends safeguards for investors Share certificates should be kept in a safe place, receipts or cheques should be insisted on when delivering scrip to brokers, investors should ensure they receive and check monthly statements from brokers and that portfolios on such statements reflect accurately the investor's own records

The summary admits there is a limit to which a technical subject such as protection can be simplified I think it's a bit wordy, but it's a welcome publication

Northam rights

I HAVE it on good authority that Northam's rights issue will be one for one at R5, raising about R280-million Northam, Gold Fields of SA's developing platinum mine, last traded at R20 At its 1986 listing peak, the share hit R59

COMPANIES

Acrem share price halves

MARCIA KLEIN 232

COLUMBIA Consultants' retailing arm Acrem saw its share price halve in just two days to close on Friday at 10c a share following an announcement on the rationalisation of Columbia and Acrem and Columbia's delisting

Shareholders buying in at this price would receive a 9c a share special dividend at the end of this month, effectively paying 1c a share to invest in a company operating 10 stores, market sources said on Friday

The share dropped by 5c on Thursday and a further 5c on Friday to close at 10c However, shares were in short supply at that level, and in late trade the share reflected a buyer at 10c, but a seller at 15c

Acrem's share was trading at a yearly high of 40c in September last year and at 90c in July 1990

BIDAY 7/9/92

In unusually heavy trade on Friday, 258 200 shares worth R25 820 changed hands in 12 deals On Thursday only 2 000 shares worth R300 were traded

Columbia announced last week that all the Acrem shares it held would be distributed by declaring a dividend in specie Columbia shareholders would receive 244,3 Acrem shares for every 100 shares held, and Acrem would pay shareholders a special dividend of 9c a share

Columbia would use the dividend it received from Acrem to settle its debt of R6,2m owed to Acrem's operating company Acme Stores

Sources said it was strange that there would be sellers as shareholders would receive the special dividend But shareholders could be pessimistic about Acrem's short- to medium-term future. Directors warned last week that Acrem would not be declaring ordinary dividends in the foreseeable future

Punishing debt trend continues

BDAY 7/9/92

GERALD REILLY

PRETORIA — The collapse of companies into liquidation and individuals into insolvency in the three months to end-July is a trend likely to continue until at least the end of the year, Absa economists Adam Jacobs says

According to Central Statistical Service figures, the number of liquidations of companies and close corporations for May-July increased by 6,1% to 507 compared with the same period last year Compared with the previous three months — February-April — there was a reduction of 28,7%

Liquidation of individuals and partnerships increased by 18,5% in April-June to 1 115 compared with the same three months last year Compared with January-March there was a decrease of 0,4%

Jacobs said there were indications of the heavy toll being taken by the recession on companies and individuals tapering off But there was no hope of any significant easing until towards the end of the first half of the new year

Drought aid teams poised for action

BDAY 7/9/92

RAY HARTLEY

WATER supply teams from SA were poised to provide emergency drought relief assistance in drought-stricken areas of Zimbabwe and Mozambique should they be asked to do so, Water Affairs spokesman Simon Forster said last week

Forster said the UN had asked SA to help with regional emergency water supplies a fortnight ago, but this would take place only when formal requests from neighbouring countries were received

He said SA's Foreign Affairs Department had given the go-ahead for the drought teams to go into action as soon as possible

Training

A Foreign Affairs spokesman confirmed SA would help neighbouring countries where possible if official requests for assistance were made by their governments

Forster said although there had been no official contact with Mozambican officials, technical liaison was taking place

Water Affairs was already training technical staff in Mozambique and private companies, including the Council for Scientific and Industrial Research, were helping supply water in southern Zimbabwe, he said

SA was already supplying about 800 000 Mozambican refugees in Gazankulu with emergency water, Forster said

Reports early last week said more than 100 000 people in Mozambique's Manjacaze district faced death because of the drought and civil war in the area

Forster, who serves on the Water Supply Task Force (WSTF), said SA teams could help stem the tide of refugees from Mozambique by supplying emergency water to drought-stricken villages there

The WSTF is a joint government/community initiative to supply water to areas where traditional water supplies have run out

ANC economic policy spokesman Derek Hanekom said SA was in a better position than its neighbours to cope with the drought because it was economically better off and the drought did not affect the whole country

He said it was ironic that SA had to compete with poorer countries for offshore aid money, while local money allocated to drought relief did not find its way to impoverished communities

Forster said SA has begun a comprehensive study of the giant Inkomati basin, which covers large areas of the three countries, with a view to determining how water should be distributed there in the long term

Forster said preliminary results indicated the basin, which includes the Okavango delta in Botswana and the Zambezi River, was drier than previously thought

FINANCE

Good opportunity for unit trust enthusiasts

Star 7/9/92 (232)

Unit trust holders and prospective unitholders ought to take advantage of the present "bargain basement" prices of units following the recent sharp downward turn in the stock market. The dip in the market was precipitated by the generally unexpected sharp drop in new earnings by prime blue-chip group De Beers in the first six months of this year.

Investment analysts agree that now, while the market is showing more value than it has for some time, could be the best time to buy.

The majority of unit trusts have been having a field day of buying blue-chip shares since the dip occurred, in the sure knowledge that the market will shortly re-establish its upward trend Their view is that it will be a long while before a buying opportunity like this occurs again

Caught

Unitholders and would-be unitholders are advised to do likewise during this period of no more than a few weeks when unit prices are low, before the market recovers from the De Beers shock

At the time of the dip some managers of unit trusts were caught unawares as they had not anticipated the De Beers earnings slide, which reflect the world economic recession

The managers of others were smarter they anticipated what was going to happen and sold off their De Beers holdings in advance of the market slide

Some first-time or newcomer investors in unit trusts may have been persuaded by the slide to think that the stock market poses a bad risk to the small investor

Risk there is, yes, especially if you put your money directly into the market where you will not have sufficient resources to spread the risk in the same way that unit trusts can do this for you

Unit trusts, however, spare you that anguish because, firstly, through them your investment is spread across a wide range of blue-chip shares and, secondly, the investment is under the control of investment experts

By looking at how a unit trust actually works you can gain a better idea of how safe it is to invest your money in one, the risks involved and what kind of returns you may expect

Once a person has taken the plunge and invested some of his money in a unit trust, the management company will deposit the amount into a bank account, thus creating more units, and then buy more shares on the stock exchange Each unit reflects the entire range of shares in which the unit trust as a whole is invested and unit prices are thus influenced by market activity

All investments and capital growth of these shares contribute to the asset base of the unit trust

In terms of the rules under which all unit trusts have to operate, a minimun of five percent of the total portfolio must be placed in liquid deposits, typically in the money market, in which funds are available at short notice Interest is paid on these deposits and passed on to the unitholder

The bulk of the portfolio is placed in the stock market and the companies in which the unit trust has invested pay out dividends which are passed on to the unitholder

The typical unit trust distributes income to unit holders twice a year

Should a unitholder wish to sell his units, the management company administering the unit trust is obliged by law to buy it back at the ruling price

The unit trust industry operates on a highly disciplined and structured basis with the activities of all unit trusts being overseen by the Association of Unit Trusts, which act as a watchdog to the industry

Registered

The management company administering a unit trust buys and sells shares through a registered stock broker

The management company is administered by an appointed trustee who ensures that the trust deed, the key document determining the nature and operation of the fund, is strictly adhered to

Panic breaks out . . . ANC marchers flee as Ciskei se[illegible]urity forces open fire on them outsi

'Crucial turning point in struggle'

Staff Reporter STAR 8/9/92

The Bisho tragedy "marks a crucial turning point in the current phase of the struggle for democracy", the ANC said yesterday.

In a hard-hitting statement released shortly after the shooting, the organisation charged that Ciskei leader Brigadier Oupa Gqozo and President de Klerk would have to assume responsibility for the "popular anger" that would undoubtedly follow the killings

The killings were unprovoked and the lives of the Ciskeian troops were never in danger, said the statement, released by the ANC's department of information and publicity

The claim that the troops were fired upon by the demonstrators was "a brazen lie" that was contradicted by witnesses

According to the ANC statement, the killings started "with a controlled burst of automatic fire lasting more than two minutes, followed by a second burst of

● To Page 3

JSE gains take afternoon dip

Gains on the Johannesburg Stock Exchange yesterday morning were pared back in the late afternoon following the news of the Ciskei shootings STAR 8/9/92

The Industrial Index was nine points weaker at 4102 and the Overall Index four points off (232)

Dealers said the killings should depress the market for most of the week. One dealer said buyers would pull out of the market until there was more clarity, but there was no panic selling yet. — Finance Staff.

ANC didn't do its job – De Klerk

By Peter Fabricius STAR 8/9/92
Political Correspondent

The shooting in Ciskei could have been avoided if the ANC had adhered to the Goldstone Commission's guidelines for mass action, President de Klerk said in Pretoria yesterday.

Addressing delegates at the start of his summit on federalism, he said that from the "fragmented" information available, it seemed that the conditions for the march laid down by the magistrate had not been adhered to

Later at a press conference, Mr de Klerk was asked directly who was to blame for the killing

He said that although information was still "somewhat fragmented" the ample video material available indicated that the ANC marshals "didn't successfully

● To Page 3

JSE gains take afternoon dip

(232)

Gains on the Johannesburg Stock Exchange yesterday morning were pared back in the late afternoon following the news of the Ciskei shootings STAR 8/9/92

The Industrial Index was nine points weaker at 4102 and the Overall Index four points off.

Dealers said the killings should depress the market for most of the week One dealer said buyers would pull out of the market until there was more clarity, but there was no panic selling yet. — Finance Staff

W&A earnings, dividend decline

(232)

STAR 9/9/92

By Stephen Cranston

In difficult trading conditions, W & A's earnings per share fell by 29 percent to 24,6c in the six months to June

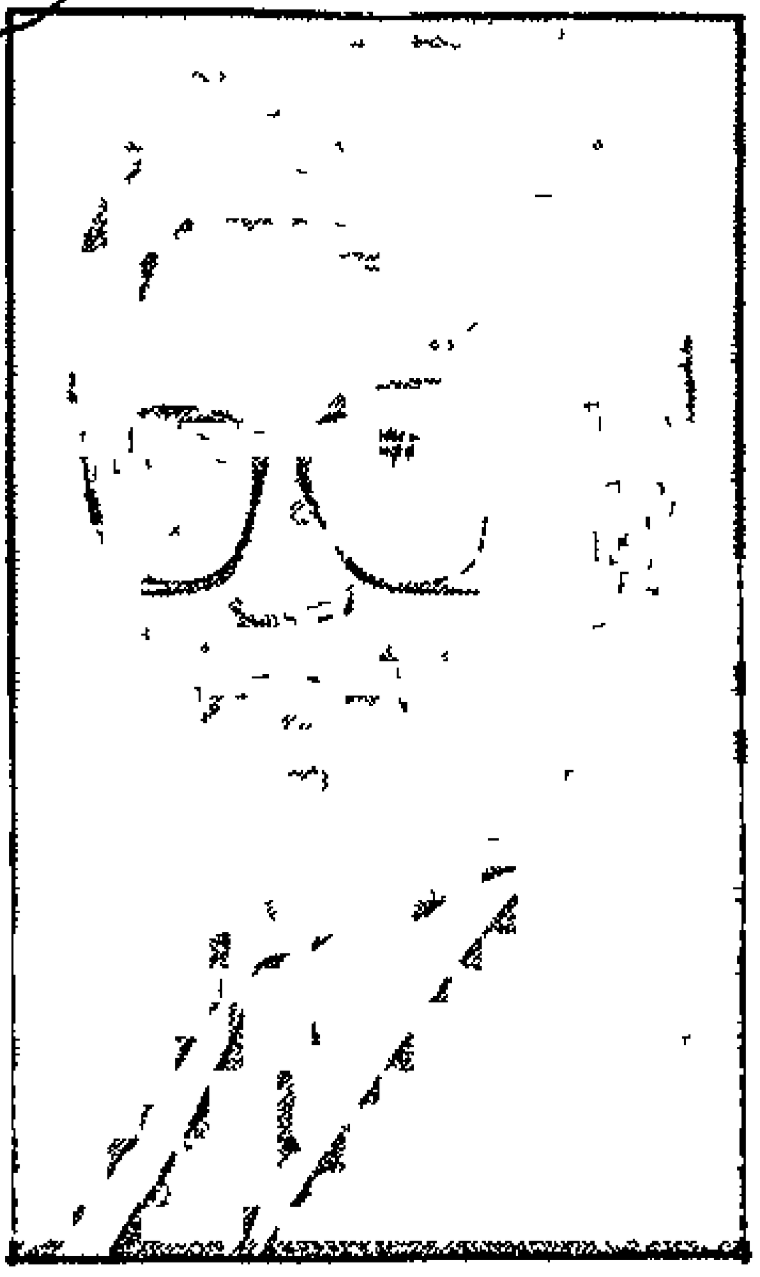
The dividend has been reduced by the same percentage to 11c

Chairman Jeff Liebesman says W & A did not receive the proceeds from the sale of Burhose until the fourth month of the year, while it received no income from that source during the half-year

Had the proceeds been received at the beginning of the year, net interest paid would have been reduced by R8,4 million and trimmed the drop in earnings from 29 to 14 percent.

W & A's profits continue to be bolstered by low taxes The group accrued a tax credit of R1,1 million in the first half because of assessed losses and export incentives Mr Liebesman says the tax charge for the year will be less than 10 percent.

The group is continuing to reduce gearing by disposals, such as the R200 million for Burhose, R85 million for its stake in Elcentre and R30 million from non-strategic properties



Jeff Liebesman . acquisition will not affect earnings

Long-term debt fell from R1,5 billion in May 1991 to R1,11 billion in December to R869 million at the end of June

Mr Liebesman says there will be substantial degearing over the next three years through improved cash flow, the sale of non-strategic assets and the listing of core businesses But there are no plans to list W & A's main profit contributor, the scaffolding businesses

Interest payments were reduced from R88 million in the six months to June 1991 to R57 million in the six months to June this year

About 68 percent of operating profit came from three sources

The worldwide scaffolding operations accounted for 33 percent of profits, Gentyre for 19 percent and AAF for 16 percent

The automotive interests shifted their focus from the original equipment to the replacement sector

AAF improved earnings by two percent despite the UK recession Gentyre and Vektra held earnings near 1991 levels

The slump in consumer spending hit retail interests, notably the furniture retailer JD Group, which reported 37 percent lower earnings

There was overstocking in clothing and household products, a problem now being redressed

Natbolt's profitability was eroded significantly by the withdrawal of Phase VI export benefits Financial incentives were withdrawn, making exporting uncompetitive

The scaffolding businesses, which operate in Southern Africa, Australasia, the US and UK, improved their earnings in the face of strong competition The group recently acquired a major competitor in Australia, Kwikform, for R119 million and is busy rationalising operations

Mr Liebesman says that the acquisition will not affect earnings in the current year, but it is expected to produce substantial medium-to-long-term benefits

Almost R88 million of the purchase price was raised by issuing shares and debentures Future acquisitions will be funded primarily by equity rather than debt, he says

crats is to, until South Africa ... our task as demo-
...Ciskei border yesterday.
Armed Ciskeian soldiers wa

Mr Kasrils said march organisers had "given instructions for another column to go through the stadium and leave the stadium and to go through the gap into town"

"The plan was to move as fast as possible into the centre of Bisho where we would stage a peaceful occupation"

He said the "column" had been taken by surprise, thinking that with the eyes of the world on the event that the troops would not dare open fire

Mr Kasrils denied the crowd was armed

"There were no weapons," he claimed. — Sapa.

Foreign viewers see more

Staff Reporter

STAR 9/9/92.

Foreign television viewers saw a more complete account of the Bisho massacre — including protesters fleeing as the firing continued — than those who relied on SABC-TV coverage.

The syndicated news-clip of the killings put out by British TV station Visnews, whose material is seen daily by an estimated 1,9 billion people in 85 countries, depicted graphically how an exuberant, singing crowd was stopped in its tracks — some of them for ever — by automatic and shotgun fire which came, by many accounts, without warning

Its coverage shows an ANC marshal struggling to contain youths spilling through a gap in razor wire around Bisho's Independence Stadium The next moment the sound of sustained gunfire crackles through the air

The visuals show the crowd turning and fleeing — while the firing continues

By contrast, most SABC footage showed protesters lying prone, attempting to flee or helping injured comrades, but not what led up to the shooting.

Among those who died were at least two khaki-clad marshals As the Visnews camera focused on one of them, the sound of a grenade going off could be heard.

...show at Carlton...

JSE shares fall, but no panic selling

232

STAR 9/9/92

Finance Staff

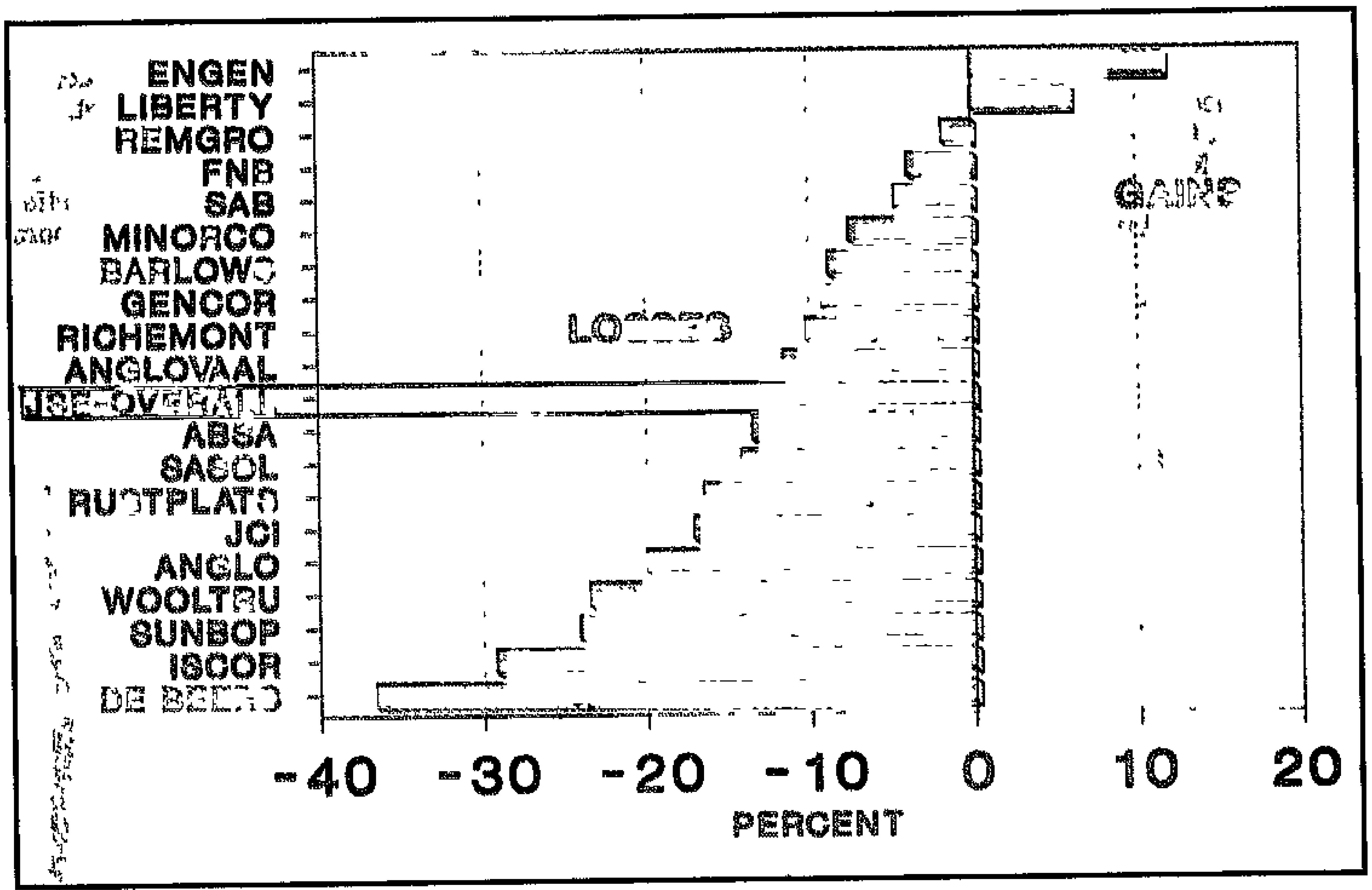
Share prices fell across the board on the Johannesburg Stock Exchange yesterday but dealers reported no major sell-off as a result of the Ciskei shootings

Shares on the JSE were marked down across the board because of investor nervousness as dealers took to the sidelines.

Industrials were hardest hit, with the index coming off 46 points after foreign investors joined local sellers in unloading quality stock.

Diamond share De Beers continued its decline, dropping 185c to trade at R55,25, dragging the overall index down 46 points to 3131.

The country's foreign investment and "political" currency, the financial rand, weakened by 7c to close at R3,90 to the US dollar.



Share price movements of major companies from July 1 to September 4.

Some blue chips losing appeal

STAR 9/9/92

By Leigh Hassall (232)

Nearly half of the JSE's blue-chip counters have been steadily losing their attraction in the current quarter.

Since the beginning of July the prices of 19 of the 40 shares most popular with the institutions have fallen by a greater margin than the overall market.

The overall index, representative of the changes in the whole market, has dropped more than 13 percent in the current quarter

Only three of the top 40 counters registered price gains, with three holding their price level

Andy Paterson, trading analyst at E W Balderson, has calculated how the 40 blue chips have fared in the current bear trend

The five shares which performed the best out of the top 40 were Engen (+12 percent), Liberty Life (+6 percent), Kloof (+2percent) and Foschini and Suncrush, unchanged

Engen's gains are even more impressive as its sector index dropped more than five percent in the same period

Analysts say Engen's shares have a lot of institutional support as its business is "pretty much recession-proof"

Liberty Life outperformed the insurance sector's gain of two percent in the current quarter Consistently good earnings have made it a stronghold of the institutions

With the recent volatility of the gold price, Kloof's gain of two percent is impressive Analysts say there are long-term benefits to the share with the recently announced a scheme of merging Kloof with Libanon and Venterspost.

By holding its share price steady, Foschini starred in a sector that dropped 10 percent Analysts say the share is tightly held by institutions, with little trade taking place to affect the price

Suncrush also out-performed its sector, which lost nearly eight percent.

The five counters registering the biggest falls were De Beers (37 percent), Western Deep Levels (34 percent), Iscor (29 percent), Sun Bop (24 percent) and Amcoal (24 percent)

After De Beers' sharp loss, analysts are debating whether the share should be re-rated as a cyclical counter

Gold mine Western Deep Levels — the percentage drop in its shares was more than double the fall in the gold index — has been beset by disrupting seismic activity

Iscor's shares have been hurt by the active selling of smaller investors after reported earnings failed to meet forecasts

Sun International (Bophuthatswana) dropped more than three times its sector average and analysts expect the negative trend to continue

Amcoal reflected the depressed coal industry by falling nearly 24 percent, in line with the sector index

Mr Paterson advises investors continually to evaluate their portfolios against the overall index as a measure of their performance and to reduce exposure in under-performing shares

Investors lie low as confidence dives

MERVYN HARRIS

THE BISHO shots ricocheted into the JSE yesterday to shatter confidence among investors and send share prices reeling.

Dealers on the trading floor were shrouded in a pall of gloom over prospects for the market in the aftermath of the bloodshed. BDAY 7/9/92

George Huysamer's Jan van den Bergh said "Events like that in Ciskei further push back prospects for a resumption of negotiations and tends to increase the feeling of insecurity pervading the market.

"I cannot see much upward potential in the market because of the sluggish domestic and international economic situation While leaders like De Beers and Anglos have come down a lot, investors will probably postpone purchases of these shares as they are likely to buy them later at around current levels"

Frankel Max Pollak Vinderine's Robin Gardy said "There is a lot of negative sentiment after Ciskei but institutions are nevertheless still in the market and large lines of shares on offer are finding homes Until there is a clearer definition of the political situation, I think our market will probably remain nervous" (232)

Irish & Menell Rosenberg's ~~Robert~~ Lewis said the Ciskei story would probably escalate as the ANC moved mass-action into other homelands

"We will not see much overseas investment until the cycle of violence is brought under control Local investors have been deterred from entering the market as we have hardly seen a good set of results for some time now from blue chip companies"

P L J van Rensburg's Pierre van Rensburg said he was very negative over prospects for the market. "The Ciskei events will only deepen the economic stagnation the country is experiencing which will further accentuate political problems

"I cannot see any light at the end of the tunnel and expect the market could go down at least another 10%"

COMPANIES

JSE expands research group

MERVYN HARRIS

PEOPLE from wider fields of expertise have been included in the committee established by the JSE to conduct research into the future structure of the exchange in a new SA

BDAY 9/9/92

JSE executive president Roy Andersen said yesterday "We need a wider range of input to ensure that the committee's report is based on a thorough and objective assessment of the comprehensive research"

The latest move comes on the back of excellent progress made by the research committee

Its achievements include completion of international research as well as seven separate investigations into SA financial markets, the JSE's trading systems and procedures, and the distribution of 430 questionnaires to users of the JSE

The expanded committee now comprises six representatives of the JSE and six from outside organisations

They are Prof Michael Katz, chairman, Roy Andersen, convenor, Gad Ariovich, Financial Services Board, Humphrey Borkum, JSE, Paul Ferguson, JSE, George Huysamer, JSE, Stephen Koseff, Merchant Bankers Association, Norman Lowenthal, JSE, Bernard Nackan, Association of Unit Trusts, Prof Wiseman Nkhulu, Black Management Forum and Independent Development Trust, Francois Tolken, JSE, and Johannes van der Horst, Life Offices Association

232

The committee's report will be drafted once a representative sample of completed research questionaires has been received and oral evidence heard

W&A's momentum slows

MARCIA KLEIN 232

W & A Investments dropped its earnings by 29% to 24,6c (34,8c) a share in the six months to end-June as its local operations, particularly the consumer-related businesses, struggled to maintain momentum

Chairman and CE Jeff Liebesman said had the proceeds of the P200m Burhose sale been received at the beginning of the year, the interest bill would have been reduced by R8,4m, interest cover increased to 2,4 times from 1,95 times and earnings a share down by only 14%

He said offshore interests had fared better than the local businesses, contributing more than 50% to the group's attributable profit of R40,4m — which was 29% down on the previous year's R57m

In line with the drop in earnings, W & A declared an interim dividend of 11c (15,5c) a share The share lost 5c yesterday to close at a 200c low, after touching 575c in October last year

Turnover of R1,5bn was not comparable with the previous year's R1,7bn because of the sale of JD Group's debtors' book in 1991 and the sale of Burhose The same applied to operating profit of R115,9m (R171,9m) and net interest of R57,2m (R88m)

Liebesman said Burhose's disposal at the end of 1991 meant the group had received no income from it for the full half year, and had enjoyed the benefit of reduced interest costs for only three months

☐ To Page 2

BDay 4/9/92

W & A

BDAY 4/9/92

232 ☐ From Page 1

Pre-tax profit was 30% down at R58,7m A reversal in the payment of tax brought after-tax profit to R59,8m, 21% down on the previous year W & A expected the tax charge for the year to be less than 10%

The attributable share of associates declined to a small loss from a R4,9m profit in the previous year This was largely due to Milstan and to the disposal of W & A's interest in Elcentre

An extraordinary item of R8,6m reflected restraint of trade payments, goodwill and allocation of shareholdings to management in an unlisted subsidiary

An increase in current liabilities to R1bn reflected funding of working capital (which was seasonally high in June), funding of fixed assets by certain subsidiaries and overstocking in some of the consumer businesses But long-term borrowings of R869,3m were down from R1,1bn in the previous year — and R1,5bn in May 1991 — mainly as a result of the sale of Burhose and marketable securities

W & A would list core businesses with high growth potential in line with its philosophy to fund acquisitive growth through equity, Liebesman said These could include local and international listings He said there were plans in the pipeline for the group to become more equity funded than previously

Liebesman said the group would at least equal these results in the full year But in financial 1993, W & A would benefit from its overseas and local businesses and a decline in interest rates

Taxi blockade: Goldstone probe

(333)

Staff Reporter ARG 10/9/92

REPRESENTATIVES of law enforcement agencies and the taxi industry have been asked to appear before the Goldstone Committee today in connection with a minibus taxi blockade in Claremont on Tuesday.

The action blocked roads, inconvenienced other road-users and appeared to be calculated to cause intimidation, said Mr D J Rossouw, chairman of the committee investigating violence in the Western Cape taxi industry.

The peak-hour blockade by about 50 drivers followed the arrest of a taxi driver at Claremont station.

JSE prepares to cast itself in a new mould

STAR 10/9/92. (232)

By Derek Tommey

Should Parliament encourage public investment in listed shares? What should be done to attract the small investor back to the JSE?

These are among a number of thought-provoking questions the JSE has been asking its users, members and critics

It is part of a move to determine what the public thinks about the JSE and what direction it should take in the years ahead

At the same time, the committee entrusted with the task of investigating the future structure of the JSE has been expanded

Roy Andersen, the JSE's executive president, said last night that Stephen Koseff of the Merchant Bankers' Association, Bernard Nackan of the Association of Unit Trusts, Professor Wiseman Nkuhlu of the Black Management Forum and Independent Development Trust, and Dr Joahnnes van der Horst of the Life Offices' Association had been appointed to the committee

Roy Andersen answers being collated

They join Professor Michael Katz who is chairman, Gad Ariovitch of the Financial Services Board, Mr Andersen himself, Humphrey Borkum, Paul Ferguson, George Huysamer, Norman Lowenthal and Francois Tolken of the JSE

Mr Andersen said the JSE had sent out 430 questionnaires and had got back 292 completed ones The answers were being collated.

Questions asked give an indication of the various directions in which the JSE thinks it could go

It makes suggestions on the important matter of how brokers should be paid

Should their fees be negotiated with user groups on a fixed basis, should they be negotiated between broker and client, should there be a fixed commission up to a certain limit and a negotiated commission above this limit, should the existing system be retained?

A heavily discussed topic is whether large financial institutions should become members of the stock exchange as they now are in London

But no one knows whether large institutions in SA are really interested in joining the JSE

The questionnaire seeks to find out by asking the institutions if they would be interested in becoming corporate members, if they would become committed market makers, or would prefer to buy into a broking firm

If the latter, they are asked what percentage of the firm's capital they would be prepared to buy

The JSE asks whether the current trading on the market floor, which has been going on for 100 years, should be superseded by an automatic computer-based system of the kind used in London Another question it asks is whether share purchases should be order driven or dealer driven

Recipients of the questionnaire are asked how they judge the JSE's performance and what aspect they would like changed

The questionnaire asks how users view the market's illiquidity and how this can be eased

Recipients are asked whether listings requirements for the main board, the development capital market and the venture capital market are appropriate, too onerous or not onerous enough, and whether there should be an over-the-counter market

The questionnaire asks whether brokers should be allowed to act as both principal and agents And whether they should be allowed to provide banking, insurance, real estate and other forms of service

One hopes conditions on the JSE will never be so bad that brokers have to sell insurance as a side-line

STAR 10/9/92

Cost controls boost Bidvest

232

By Stephen Cranston

Chairman Brian Joffe attributes Bidvest's 17 percent increase in earnings per share for the year to June to a sharp focus on asset management, tight cost controls, staff motivation and an aggressive sales and marketing approach

Writing in the annual report, Mr Joffe says the cash-generating achievements of the businesses contributed to the strong balance sheet and enabled gearing to remain stable at 41,3 percent (up from 40,3 percent)

Cash flow turned from a net outflow of R32 million to an inflow of R48 million.

The highlight of the year was the acquisition of Crown Food Holdings for R10 million, which was overshadowed by the discovery of fraudulent irregularities constituting a total of R18,2 million written off during the year.

Bidvest was given an R11 million interest-free loan by vendor Murray & Roberts to sweeten the deal

Subsidiary National Spice Works was merged with Crown Mills and the company made R2,1 million in the four months to June.

Better-than-expected progress has been made with the streamlining and integration of the two businesses

Crown's Vulcan subsidiary launched Food Service Concepts, a marketing company aimed at sellinq equipment into the fast-food market, which is expected to contribute 15 percent of turnover in the current year

President Trading, a manufacturer, importer and supplier of catering equipment, was acquired on July 1 for R4,2 million, providing Bidvest with a dominant share of the professional and industrial catering equipment market.

Steiner Services saw turnover grow by 16 percent and operating profit by 19 percent, of which the washroom services and hygienic equipment division provided the best growth

The Patleys speciality food products division pulled out of the catering market to focus on luxury foods such as imported cheese, caviar and smoked salmon.

The bakery division extended its product facilities to Durban and Cape Town, where premixed products will become more readily available.

The Justine cosmetics house will expand into export markets, which include Israel, Zimbabwe and Angola Its new product development concentrates on skin care products

Industrial interests do for JCI sterling work

By Derek Tommey

STAR 11/9/92.

Helped by increased income from Argus, Premier and SA Breweries, mining house Johannesburg Consolidated Investment (JCI) has come through an extremely difficult year with higher profits, says chairman Pat Retief.

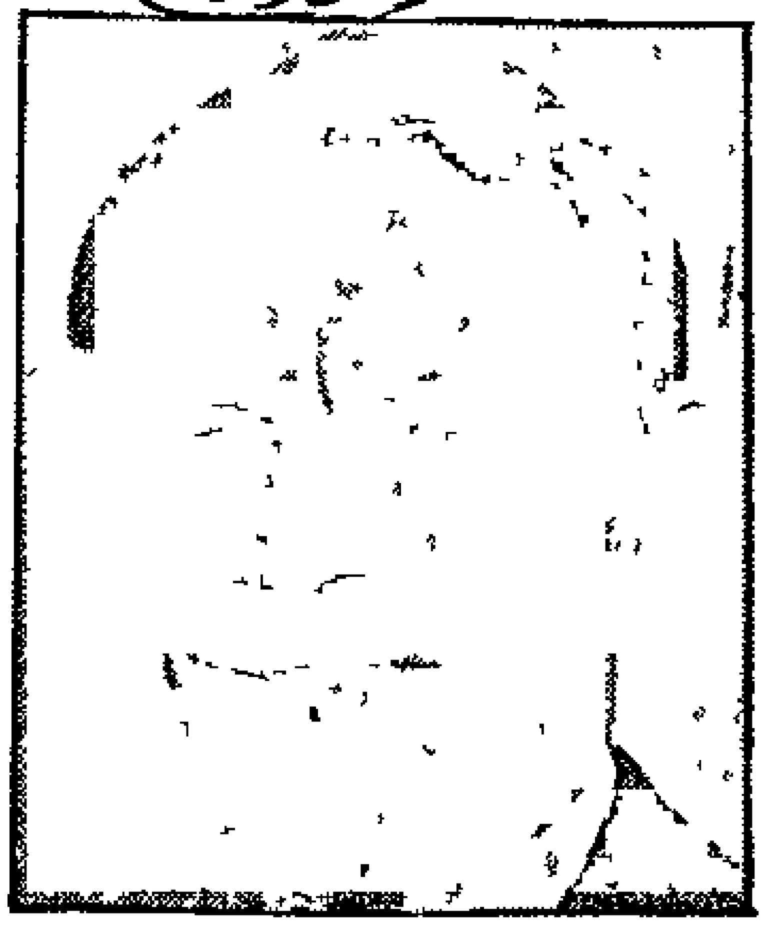
Attributable earnings in the year to June grew 5,2 percent from R418,0 million to R439,6 million Earnings a share rose from 283c to 298c

However, equity-accounted earnings, which include JCI's share in the undistributed earnings of associate companies, declined slightly from R576,1 million — equal to 391c a share — to R572,1 million — equal to 389c.

The profit figures take virtually no account of the PP Rust and Lebowa dividends in specie, which have been used to create a provision against possible investment losses

An unchanged final dividend of 90c has been declared, making an unchanged total of 132c for the year.

The figures suggest the description "mining house" for JCI is becoming something of a misnomer



Pat Retief . . . lower level of earnings expected in 1993

Earnings from industrial and property investments in the year just ended exceeded earnings from minerals and mining, though admittedly it is the first time this has happened

Mining's contribution to profits fell from R314,5 million to R242,8 million, or from 54,8 percent to 42,4 percent of the total

But income from property and industry rose from R203,4 million to R267,3 million — from 35,2 percent to 46,7 percent of the total.

Income from platinum slumped by R76,1 million to R120,1 million, but income from gold rose R4,6 million to R15,9 million

Diamond income fell R10 million to R68,8 million

The coal unit's results were disappointing, its contribution to JCI's profits dropping by R7,7 million to R41,1 million.

Mr Retief says the coal unit is a good one and that a far higher return had been expected, with almost R500 million having been invested in it over the past few years

But the export coal market has become difficult, with spot coal prices recently dropping by $5 to $7 a ton.

Mr Retief says this will affect price negotiations for 1993

The lack of a linked Eskom power station had also made JCI's coal division more vulnerable to a downturn

Industrial investments produced income of R242,62 million (R205,3 million), while the ferrochrome division had a R13,4 million swing from loss to profit.

Mr Retief says the group is expecting a lower level of earnings in 1993, but is well positioned to benefit from an upturn in the world economy

The South Deep gold deposit, which JCI is preparing to develop, is the most important unexplored deposit in the world, he says

JCI is in a unique position at South Deep because the twin haulage from Western Areas has enabled it to inspect the ore body at the proposed shaft site.

Before JCI can go ahead with a mine at South Deep it has to be confident gold can be produced at a low price

JCI is looking for new prospects oveseas, including Australia However, all the platinum prospects so far investigated have proved worthless

JCI's shares had a net asset value of R68,86 each at June 30, up from R61 a year ago

Its investments had a market value of R9,67 billion (R8,25 billion), while total assets were R2,96 billion (R2,48 billion)

Current assets at June 30 were R1,8 billion Current liabilities were R2,32 billion, resulting in net current liabilities of R446,4 million (R428,3 million a year ago)

AVI beats the recession with earnings rise of 16%

BDAY 11/9/92. (232)

MATTHEW CURTIN

ANGLOVAAL Industries (AVI) has beaten the recession in the year ended June 1992.

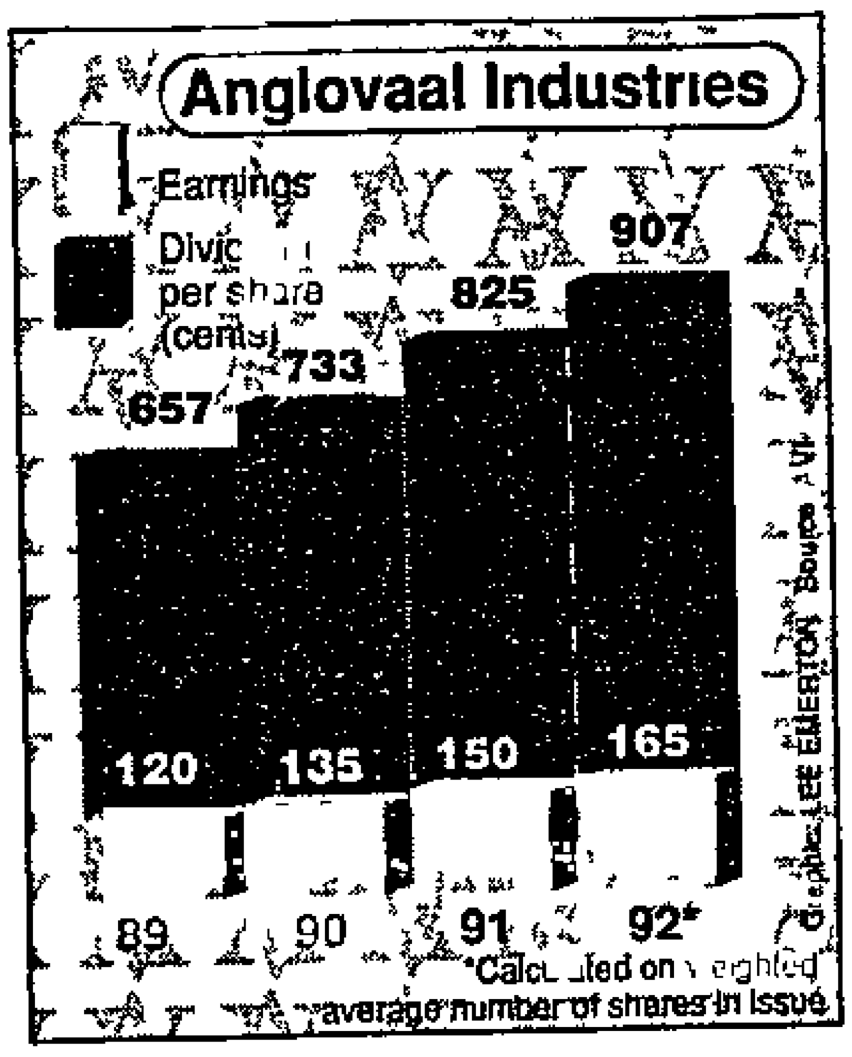
Interest earned on money raised from its September 1991 rights issues and from the sale of its stake in Cadschweppes enabled the group to report a 16% increase in attributable earnings despite tough trading conditions faced by most subsidiaries.

Attributable earnings rose to R271m from R234m in 1991 Earnings a share rose only 10% to 907c from 825c, diluted by the larger number of ordinary shares in issue AVI increased its total dividend by 10% to 165c from 150c a share

MD Jan Robbertze said last night that AVI's results were "flattered" by the money earned from the group's improved cash position. AVI raised R547m from the rights issues and R177m for the Cadschweppes sale.

Several of AVI's core businesses suffered tough trading conditions in the year, and even "stalwarts like packaging and rubber group Consul felt the draught"

"AVI is concerned that as we are a consumer-driven business, our consumers are under great pressure," he said Robbertze said AVI was disappointed with the lack of progress on the political front.



AVI had identified no clear opportunities for spending its cash, but the group had a "shopping list" for when the right opportunities arose

Group turnover rose 8% to R7,96bn from R7,34bn Tighter margins ate into operating profit, and AVI's pre-tax profit margin before interest payments fell to 9,8% from 10,5% in 1991 Pre-tax and pre-interest profit was unchanged at R777m After paying R43m in net financing costs in 1991, AVI earned R21m in interest, and total interest paid rose only 8% to R96m from R89m After-tax profit was almost unchanged at R390m against R389m

After taking into account AVI's share of associated companies' earnings and a 16% fall in income attributable to outside shareholders of the group's subsidiaries (principally their stakes in electronics and construction group Grinaker, Consol and frozen foods company Irvin & Johnson), attributable earnings climbed to R271m

AVI converted a net borrowing position of R272m in 1991 to a net cash position of R470m

He said that I & J had recovered strongly, and Consul turned in a sound performance National Brands — which makes, markets and distributes a wide range of consumer products from biscuits and perfume to pizza — had gained market share and had performed well, he said

KATZ COMMITTEE

Bringing in outsiders

(232)

FM 11/9/92

In a dramatic shift in policy, the JSE's general committee is enlarging the recently established research committee to include representatives from wider fields of expertise The committee's primary function is to research and make recommendations on the structure of the JSE in a new political and economic dispensation

The move to broaden the scope of the committee's membership is unusual because the JSE has traditionally defended its independence and has resisted attempts by "outsiders" to influence its structure

The reorganised committee, commonly called the Katz Committee after its chairman, attorney Michael Katz, includes JSE executive president Roy Andersen as convener, Humphrey Borkum, Paul Ferguson, Francois Tolken, George Huysamer, and Norman Lowenthal, all representing the JSE, Gad Ariovich of the Financial Services Board, Bernard Nackan of the Association of Unit Trusts, Stephen Koseff of the Merchant Bankers Association, Professor Wiseman Nkuhlu representing the Black Management Forum and the Independent

FM 11/9/92 (232)

Development Trust, and Johannes van der Horst of the Life Offices Association

The committee was expanded after consultation with chairman of the Financial Services Board, Judge David Melamet, Registrar of Stock Exchanges Piet Badenhorst and chairman of the Financial Markets Advisory Board Chris de Swardt

Andersen says the research committee has completed its international research component, seven separate investigations into SA's financial markets and a study of the JSE's trading systems and procedures In addition, 430 research questionnaires were distributed to users of the exchange Of these, 292 were returned, representing a 68% response The responses will be subjected to critical, independent, analysis and will form an important segment of the evidence on which the committee will base its findings

Among the committee's research staff are some independent consultants They include Professor Robert Austin, an Australian expert in stock exchanges and regulatory markets, Peter Rawlins, CE of the London Stock Exchange, the Reserve Bank's Roy Bamber and executives of Ernst & Young International

David Gleason

ECONOMIC CONCENTRATION

Unchain those hearts

232

FM 11/9/92

Company analyst Robin McGregor finds virtue in unbundling conglomerates

Unbundling means different things to different people There are three specific areas where it can have different implications — depending on definition

For the investor, unbundling results in the distribution of investments directly to a conglomerate's shareholders, thereby eliminating holding and pyramid companies This adds value as it eliminates the cost of multi-tiered control and unlocks value by re-appraising undervalued assets It focuses management attention on core business

For management itself, unbundling is the process by which an organisation divides its operations into autonomous units which have maximum independence and are run as separate profit centres. It can be applied equally to a company with 100 employees or to a conglomerate with 40 000 people running 500 different companies In other words, the "top-down" system of management is replaced by a small "head office" function with many independent units operating either as companies or divisions

As for the State, the government of the day may decide it is in the interests of the economy and consumers to increase competition To achieve this, conglomerates could be compelled to divest themselves of operations in industries deemed to be non-competitive This can be done by using either coercive or incentive measures

The management of the SA economy for the past 40 years has been of secondary importance to both the Verwoerdian ideology of apartheid and the expansion of Afrikaner socialism Apartheid not only attracted international condemnation and sanctions, but spawned an ever-expanding public sector This led to such steep increases in private-sector taxation that the all-important profit incentive was seriously eroded

Andersen

As a result, the economy sped downhill — rescued spasmodically by rises in the waning gold price

In the Seventies and early Eighties — unable to invest abroad — cash-flush mining houses had little alternative but to invest in greenfields projects or to expand existing investments, more frequently, they bought existing businesses Most of these were initially their suppliers, but when this option was exhausted, companies with no relevance to their core businesses became targets as well Where subsidiary suppliers had excess production to the group's requirements, a captive market was created by buying outlets down the distribution line to the end-consumer

Thus, SA conglomerates were born

South Africans are world leaders in mining techniques, mining management, oil from coal technology, etc, but they lag behind in the dynamics of corporate structure

Tough times ahead as we all get poorer

232

STAR 12/9/92.

MOST South Africans got a little poorer this week As they did the week before and the week before that as well. And chances are that they will get a little poorer next week as well.

The year 1992 is likely to end up as one of the worst years for most South Africans in terms of economic growth, declines in wealth and standard of living since World War 2

AS SOUTH Africans continue to feel the pinch of the recession, the bad news is that it's not going to get any better in the immediate future. In fact, 1992 is likely to end up as one of the worst years for economic growth. MAGNUS HEYSTEK analyses the predicament SA finds itself in.

No end in sight to doom and gloom

And the outlook is not likely to change before several positive factors fall into place

This week's wholesale sell-off of South African shares by foreign investors in the wake of the Bisho shootings further underlined the fragile investors' mood on the JSE

Dramatic

Since peaking early in June this year the three main indices on the JSE have recorded dramatic falls The overall market has declined nearly 20 percent, the industrial index by more than 15 percent, and the gold market 26 percent to a seven-year low this week

After initially being fairly guarded about the nature of the decline on the JSE, analysts are now openly describing the current bout of weakness on the JSE as a full-scale bear market

Unit trust investors have also borne the brunt of declining capital values, with most funds mirroring, to a lesser or larger extent, the downwards spiral in share values

The other investment area that traditionally has served to protect one's capital against inflation, the property market, is also now feeling the cold winds of the international recession blowing throughout the Western world

While property values have not started declining in both nominal and real terms as is happening in most other Western countries, notably the United Kingdom and United States, turnover levels in the industry have dropped by more than 30 percent

While the lower and medium ends of the residential property market have kept up reasonably well, the top end of the market has been badly bruised by a combination of financial pressure on the owners as well as lack of political confidence in the country's future

Events this week have done nothing to boost the flagging political morale of large sectors of South African society, mainly white

While cash might create a feeling of flushness, it certainly offers no protection against inflation and taxation

But for the time being, it is in many cases the only option

With the latest decrease in interest rates, savers with less than R50 000 now get a paltry 9,5 percent on average.

Other types of instruments offer higher rates but in the retail market the highest rates generally on offer are not much higher than 13 percent

Against an inflation rate of 15 percent it stands to reason that capital values are under pressure here too

For most average working people, salary and wage increases this year are likely to be below the inflation rate — in some cases as much as 8 percent lower

In addition, many thousands of people have either been retrenched or retired prematurely This adds to the air of doom and gloom and also reduces the disposable income in the economy as a whole

Internationally, South Africans are steadily getting poorer in line with the decline of the rand against all major currencies, especially non-dollar currencies

This has had a catastrophic effect on the purchasing power of the rand, particularly in European countries

For both traveller and businessman this means that more and more rands are needed for the purchase of goods and services

Last week the rand dropped to record lows against most European currencies, notably the pound, German mark and French franc

At R5,50 to the British pound, the rand today is worth only 18p Not many years ago the rand was worth the same as a pound.

Poverty

Against the US dollar the rand has been relatively steady, but only as a result of the sharp decline of the dollar against other major currencies.

The latest political developments have done nothing to offer hope for a turnaround in this precipitous slide into poverty

In fact, it has added further momentum to it

Being in Germany and Austria at around the time of the Bisho massacre, I had first-hand experience of the reaction of top businessmen to the bad news And, I'm afraid to say, the bad news was not conducive to further investments in South Africa

At this stage, top companies like BMW have no intention of pulling out of South Africa, but before the political climate improves there is no chance of further investments here

This makes us all poorer in the long run

Stock market offers you far better odds than the racecourse

ONE area of investment has reigned supreme throughout the 20th century, offering by far the greatest rates of return

It is, of course, the stock exchange, where a 50 percent capital gain in a week or two is not a particularly surprising occurrence, but where losses of equal magnitude occur just as frequently

It is an avenue of investment from which many ordinary folk shy away, because they consider it to be beyond their abilities

Yet there is nothing really difficult about picking stock exchange winners

It is a lot easier than trying to pick out a winning horse at the races and — best of all — if you do not get your calculations right and your share does not perform as you expected it to do, you should still have your stake money, less a little brokerage, available for a second and a third try

During the 48-week period from December 1990 to the beginning of December 1991, a five-share portfolio — picked out by methods I shall describe in this column — grew in value by 121,42 percent.

That annualised to 131,83 percent and was, accordingly, 417 percent better than the top unit trust performer

I know of no more certain route towards the attainment of real personal wealth.

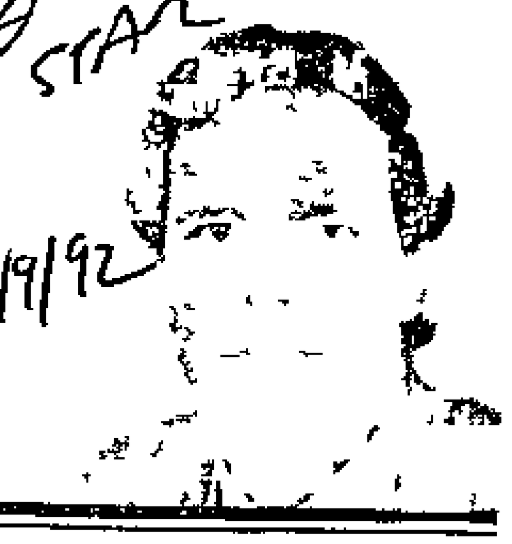
Let us start by noting, as I did in this column a few months ago, that South Africa's most popular investment — property — has, on average, outstripped the inflation rate by 1,5 percent a year

Figures from an authoritative University of Natal study have demonstrated that between 1960 and 1985, gold shares outperformed the inflation rate by a yearly average of 9,7 percent while industrial shares achieved an average of 7,8 percent better than inflation

Just in case these figures do not appear too

FOOTSTEPS TO FORTUNE

232 STAR 12/9/92



RICHARD *Cluver*

impressive to you, note that had you invested in a parcel of gold shares 25 years ago, notwithstanding the ravages of inflation, their value would today be enough to buy you more than 10 times the value of goods that you could have bought originally

Looked at another way, taking that level of growth with the average long-term inflation rate which, in 1991 stood at 14,8 percent, a R1 000 investment in 1991 would in another 25 years' time have grown to R239 460

But you could have done a lot better

If you took the trouble to perform a few simple tests, such as working out every year which five companies listed on the Johannesburg Stock Exchange had achieved the highest long-term average dividend growth rates, and made a switch whenever one was toppled from the top five list, you could have counted on an average annual growth rate of 113 percent.

That growth rate would see your R1 000 swell to an incredible **R162-billion** in the next 25 years!

You could clearly better that 113 percent if you took the trouble to ride the stock exchange waves; if you used available computer-aided share market forecasting techniques to determine when individual shares were reaching the bottom of their regular yearly high-low cycles in order to buy at the bottom and sell at the top

Clearly as insufficient time has elapsed since computer programmes like my own Share-Finder series came into use to have permitted actual long-term achievement studies, it is not possible to offer readers a precise multiplier

However, taking a conservative view of the results that have been achieved so far suggests that it would not be unreasonable to multiply the 113 percent top blue chip growth rate by a factor of between two and three

Should that figure prove accurate in the long term, our R 1000 investment would swell to the unbelievable amount of R11 524 258 890 075-million.

It is enough one might reasonably conclude, to allow for quite a wide margin of error

How to get started? Read on next week!

Foreign selling boost for bonds

By CHERILYN IRETON

MOST foreign investors have offloaded their South African shares, leaving only die-hards in the market.

But the gradual erosion of foreign holdings has been a boon for the bond market.

Latest figures suggest that the financial rands created by the sale of equities have been used by foreigners to invest in bonds.

S/Times BUSS 13/9/92

Eskom treasury manager Willem Kok estimates that non-residents now own more than half the R18,5-billion Eskom stock in issue. This compares with an 18% to 20% holding of Eskom bonds only four years ago.

The switch from equities to bonds was highlighted this week when small foreign selling of shares followed the Bisho killings.

Instead the market moved lower on sales by SA small investors.

Particularly hard hit were shares considered "homeland stocks" — SunBop, Kersaf, Sun-Ciskei and Impala. The stocks are considered risky if the ANC pursues its mass action campaign against the homelands.

About 12% of SA mining shares are now owned by foreigners, according to estimates by Manny Pohl of stockbroker Davis Borkum Hare. This compares with 13,8% at the end of 1991 and 14,1% at the end of 1990.

232

Nominees

In the 1980s almost a third of mining stock was held outside SA borders.

De Beers still attracts the greatest outside attention, but selling after warnings of a cut in dividend has reduced the number of foreigners holding SA shares even further, says David Shapiro of stockbroker Frankel, Max Pollak Vinderine.

JSE statistics show foreigners have been net sellers of SA stocks since 1989. They turned net buyers in July and September — before this week's Bisho killings.

The percentage of foreign holdings of government bonds is difficult to establish because most are owned by nominee companies.

However, the Reserve Bank's Mike Lamont estimates that between 5% and 10% of the R130-billion in issue is held abroad. These investors receive a return of between 16% and 19% on SA bonds.

JSE president Roy Andersen is involved in numerous projects to revive foreign interest in SA shares.

BUSINESS DAY, Monday, September 14 1992 3

'Complementary' gilt fund

BDAY 14/9/92 (232)

LINDA ENSOR

CAPE TOWN — A gilt fund to complement the Community Growth Fund — an equity unit trust controlled by trade unions and Syfrets — was under consideration, fund director Ian Hamilton said at the weekend

The Community Growth Fund was established with the intention of providing pension and provident funds with a socially responsible investment vehicle which invested only in companies meeting certain criteria, for instance job creation, union recognition, equal opportunity for all and fair wages

Hamilton said the need for an additional fund arose because of the requirement that pension and provident funds invest in a balanced financial vehicle

The prudential investment guidelines for pension and provident funds stipulated that a maximum of 75% could be invested in equities, with the rest having to be invested in property, cash and fixed interest securities

To achieve this balance most pension and provident funds invested in guaranteed funds

Syfrets had assumed responsibility for balancing the portfolios and cash flows of the pension and provident funds which invested in the Community Growth Fund

However, Hamilton said, it would be preferable for the benefits of managing such investment funds to flow into the Community Growth Management Company, which controlled the Community Growth Fund and which was jointly owned by Syfrets and Unity, a trade union-owned company

A total amount of R50m has been committed to the Community Growth Fund since its launch on June 1 Hamilton said the fund was 100% liquid, because of the uncertain state of the market, and for this reason would outperform the industry this quarter.

He said there was great concern about the US economy and the outcome of the French vote on Maastricht

The fund would wait until the market settled down before investing

The shares which met the union's social criteria had been selected and did not differ much from the Syfrets Growth Fund portfolio One exclusion was Richemont, whose assets were wholly offshore

MONEY MARKETS by Hilary Gush

(232)

Bulls follow Bisho's bears

ACTIVITY picked up in the capital market last week following Monday's Bisho massacre However, the money market was subdued as liquidity remained tight

As news of the Ciskei shootings reached the market, bears took to the floor and sold off gilts, with the rate on the bellwether Eskom bond — the E168 — reaching an intraday high of 14,31% on Tuesday after closing the previous week's trade at 14,13% Similarly, the yield on government's R150 bond lifted to 14,49% from a previous 14,22% BIDAY 14/9/92.

By mid-week news of the Bisho bloodbath was seen as bullish for the capital market as equities tumbled Investors moved funds out of the JSE and into gilts Rates subsequently fell By Friday the E168 bond was trading at around 14,07% while the yield on R150 stock was at about 14,11% Bullish sentiment should continue to reign supreme, but as trendless and unpredictable as the market has recently proved to be, all bets are off

Amid tight liquidity conditions — with the shortage lifting above the R4bn mark — rates in the money market kept to their recent ranges last week The reason for higher shortage remains a riddle to even the most informed traders Whatever the cause of the higher shortage, dealers expect (and hope) that liquidity will gradually improve this week, with the shortage moving between R2,5bn and R3bn

The rate on 90-day liquid BAs remained static in a 12,4% to 12,6% band last week and no wild swings are expected in the short term By mid-week the rate on 12-month NCDs picked up to trade in a 11,75% to 11,95% range from the narrower 11,5% to 11,6% trading band at the beginning of the week Dealers said that as rates came up, institutional demand for the longer-term paper had increased (105)

The average rate on the weekly three-month Treasury Bill was five points up to 12,03% on Friday from the previous week's 11,98% Market players expressed concern that the rate was too low, while that on the six-month bill — down to 11,37% from an earlier 11,42% — was a "good" rate

Investors served best by a company that can buy itself

BDM 14/9/92 **MICHAEL ALLMAN** 232

THE Association of Corporate Treasurers of SA (Actsa) recently called for the legalisation of corporate share repurchases — to make it possible for companies to purchase their own shares. There are good reasons to support this call

Corporate share repurchases act as a valuable tool to allow companies to correct mispricing of their securities, providing a more efficient market and improving the allocation of scarce capital resources

The simplest form of a share repurchase is the open market repurchase Here, a company purchases its own shares through conventional means, just as if it were buying any other shares The prices paid are market prices, and the amount of shares repurchased tends to be relatively small These shares are held as treasury shares and do not carry any voting rights or receive dividends

Economically, an open market repurchase is similar to a dividend in that cash is transferred out of the company and into the hands of shareholders Unlike dividends, however, the cash is paid only to those who sell their shares This gives shareholders the flexibility of deciding if they want to realise their "dividend" by selling all or some of their shares, or "reinvest" the dividend by holding on to their shares Investors who do not sell will see their proportion of ownership in the company increase slightly (just as if they had reinvested their dividend) without the associated transaction costs.

AN open market repurchase also provides a mechanism for the company to distribute cash without changing its dividend policy Many companies use their dividend policy as a signal of the company's prospects When times look good, dividends can be raised to communicate to investors management's confidence in the future This is the reason share prices increase when a dividend increase is announced It is not the dividend that causes the share price to increase, but the signal that the future cash generating capability of the company is likely to be sufficient to cover any future dividends

While the open market share repurchase is a flexible tool for corporate treasurers to help them manage the corporate cash position effectively, the other form of corporate share repurchase, the self-tender offer, is a powerful mechanism that can be used to eliminate a corporate misvaluation

Every CE occasionally, if not regularly, believes that the company's shares are undervalued This "value gap" — the difference between what management thinks the company is worth and the share price — can occur because management has information that is not or cannot be fully revealed

Management often tries to reduce a value gap by instigating a concentrated public relations effort. Most analysts and investors can be forgiven for taking such puffing as mere smoke After all, isn't corporate management supposed to be optimistic? The self tender offer gives managements the chance to "put their money where their mouth is"

In a conventional self-tender offer, a company offers to buy a specified number of its shares — typically 15% to 20% — at a given price, usually at about a 20% premium to recent stock market values

Investors then decide if they would like to accept the company's offer If they do, they "tender" their shares to the company If the tender is undersubscribed, the company buys back all of the shares tendered. If the offer is oversubscribed the company prorates the purchased shares across all of the tendered shares

If everyone tenders his shares and is given a pro-rata distribution, each shareholder is no better or worse off than before His original shareholding is reduced and each share is worth less than before, but shareholders also have the cash from the repurchased shares and their total net worth is unchanged

THIS is when management makes an important undertaking Corporate insiders, including management and members of the board, agree not to tender their own shares Thus, if everyone except insiders tender their shares, a disproportion of outsiders' tenders is accepted and the ousiders end up collecting the tender premium, being subsidised by the insiders.

Investors must ask, at this point, why management would purchase their company's shares for more than they thought they were worth, knowing that management personally couldn't participate and would therefore be left holding shares worth less than before

The answer is, of course, that they wouldn't Managers, who have access to inside information on the company's prospects, are in a better position to assess the "true" worth of the company than other investors Since they wouldn't want to hurt their own pocket books, they wouldn't agree not to participate in a premium self-tender offer unless they were confident that the company was undervalued

Thus the premium self-tender offer acts as a signal to investors Management is saying "Our shares are undervalued, and to prove it we will offer to repurchase a significant fraction of our shares at a premium to the market price and not tender ourselves, thus putting us at financial risk if the company is not worth more than the market price" Suddenly, management's assertion about undervaluation is more credible

Does it work? Do investors find the undervalued signal of a self-tender offer credible?

The Alcar Group, a financial and management consulting firm headquartered in Chicago, performed a study of the tender offers conducted in the US during the 1980s. Their conclusion is irrefutable Investors, on average, believed management and were impressed by their financial commitment. They revalued the companies and increased their share price by an average of 12%, adding billions of dollars to the capitalisation of these companies A powerful signal indeed

The study also found that the amount of the value added was positively related to the size of the premium offered, the fraction of the shares repurchased, and the percentage of shares held by insiders In other words, the more financial risk management assumed, the more believable the signal and the greater the revaluation No pain, no gain

Moreover, the evidence indicates that the signals were valid In the period after the share repurchases, the company's earnings did improve

In spite of the obvious improvements in market efficiency offered by share repurchases and the associated benefits that come with more efficient markets, many national legislatures and regulators have a negative attitude towards this practice Their stated desire is usually to protect non-insider investors from insiders giving false signals to the market

YET the studies have found no evidence that non-tendering shareholders are expropriated Both tendering and non-tendering shareholders can be better off if the share price stays high, and the evidence indicates that the increases are permanent

All the evidence indicates that share repurchases improve market efficiency by allowing companies to eliminate value gaps and correct inappropriate pricing of their shares

Paradoxically, while many argue for government intervention to solve the problems of insider information, government intervention has been depriving companies of an important signalling tool by denouncing share repurchases as illegal One hopes this will end soon

☐ **Allman is a director of Alcar Metric Consultancy.**

Safex to open formal future options floor

232

BDDM 15/9/92.

SHARON WOOD

THE SA Futures Exchange (Safex) will open its formal options-on-futures market later this month, adding another investment instrument to the growing SA derivatives market.

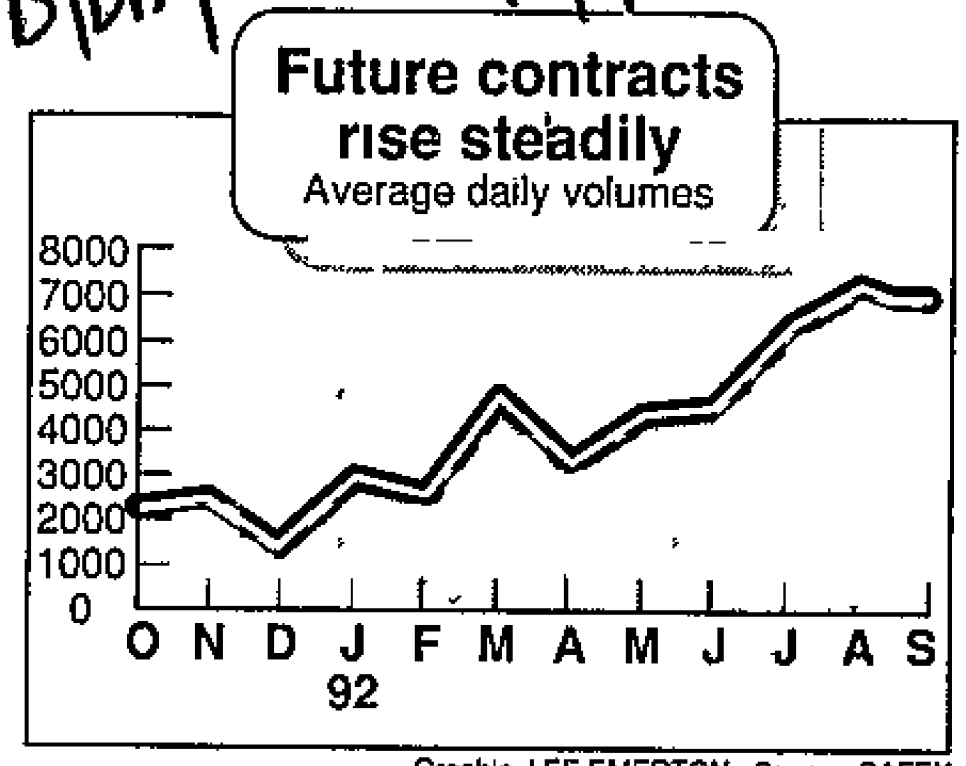
The exchange has budgeted for 1 000 contracts a day opening on the all share, gold and industrial indices and the E168 CE Stuart Rees believes this is a conservative estimate, however The budget for futures contracts is 4 000 a day

The open interest in the informal over-the-counter options market is registered by Safex to be over 100 000 contracts Rees says if the volume of business this implies is diverted into Safex's formal options-on-futures market it will be a success

Rees adds the new market will not result in the demise of the existing over-the-counter market, where transactions take place directly between the major institutions with no official intermediary

He says the informal trading of options-on-futures with different expiry dates will continue "We don't want to stifle over-the-counter options"

Informal options-on-futures with the same expiry dates as those implemented in the new market will be allowed to trade until end-December when they should have worked out of the system, and then the exemption will be reviewed



Graphic LEE EMERTON Source SAFEX

Volumes in the futures market have been rising steadily during the last few months and in August daily volumes averaged 7 200, which is well-ahead of budgeted volumes and more than July's 6 400 The September average is more than 7 000

Rees says the physical delivery of E168 futures is still being held up by the problem of tainted scrip This occurs when scrip has been stolen or forged

He says a number of alternatives have been looked at but a solution has not been agreed on Safex is investigating a final solution but Rees prefers not to comment

Reserve Bank raises travel allowances

(236) SHARON WOOD

THE Reserve Bank has lifted individual travel allowances to R19 000 from R17 000 effective from August 28 Business allowances have risen to R28 000 from R25 000.

The 11,8% annual increase was calculated according to inflation rates in overseas countries and should leave travellers as well off as the year before, a source in the Reserve Bank said BDAY 15/9/92

Analysts said while the absolute amount remained small, the increase was quite generous and on average took into account the effects of price increases in most destination countries However, they said that in certain countries travellers would be worse off than they were a year ago

In the year to August 28, the trade weighted basket of currencies depreciated 5,3%. In real terms the rand appreciated

The rand had shown a mixed performance against international currencies during the year to end-August, with the dollar appreciating 4,5% against the rand, the pound depreciating 13,1%, the Deutschmark, 16% and the Japanese yen 5,6%.

Travel allowances for neighbouring countries rose to R6 000 from R5 500

Study allowances for single people grew to R2 750 from R2 500

Futures-related activity lifts JSE prices

MERVYN HARRIS

FUTURES-related activity on the close out of September contracts overshadowed concern over domestic political factors and turmoil on foreign exchanges to dominate trading on Diagonal Street yesterday.

Dealers reported strong buying pressure towards the close of trading as people who were long on futures bought shares to lift prices and boost the cash market.

The activity was confined mainly to leading industrials and weighted shares such as Anglos and De Beers, with gold shares generally sidelined although precious metal prices held steady at their higher levels after Monday's gains.

The market opened firmer on the back of Monday's sharp gains but was running out of momentum when the futures-related activity emerged.

232

This swept the JSE overall index up 27 points to 3 178 with the industrial index rising 28 points to 4 132 and the all gold index slipping 11 points to 894.

The rand firmed slightly to R2,7958 to the dollar which slipped and then recovered in Europe after mixed US August sales data. The dollar was trading at DM1,4805 but attention on foreign exchanges switched to the embattled pound.

Wind of competition blowing over the JSE

STAR 16/9/92 (232)

By Derek Tommey

The JSE will have a competitor from the end of this month

The competitor is the Namibian Stock Exchange, which opens its doors for business in Windhoek on September 30.

Namibia being in the rand currency area, South Africans will be able to trade on the new exchange.

It is not known yet which companies will be listed on the NSE

Trading will initially be in shares of non-listed Namibian companies, says Wikus Hanekom, the Windhoek-based partner of brokers George Huysamer, who is adviser to the new exchange

He expects Namibian companies listed on the JSE to seek listing on the NSE and SA companies with interests in Namibia to seek NSE listing.

The NSE will operate on a different basis from the JSE It will have no dealers or trading floor.

Instead, the exchange itself will handle the trading in shares and make the market in them, thereby making it a low-cost operation.

However, when the volume of business picks up, it is envisaged that brokers could become agents of the exchange.

Finance for the new stock exchange has come from a large number of companies and organistions.

Among the 33 "founder members" are De Beers and CDM, Sanlam, Old Mutual, Southern Life, First National Bank, Standard Bank, the Namibian arm of Nedbank, Namfish, Nictus, Santam, Wispeco, the Namibian development company FNDC, TransNamib, the Namibian Building Society and SWA Building Society.

The NSE has the backing of the Namibian government, wh--h is planning to a make a bond issue through the exchange later this year

While the Namibian government would like insurance companies and other financial institutions to support the exchange it has no intention of forcing them to do so, says Mr Hanekom

The minimum charge for dealing on the NSE is R15, which is a half the JSE charge The charges on transactions to R10 000 is 1 percent, to R20 000 — 0,85 percent, to R100 000 — 0,65 percent, to R500 000 — 0,5 percent, to R1 million — 0,4 percent and above R1 million — 0,2 percent. The costs are mostly lower than those charged by the JSE.

In addition, no marketable securities tax (MST) is payable

This is of concern to brokers on the JSE. Should any major companies obtain a listing on the NSE, the absence of MST could divert a considerable amount of business away from the JSE to the NSE

Buyers of shares listed on the JSE have to pay MST of 1 percent This can significantly increase the cost of doing business on the JSE.

FM 18/9/92 (232)

ANGLOVAAL INDUSTRIES

Financial swing (232)

FM 18/9/92

Rights issues held by Anglovaal Industries (AVI) and two of its subsidiaries last year mostly explain the holding company's creditable results

Thanks to a favourable turnaround in net financing costs, EPS increased 10% despite unchanged trading profit Finance costs switched from R43,2m paid in 1991 to interest income of R20,9m

Proceeds from the rights issues held last October, which increased consolidated cash resources by R547m, and the R177m disposal of the Cadbury Schweppes holding last September, explains this swing

Consolidated underlying investments include AVI Diversified Holdings, listed glass, packaging and rubber group Consol, listed construction and electronics business Grinaker Holdings, and food companies Irvin & Johnson (listed) and National Brands (unlisted)

Earnings contributions changed marginally, aside from Grinaker It made no contribution, against last year's 7%, following losses on the back of sharply lower activity in the electronics and construction arms

AVI Diversified Holdings, constituting textile, engineering and steel trading interests, among others, accounted for 21% (1991 23%) of group earnings, Consol 30% (29%), I&J 19% (20%), and National Brands was unchanged at 22%

AVI Diversified Holdings' engineering results improved, though this was offset by a significantly lower contribution from textiles These performed poorly, except Gelvenor Textiles, whose profit improved

Consol was again the largest profit contributor Its own rights issue was the reason,

RIGHTS SUPPORT

Year to June 30	1991	1992
Turnover (Rbn)	7,4	8,0
Operating income (Rm)	777	777
Attributable (Rm)	234	271
Earnings (c)	825	907
Dividends (c)	150	165

as its trading profit fell 9%

AVI increased its holding in Consol, which partly explains why earnings attributable to outside shareholders of subsidiaries dropped to R134m from 1991's R159m Also, nothing was set aside for the minorities of loss-making Grinaker

I&J turnover increased 16%, but margins tightened as trading profit rose only 10% The Cadbury proceeds helped National Brands report 18% better earnings

A highlight of the year was the R320m acquisition of an effective 25% of cement group Anglo-Alpha, explaining the surge in AVI's share of associated companies' retained earnings, to R14,9m (R4,8m)

There are few apparent advantages in holding a stake in tightly owned AVI, aside from exposure in the unlisted National Brands and AVI Diversified Holdings However, the share remains well regarded, as shown by its 14,1 p e This rating partly reflects the healthy balance sheet with year-end net cash holdings increasing to R470m (R271m)

William Gilfillan

EDWARD L BATEMAN FM 18/9/92 (232)

Taking off the wraps

Bateman is taking the wraps off the extent of its international operations which, until recently, was an area about which the company deliberately maintained a low profile At an international conference held in Johannesburg last week, Batepro — the project company within the group — announced an expansion of its worldwide operations and the introduction of new strategies to service its international clients

This week came the announcement of group performance over financial 1992 Turnover declined 19% to R633,9m but net income attributable to ordinary shareholders rose 10%, to R24,1m, and the dividend has been increased 15%

Given increasingly difficult economic conditions, in SA and abroad, shareholders should be pleased with the final result And the relationship between turnover and net profit shouldn't be cause for concern the long-term nature and varying types of contracts render meaningless any comparison between year-on-year turnover or between turnover and profits

Interest charges leapt from R2,4m to R5,1m, largely because of a restructuring of intercompany funding However, chairman Bill Bateman says gearing is under tight control and was less than 15% at year-end In addition, there are healthy cash reserves of more than R100m

Characteristically, Bateman is dead pan about prospects for 1993 "It will be extremely difficult," he says, "to achieve anything more than a moderate increase in nominal terms on current earnings" His pessimism isn't reflected by his joint group MD John Herselman, who is also chairman of project management division Batepro

Herselman says Batepro — a home-grown equivalent of the internationally famous project engineering firms such as Fluor and Bechtel — intends to expand its worldwide activities, particularly "in remote areas and under adverse conditions"

Additions to Batepro's international operations include the formation of an international development division, the recent establishment of Bateman Engineering Pacific, and a joint venture with one of the largest of the Australian engineering groups to form Bateman-Kinhill

Bateman's Bateman *healthy cash reserves*

As part of the global expansion, Bateman Engineering Israel has taken on about 80 Russian immigrant engineers who will be directed to handling projects in former Eastern bloc countries — but not until they've been fully trained in Western work practices

A list of Bateman projects shows that completed undertakings include the Argyle and Bow River diamond projects in Australia, sugar factory modernisation in Colombia and Hawaii, a coal ash classification plant in Hong Kong, major gold projects in the US and the Kelian gold project for CRA in Indonesia Bateman's Israeli operation is working on a number of diversified projects which include a plant for Cleveland Potash in Yorkshire and pre-project work on an 800 000 t/year, US$300m potash plant in the Gobi Desert

Joint MD and chairman of Bateman Industrial Holdings (BIH), Peter Brereton, says the equipment supply division had an excellent year and contributed about 52% of profit New ventures were established overseas and the division is diversifying from its traditional mining-related markets

The maintenance-based business was expanded through the pipe rehabilitation division, significant inroads were made into information technology with the acquistion of a stake in Computer Alliance, and through it a stake in Professional LAN Systems BIH has also acquired an interest in Workgroup Systems, local distributor of Microsoft

Brereton is much less forthcoming about his division's international operations than his colleague Herselman, and this reflects an interesting dichotomy in the respective philosophies of the two men

"They (Batepro) can secure a project, put in the men and materials, complete it, and then leave We put down our roots in countries with ongoing maintenance contracts We want to set up permanent, established, presences And the trouble is that when SA politicians bicker among themselves, people start throwing rocks around That doesn't help secure our position in countries which are politically sensitive to SA conditions," says Brereton

For all that, Bateman is clearly positioning itself to become a major force in the international engineering and contracting business Its short-term success will be heavily dependent on global economic conditions, but in the medium to longer term the group offers SA shareholders an opportunity to participate in worldwide commercial activity It will be interesting to see how well an SA company fares against the giants in this business — assuming that Bateman's financial disclosure allows this comparison

The share is trading at 600c on a p e of 7,2 in the engineering sector, which has an average p e of 9,7 Its high over the past 12 months was 740c and its low 500c Given its wide spread of interests and its increasing movement into the global arena, the counter is certainly worthy of serious consideration by investors seeking to diversify their portfolios

David Gleason

GOING GLOBAL

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rm)	363	398	236
Operating inc (Rm)	17,7	11,7	18,9
Attributable (Rm)	13,3	9,6	14,5
Earnings (c)	486	35,2*	52,9*
Dividends (c)	193	8,25*	14,0*

* After share split

JSE 'looking beyond Big Bang'

THE JSE was looking beyond Big Bang to broader issues to ensure that every South African had an opportunity to own a share in the nation, JSE executive president Roy Andersen told the SA Fiscal Association last night B/DAY 18/9/92.

He said the expanded committee reviewing the role of the stock exchange was looking at capital requirements in the new SA, the needs of changing business and how to improve liquidity The so-called Big Bang issues were whether to have fixed or negotiated commissions, single or dual capacity trading and corporate or individual membership

Andersen appealed to business to jealously guard SA's high standards

MERVYN HARRIS and ANDREW KRUMM (232)

Sentrachem tax consultant Ernie Lai King told the association's tax seminar yesterday that said SA's tax incentive system must be overhauled to promote economic growth and international competitiveness

Tax incentives could work only if implemented "within a directed and cohesive strategy for economic growth". There was no such long-term growth strategy at present.

Government's attitude to tax incentives was inconsistent "They grant and withdraw incentives in a knee-jerk reaction to balance the budget or stop perceived tax abuse."

JSE slams fraud charges decision

STAR 18/9/92

Staff Reporter 232

The Johannesburg Stock Exchange committee yesterday criticised the State's decision not to bring two men to trial who had been charged with fraud following an investigation into irregular shares dealing.

The JSE committee was responding to the announcement that former Ed Hern Rudolph Inc authorised equities clerk Kenneth Fouche and director Andre Coetzee have each paid admission-of-guilt fines of R200 000 following 200 statutory offences in share dealings on behalf of Old Mutual.

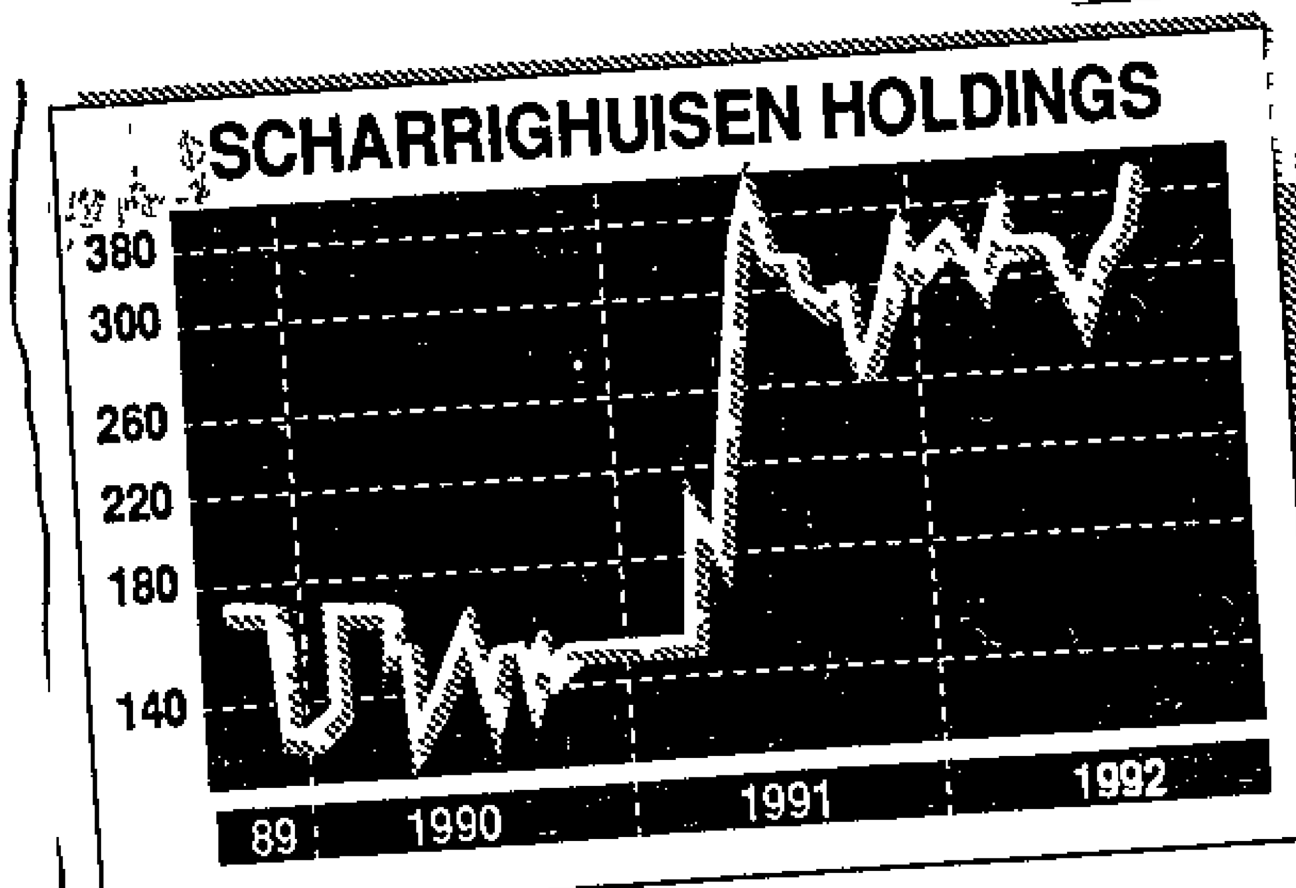
The men had originally been charged with 570 offences, mainly of fraud, and were due to appear in court next month, the committee said.

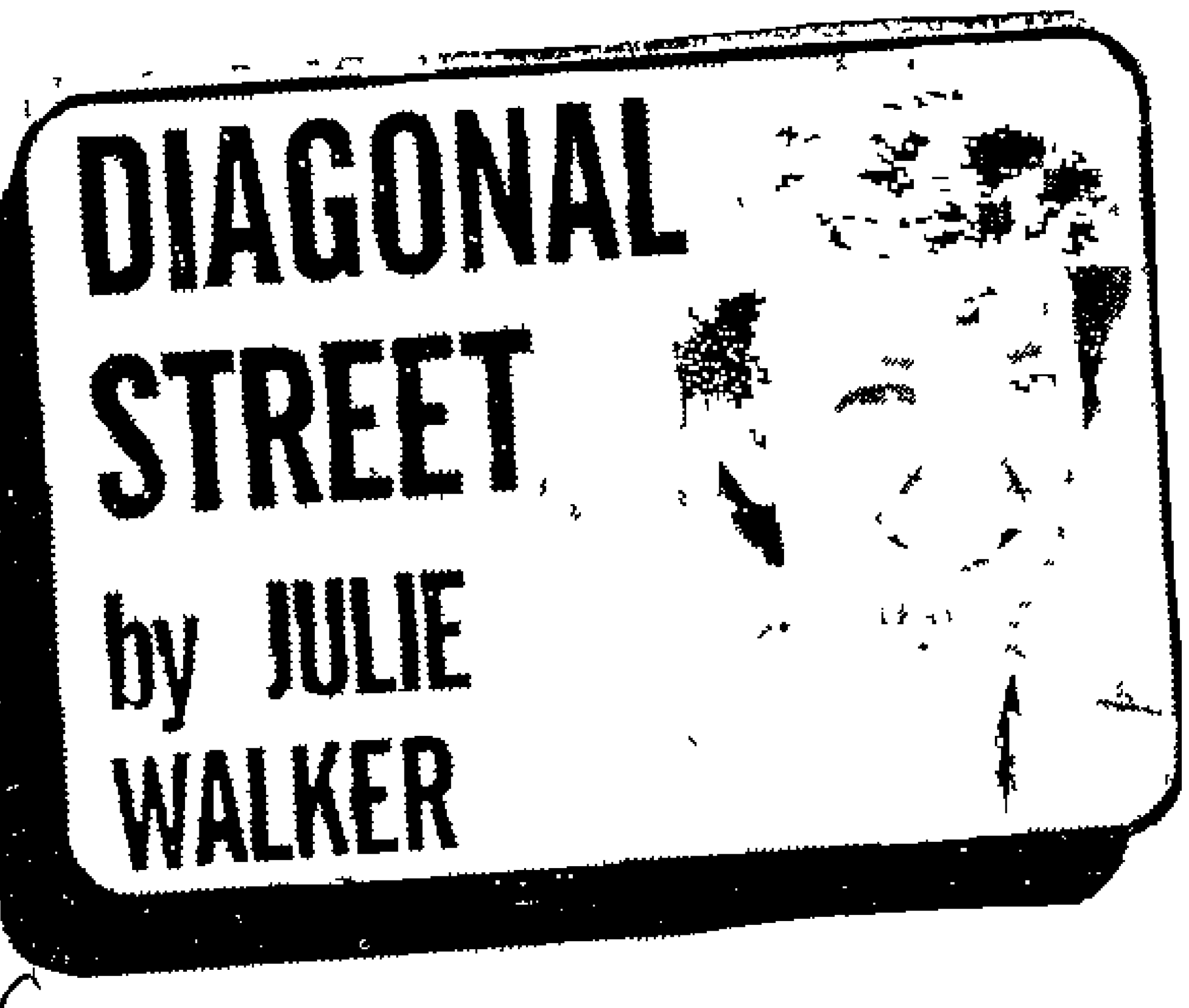
Witwatersrand Attorney-General Klaus von Lieres last night declined to comment He said he would do so today.

The JSE committee said that while it understood the benefits of avoiding protracted and expensive court proceedings, it regretted the State's decision not to proceed with the substantive trial of Mr Fouche and Mr Coetzee and, in particular, to withdraw the charges of common-law fraud against them

In a statement, the committee said it believed it would have been in the interests of the investing public to hold a trial,

"The JSE committee also believes that the trial would have facilitated its internal disciplinary investigations into this matter, which are continuing"





Scharrig plans to split

232 20/9/92 S Times (Buss)

THREE years after listing, Scharrighuisen is still relatively unknown in spite of a rapid growth in business, rating and market capitalisation

Shareholders are warned that the group is to list its operations under two headings — mining and eventually industrial The purpose is twofold — it secures control through a pyramid and it might improve tradeability Holders will receive shares in the subsidiaries as a dividend in specie

Chairman and joint managing director Cas Scharrighuisen came from the Netherlands 30 years ago with a Komatsu excavator and won a mining contract with Iscor at Newcastle

The fleet has been expanded to 260 items of plant worth R150-million at replacement cost Scharrighuisen has three areas of business — open-cast mining, earthworks and construction, and plant hire

In the six months to June, turnover increased 38% — aided by the acquisition of Frigate's contracting businesses — to R52-million and taxed profit of R10-million was up 40%

At a presentation to the Investment Analysts Society this week, joint managing director Laurie Fisher said that the group had never lost a day's work to strikes and had not suffered a fatality for 20 years

"We're a big business with a small-business profile," says Mr Fisher

At the yearend the group's cash of R23-million will almost balance borrowings of R25-million Gearing is down to 32%

The presentation left the impression of a company tightly run, with hands-on management at the work sites and good financial control at the offices

The analysts were treated to a lengthy list of jobs accomplished — from dams, roads, rehabilitation of mines and contract mining for top names, such as Rand Mines, Genmin and Sasol

At 395c cum dividend of 12c, the shares are five times PE The downside looks limited for this well-managed company that has flourished in this long recession — even at 70% capacity

ROY ANDERSEN: Maintaining ethical standards a challenge

Police on trail of other scamsters

S[Times (84557) 20/9/92 (232)

By ZILLA EFRAT

CHARGES against other members of the financial community could follow this week's fines on two former stockbrokers involved in share-dealing irregularities

But attempts by the JSE to bring infringers to trial have so far failed. Many brokers believe that irregular and insider trading will not be stamped out until there is an open trial and conviction.

This week former Ed Hern Rudolph brokers Kenneth Fouche and Andre Coetzee paid admission of guilt fines of R200 000 for 200 statutory offences in dealings on behalf of Old Mutual and four other institutions.

There had been fears that not all the details of this scam, uncovered early last year, would emerge.

This week's announcement that the case would not go to trial revived concern.

However, the two men are now expected to assist in prosecuting others involved in the same scam.

Investigations are almost complete and will provide the basis of the State's case against other institutional dealers, says a Department of Justice source

In addition, the case against former Frankel, Max Pollak, Vinderine stockbroker Greg Blank goes to the Supreme Court next month.

Regret

The JSE, in an uncharacteristic move, distanced itself from the outcome of Mr Fouche's and Mr Coetzee's case.

It said it regretted the State's decision not to proceed with the trial of the two, and in particular to withdraw the charges of common-law fraud against them.

"The committee believes that it would have been in the interests of the investing public to hold a trial thereby enabling all the facts to be disclosed," the statement said.

The JSE also believed the trial of the two men would have facilitated its own internal disciplinary investigations into the matter.

JSE president Roy Andersen said at a banquet this week that one of SA's biggest challenges was to maintain ethical standards

Mr Andersen said the JSE had taken the controversial step of issuing a statement about the decision not to take the two men to trial because it did not believe the decision was in investors' interests

Members of the investment community are also believed to be unhappy about the outcome. The fines total less than the R650 000 estimated made through illegal dealings, although some of the takings could have passed into other hands

Investment in four possible 'new SAs'

232

STimes (Buss) 20/9/92.

ED Hern Rudolph portfolio managers Andre du Plessis and Steve Meintjes have taken the political scenarios theme a step further with investment strategies pertinent to each of four possible outcomes.

The four are widely acknowledged under various headings We can follow the highway (1), go up the cul-de-sac (2), have to return to go (3), or suffer a smash at speed (4)

In the highway scenario, negotiations resume before the yearend and an elected interim government will work through a decisive transition period A constituent assembly, requiring a 70% majority for all decisions, will be elected in the first half of next year

The ANC wins 55%, Nats 25% and Inkatha 8% of the vote A year later, a new constitution entrenches powers for 10 federal regions with 10 senate members each No party has an outright majority in the senate

The constituent assembly becomes the lower house and elects Nelson Mandela president An ANC cabinet rules from March 1994, FW de Klerk leads the opposition and Mangosotho Buthelezi governs Natal But the ANC has to compromise on vital issues, such as the economy All sanctions go by March 1993

This scenario leads to high growth and good times But after an initial decline, inflation climbs and the rand weakens from 1994 Prescribed investments are reintroduced

The scenario team rates at better than even the chance of hitting the highway

Blue chips will be first to benefit and the economic revival will help small companies Shares such as Driefontein, Rusplats, Samancor, Gencor, Anglo American, Barlows and SA Breweries, will find their way back into foreigners' investment portfolios

Infrastructural and capital goods stocks, such as Murray & Roberts, Afrox, Powertech, LTA, Anglo Alpha and Boumat, will do well, as will cyclical and recovery stocks — Barlows, Unitrans, Datakor, Imperial, Holdains and Ellerine Trade and tourism will help Safren, SunBop, Safcor and Bidcorp, A strong weighting in selected consumer stocks is advocated

Equity sector allocation (%)	Scenarios 1	2	3	4
Mining and exporters	20	20	35	30
Finrand hedges	15	75-80	25	40
Finance	10	—	5	5
Infrastructure/GDFI	25	—	15	10
Consumer	30	0-10	20	15
Blue Chips	70	100	80	90

The cul-de-sac scenario follows a breakdown in negotiations There is an alliance of moderates and certain black groups But it all leads to more violence, confrontation and mass action, with sit-ins at State and corporate offices, retaliatory attacks, defence force intervention and a state of emergency In spite of FW's efforts to brief the international community, sanctions are reimposed

Mr Du Plessis and Mr Meintjes foresee no growth in a siege economy, strikes, high unemployment — the worst of everything. In this case — if you are still in the country — high liquidity must be maintained with preferably no property or equity as affairs deteriorate It must be 100% investment in equities with foreign assets and hard-currency earnings — Richemont, Charter, Oceana, Minorco and Fit

Mining and other exporters with a strategic advantage — platinum shares, Samancor, Sappi, Royfood, Trencor — could be bought, with marginal involvement in a few defensive consumer stocks providing basic requirements, such as Pep and Tiger Oats

Twelve months into the cul-de-sac we proceed to scenario 3 — return to go Renewed negotiations will lead to a return to scenario 1 But by, then, the economy will have been seriously damaged, inflation soaring There is a slow return to square 1.

The Ed Hern team recommends shares and property only on signs of successful negotiations Otherwise, copy the cul-de-sac path for equity investments before gradually hitting the highway strategy

Scenario 4, the smash at speed, is arrived at through negotiation, but involves an unrestricted ANC government with a two-thirds majority required in a constituent assembly Federal regional power is not entrenched and the ANC controls the senate and Natal

This is better than the cul-de-sac, but a greater risk than the highway. It leads to low growth and high inflation, violence from excluded parties, misallocation of resources, economic interference and controls and government paper issued well in excess of prescribed investment-generated demand

Property and gilts are largely inappropriate, say the analysts, and equity still offers the best protection and flexibility in a rapidly changing socio-political and inflationary environment But beware of haphazard and arbitrary government action which from time to time will affect particular sectors

The Ed Hern team believes nationalisation has been largely discarded as an economic policy Although higher social spending and redistribution are inevitable, indications are that they will be realistic relative to the economy's capacity

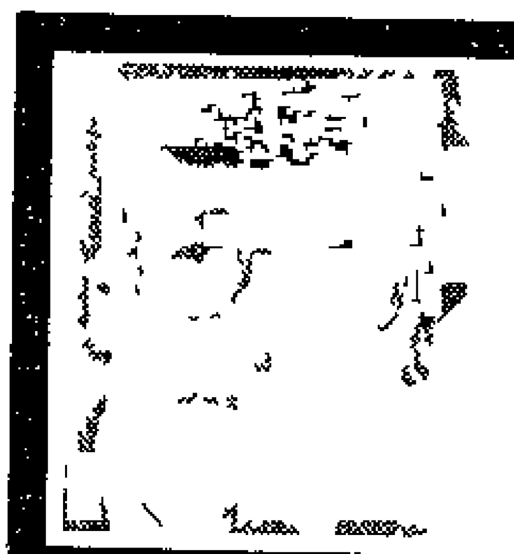
IMF and World Bank funding awaits a transitional government and any meaningful private-sector investment requires an end to violence and a new constitution

But until the odds of hitting the highway shorten and because international markets remain unsettled, Mr De Villiers and Mr Meintjes still advocate a high cash holding while equity selection is still in "smash at speed" mode

CHOICES OUTLINED Andre du Plessis and Steve Meintjes

Hocus-pocus and dividends

S/Times (Buss) 20/9/92. (232)



Andy Andrews

ON BUSINESS

THE decision by De Beers to reduce its dividend has had a major impact on its share price.

The price has fallen from about R100 to R54 in a relatively short time

Much has been read into the implications of reducing the dividend and what management's view of the future might be in the light of this decision.

However, as every good student of corporate finance knows — "dividends don't count" The fact that the De Beers share price collapsed has, in my opinion, very little to do with the cut in dividend

I believe that the share value would have declined no matter what dividend was declared The industry, and hence De Beers, since it dominates the diamond market, is in serious difficulty — so cutting the dividend may make good managerial sense

The fact is that the market realised that the De Beers stranglehold on the market had been "relaxed" and that large quantities of diamonds were reaching the distribution system without De Beers' involvement

Fundamental

Thus the industry structure and levels of rivalry were being changed dramatically The future cash-flow profile and risk of the business were being reassessed.

Other important news was being factored into the share value — it was not only the dividend decision that was causing decline The dividend cut simply confirmed what the market already suspected

The "informational" content of the cut showed investors that management also recognised and accepted that the industry was undergoing fundamental reconstruction

More important and powerful value drivers were being brought into play than the dividend decision, which is after all only a residual one

Empirical studies have shown that dividend policies are irrelevant in determining share prices This is unwelcome news to the classic analyst

For example, in 1951 Graham and Dodd stated that " the considered and continuous verdict of the stock market is overwhelmingly in favour of liberal dividends as against niggardly ones"

Nobel

More rubbish comes from Rubner who wrote a book entitled, The Ensnared Shareholder, in 1965 He urged governments to enforce full distribution of earnings in the belief that it "would almost certainly double or treble (within a short period) the market value of equities"

The evidence suggests that these views are naive nonsense

However, these beliefs still persist and firms are often criticised for not paying higher dividends Some time ago, a journalist from a well-known newspaper encouraged companies to pay higher dividends to demonstrate management's faith in the firms' future

In my view it would have the opposite effect If I knew a company had investment opportunities that would produce above-required returns for the risk of those projects I would want them to retain the cash'

Paying dividends means you have less cash available to grow the business Lower dividends (all else being equal) mean management has confidence in the future

Most of the world's greatest companies paid very low dividends in their early high-growth phases

The seminal research by Black and Scholes analysed carefully constructed portfolios and tested whether returns to shareholders depended on dividends or not They showed unequivocally that the returns were based on risk The return was not affected by whether they were split between dividend payout and capital gains

The study has been replicated on several occasions and the findings still hold The research shows that within different categories of risk, some firms paid high dividends, others paid "reasonable" ones and others paid none

In spite of this, the shareholders all received the same returns over time

Companies often seem to get the shareholders they deserve and will attract investors who prefer a particular dividend policy But the overall return does not seem to be affected

Merton Miller, who received the Nobel Prize for his work in this area, maintains that "if you take money from your left-hand pocket and put it in your right-hand pocket, you are no better off"

The gain on one hand is offset by the loss on the other because the company has less money to fund growth and expansion

Miller also tells the story of Yogi Berra, the famous baseball player who when asked if he wanted his pizza sliced into four or eight pieces replied "You had better make it eight because I'm feeling hungry tonight"

Strategic

Companies had better concentrate on growing the size of the pizza and not waste time trying to fool investors as to how they are cutting the available pie

The lesson for investors is straightforward

- do ignore payout and yield in constructing your portfolio
- don't ignore taxes, investment diversifications, risk and value, and
- forget dividends unless you have particular cash needs

Other research in the US has shown that the market takes a long-term view

Research on the Dow Jones industrial firms and published in the Harvard Business Review showed that "typically between 80% and 90% of share prices were attributable to cash flows beyond five years"

SA Breweries is no exception Increasing the dividends at the historical growth rate and discounting them at the SAB-stated return-to-investor target I found that the short-term dividend flow accounts for only 11% of the current share price with 89% of the company's value attributable to returns to shareholders beyond five years

Ability

Another study in the US of more than 1 200 companies showed the "beyond five-year value" accounted for about 80% of total value

The lesson for management is simple — decide on dividend policy based on the strategic needs of the company and keep investors informed about what you are doing

Ideally, because dividend policy is a component of financing strategy, you should decide on your investment strategy which in turn depends on your competitive strategy

In other words, your market share and industry growth requirements to maintain competitive advantage will have implications for operating margins and hence investment in fixed and working capital

Your dividend policy should thus be decided on only after you have tested the implications of different strategies to assess the ability of the firm to increase sales and investment at the rate demanded by the competitive environment

I am sure that most investors would rather have management reduce the dividend and use the cash to fund growth and maintain market share than pay high dividends and lose vital market share which may be impossible to regain

Dividend policy should be based on the ability of the firm to fund its sales growth to maintain and build market share at its forecast margins, investment requirements and its target capital structure

Clearly, if a business is doing well, its share price will rise and shareholders wanting a dividend can declare their own by simply selling some shares and taking a capital gain

Dividends are really an indictment against management which is telling the market "we have been unable to generate attractive investment opportunities to use the cash generated"

Danger

Companies should pay dividends only when they cannot find projects that on a risk-return basis, justify investment In these cases they should pay high dividends and the market price will probably rise if they keep investors informed about why they are paying the dividend

The great danger is that management is often afraid to do this and uses the "excess cash" to follow unwise diversification strategies into industries it knows nothing about But that's a topic for another Sunday

● *Professor Andy Andrews is director of the Graduate Institute of Management and Technology, which offers the Henley Executive MBA in South Africa, and is co-founder of Laird-Andrews, strategic financial consultants*

Anglovaal seeking new investments

232

BDAY 22/9/92

NANCY KEATES

ANGLOVAAL is increasing earnings and looking for new investments, despite tough trading conditions.

Analysts expect the company to report an increase in earnings a share for the year to June 30 of between 6,4% to 8,5% or between 500 and 510c from 470c in the previous period

"We're budgeting for slightly higher profits than last year but there are so many unknowns," says deputy chairman Clive Menell.

The unknowns include SA's emergence from four years of recession, commodity price movements, political developments, and the state of the major world economies, he says.

While Anglovaal has no major business changes planned, it is "ready to take advantage of investments in select companies struggling to survive the recession

"These are times when opportunities arise because companies get into trouble. We're relatively liquid and on the lookout."

Anglovaal's liquidity comes primarily from Anglovaal Industries, which reported earlier this month a 10% increase in earnings a share to 907c from 825c a year earlier, moving to a net cash position of R469,5m at the end of 1992 from a net borrowing position of R271,8m.

The company sold its stake in Cadbury Schweppes for R177,1m and raised R547,3m from a rights issue in the year

Despite improved profits, Anglovaal management maintains its conservative approach "The bottom line was 10% up but we're not happy with the result," says Menell.

Its mining interests also performed well. Middle Witwatersrand, which has interests in gold, coal, manganese, ferrochrome and diamonds, reported a 16% increase in earnings to 16,8 cents a share from 14,5 cents a year earlier.

However, the low gold price and uncertain political scenario led Anglovaal earlier this month to postpone development of a major gold mine The company, which spent R250m on exploratory drilling and purchasing mineral rights, says the Sun gold mining project was too risky in the current climate, given the uncertainty about actual reserves and grades.

We think it is down there and also the right grade but we can't be certain," says Menell

Analysts agree the postponement was a good decision, saying the gold price, which is below $350 an ounce, would have to exceed $400 to make the estimated R2,5bn development worthwhile.

"One could buy a top quality mine on the market now for less than it would cost to develop Sun,' said Davis, Borkum, Hare mining analyst Trixie Ingram

Anglovaal prospers from its role in De Beers' new R1,1bn Venetia diamond mine.

The group's Saturn Mining is entitled to 12,5% of Venetia's net profit until the mine's full capital costs have been recovered. When the capital expenditure, to which Anglovaal makes no contribution, is recovered, Anglovaal will receive 50% of net profit.

Venetia contributed R7m to Midwits' earnings in 1992. The mine is expected to reach full production of 5,9-million carats a year by the end of 1993 and recover capital by the end of 1994.

Analysts say current troubles in the diamond market, which resulted in De Beers announcing a significant cut in dividends for the year ending December 1992, are expected to have improved by the time Venetia reaches full production.

"Anglovaal's exposure to Venetia gives it potential for major growth," says Simpson, Mckie mining analyst Mike Wurth. — AP-DJ

Lenco's R51m purchase of Metkor effective from May 1

BIDAY 23/9/92. (232)

LINDA ENSOR

CAPE TOWN — Diversified industrial holding group Lenco Holdings has bought Metkor Industries — the sole assets of which are Hendler & Hart (H & H) and certain property interests — from the Metkor Group for R51m

Savings will be achieved through the rationalisation of H & H's and Lenco's plastic injection-moulded closures and container business

Both companies have similar factories in Durban

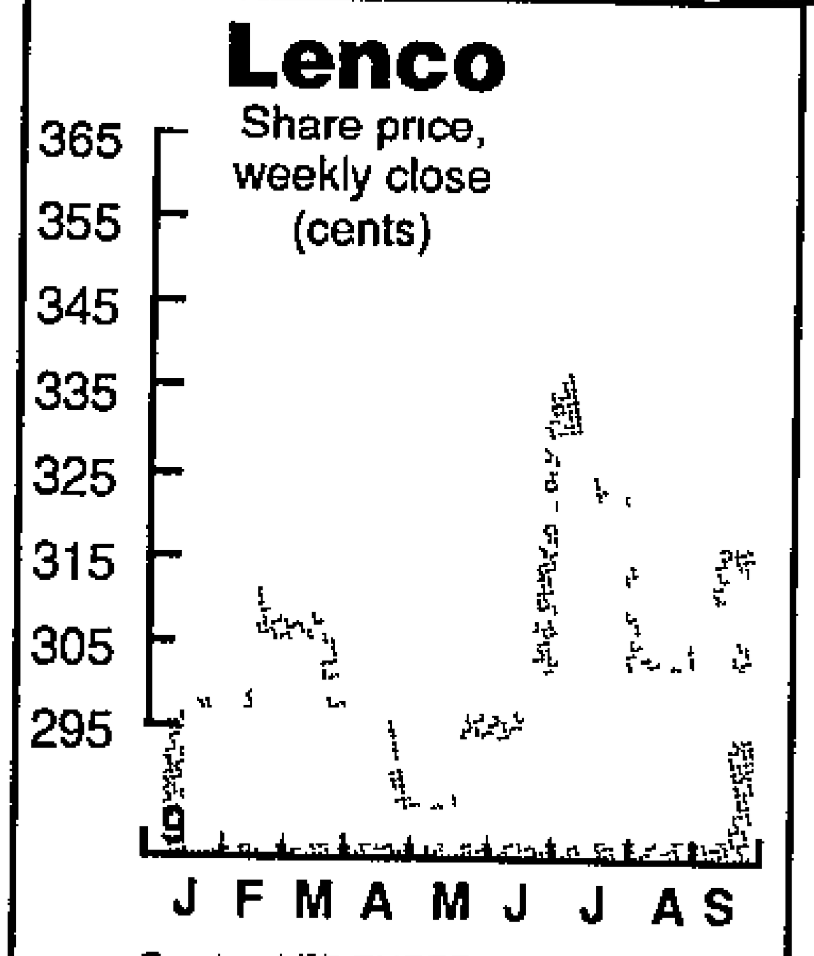
H & H also produces metal and aluminium kitchenware at its Boksburg factory and has started exporting its products to the US

Losses

Payment will be made with R31m cash and the issue of 6-million renounceable Lenco shares at 333c a share The deal takes effect from May 1

The purchase price takes into account the fact that Metkor Industries made losses for the three months from May to August attributable partly to strikes and abnormal write-offs

Had the deal been effective for the six months ending August 31, Lenco's earnings would have increased 12,85% to 24,32c from 21,55c and tangible net asset value 7,63% to 222,3c from 206,54c



Graphic LEE EMERTON Source I-NET

The group's gearing ratio would have increased to 39,94% from 22,91%, a rise which executive chairman Doug de Jager said was within limits and would be lowered by year-end by the cash generated through operations

The group intends to announce its interim earnings to end-August during October

Diluted earnings a share of 24,32c would represent an increase of 8% over last year's 22,5c a share

De Jager said yesterday that trading conditions had been very tough in the clothing and footwear industries, where demand was sluggish

There had been severe pressure on prices

He said the acquisition of H & H would open the way for rationalisation in sales, administration, distribution and production

These synergies would enable H & H's Durban operation to become profitable

The Boksburg factory would be turned around through rationalisation

Option

De Jager said the acquisition gave Lenco access to a licensing agreement for patented closures

Lenco has been managing Metkor Industries, and has acquired the company in terms of an option to purchase granted in terms of the management agreement

De Jager said a conflict of interest had emerged between Lenco's management contract and its own business

De Jager was confident the acquisition would contribute positively to the group in the short to medium term

AA Mutual creditors stand to lose R7m

GAVIN DU VENAGE

CREDITORS of the defunct AA Mutual stand to lose at least R7m because they cannot be traced, liquidator David Rennie of Syfrets said yesterday

Many creditors had not kept the liquidators informed of their whereabouts, and general distribution cheques that were returned or uncashed would eventually be forfeited to the state, Rennie said

AA Mutual was liquidated in 1986

A third general distribution of 25c was made this month, bringing the total dividend since the first was made in 1989 to 80c in the rand An unspecified payout would be made next year, and there was the possibility of a fifth in the future

Rennie said 160 000 cheques to the value of R42m had been sent out earlier this month He said R3m had not been claimed from the first payout in 1989, while R4m remained unclaimed from the second in 1991 The average value of each outstanding cheque was about R100

The liquidators had placed advertisements in Sunday newspapers and had also made televised appeals for creditors to come forward, but had had little response

Rennie added that special arrangements had to be made with the Post Office to handle the volume of post for each payout Within 24 hours of posting the cheques earlier this month creditors as far afield as Port Elizabeth had received their money

Creditors wishing to make claims can write to The Joint Liquidators, PO Box 9595, Johannesburg 2000

232

23/9/92 Citizen

Above the board wages

(3) (232) CT 23/9/92

JOHANNESBURG. — Shock figures revealing the soaring costs of control boards released yesterday reveal that some boards' expenses have far outstripped the rate of inflation.

In the year ended June 1991, the Meat Board's salary bill for its roughly 1 800 staff members rose by 26,1% to R19,5 million. This means that if all Meat Board staff were paid the same salary, each would have earned in excess of R10 00 a month in the year under review.

The travel and subsistence expenses for the Meat Board's chairman and directors rose 53% during the year, according to the figures released, while the board's overall entertainment expenses more than doubled.

The salary bill at the Maize Board rose by 20% in its latest reported financial year, while the Grain Sorghum Board's salaries expenses were up 18,8%.

Defence closures add to Telemetrix losses

Bday 24/9/92

(16) (60) (232)

DUMA GQUBULE

TELEMETRIX, the UK-based electronics group listed in Johannesburg and London, has reported an attributable loss of £1,4m after incurring exceptional costs of £2,9m related to provisions for the closure of certain loss-making operations

Chairman Arthur Walsh said future results would benefit from the elimination of loss-making activities Increasing attention was being given to core businesses, particularly those related to the communications market

The comparative results for the previous half-year period were restated to take into account the consolidation of the results of certain Zimbabwean interests previously accounted for on a dividend remitted basis

Turnover advanced 12% to £46,8m (£41,7m) and operating profits jumped 29% to £3,9m (£3m)

Defence

Exceptional costs of £2,9m were taken above the line — in line with UK accounting standards — and operating profit fell to £949 000 from £3m

Walsh said £2,3m of the exceptional costs related to a decision to close businesses in the defence industry The decision was in accordance with worldwide practice where defence business had deteriorated to unprofitable levels

Interest and tax payments and minority interests absorbed £2,3m and Telemetrix recorded a loss £1,4m (£1,1m), equivalent to a loss of 1,6p a share compared with earnings of 1,3p a share last year Had the exceptional items been taken below the line, the company would have reported improved earnings of 1,7p a share

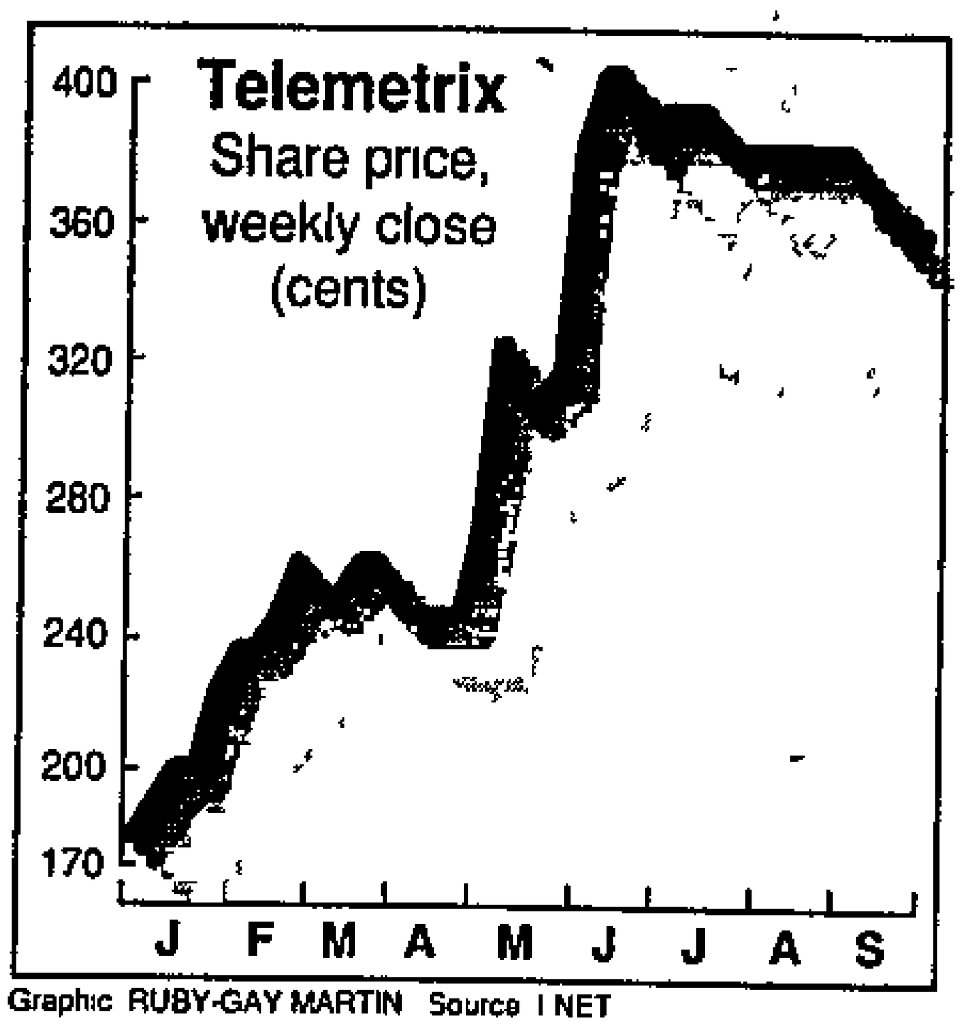
Walsh said GTI, Telemtrix's US-based computer networking subsidiary, had increased revenues to £27,7m from £20,7m

Semiconductor manufacturer, Zetex, had grown in all markets, particularly in the Far East, but the devaluation of the Zimbabwean dollar had resulted in lower sterling sales for two subsidiaries there

SA company Altron has a 7% stake in Telemetrix and is represented on the board by deputy chairman Charles Stride and Altech chairman Don Snedden.

Altron chairman Bill Venter holds 49% of the company's shares while SA shareholders hold another 16% after it was listed on the JSE last November.

Telemetrix's shares have risen to 380c from 165c last year



Graphic RUBY-GAY MARTIN Source I NET

IGI's unit trusts grow

24/9/92

ANDREW KRUMM

THE IGI Unit Trust (IUT) portfolio grew 75% to R42m (R24m) in the year to March 1992, but the share market had since taken a knock, said management company director Peter Linnell.

According to Linnell a buoyant share market between March and June did not continue into the third quarter, when the all-share index dropped by 13%.

232

"We outperformed the market on its downward ride in the third quarter, going down only 5,5%."

As a younger trust, IUT had not been as badly hit by the spate of unit repurchases seen in the downturn, and consequently had a positive inflow of funds during the third quarter. 24/9/92

"Being a newcomer we tend to attract the more serious investor, who is in it for the long term," Linnell said.

IUT's portfolio was now worth about R45m.

Unidev receives a healthy boost from its hospital group Medicor

BIDAY 24/9/92

MARCIA KLEIN

HOUSEHOLD products, health care and food group Unidev's attributable profit grew by 3,3% to R728 000 in the six months to end-June on the back of good results from health care group Medicor

The group, which also has interests in household products company Prestige and food company Hyperette, increased its operating profit by 18,1% to R2,5m from R2,1m

Joint MD Alan Chonowitz said the results reflected the performance of hospital group Medicor Wholly owned Prestige had shown a significant improvement but had not made a profit in the current period He expected it to make a meaningful contribution from financial 1993

Finance costs of R1,4m were controlled at last year's level, resulting in a 46,6% increase in profit for the period to R1,1m from R747 000 previously

However, preference dividends of R367 000 saw attributable profit grow by only 3,3% to R728 000 (R705 000).

Earnings dropped by 33,3% to 0,6c a share from 0,9c a share in the previous year, on a larger amount of shares in issue

The dividend was passed

Chonowitz said that during the year the Southern Life Association had acquired a strategic stake in Medicor The ordinary shares in Medicor held by Unidev had been exchanged for convertible debentures of equal value

232

88

Delist

The deal would have no immediate effect on Unidev's earnings a share and NAV, but it enabled Medicor to achieve its potential and gave Unidev the opportunity "of participating in the broader interests of Southern"

Unidev referred to the cautionary announcement issued by 31%-held Hyperette Hyperette had said that it would either restructure or dispose of all its assets, and delist from the JSE

Jon Brett and Chonowitz bought control of the group in March 1991, after it had shown a R87m loss Since then, Unidev has disposed of its interests in Rusfurn and Equikor Holdings

TE

By William Wells and ...

DIAGONAL STREET FM 25/9/92

Hesitant recovery (232)

At mid-year, gloomier politics was the trigger for a slide in JSE share prices In the two months to mid-August, the Financial & Industrial index fell some 14%, while the All Gold index showed a similar decline A slightly brighter political mood is being seen

FOX FM 25/9/92 (232)

the scam, or even less — Witwatersrand A-G Klaus von Lieres und Wilkau considers them minnows

Old Mutual portfolio managers Marco Celotti and David Schapiro, who have skipped SA, seem to have been bigger beneficiaries Warrants of arrest have been issued, but it's unlikely they will appear in court Institutions, it seems, should also tighten their controls if shady share deals are to be eliminated *Shaun Harris*

FM 25/9/92 (232)

LENCO FM 25/9/92 (232)

Deeper into packaging

Lenco has bought Metcor Industries (Pty) (MI) from Metkor with effect from May 1 1992 — a date insisted upon by the seller The sole assets of MI are the Hendler & Hart business, which consists of a plastic packaging operation and a steel beneficiation plant that makes Hendler & Hart cooking pots, as well as some property-owning subsidiaries

In June, the *FM* speculated that Remgro, controlling shareholder of Metkor and a minority shareholder of Lenco, was unhappy with the performance of Hendler & Hart and that the operation was being offered to Lenco chairman, Douglas de Jager (*Fox* June 19) De Jager had meanwhile arranged a management contract with MI, as well as an option to purchase the business

It is difficult to think of a better way to investigate the opportunities and pitfalls inherent in an organisation De Jager now has a sound knowledge of MI and, in the belief that it can generate returns that will complement Lenco's goals, he has exercised the option to buy

MI is to be bought for R51m Payment will be R31m in cash and issue of 6m new Lenco ordinary shares valued at 333c a share.

In Lenco's fiscal 1992, Combined Packaging — now delisted — contributed 37% of Lenco's operating profit (*Companies* July 17). After the MI purchase, De Jager is to transfer certain businesses of Combined Packaging to MI "to enhance the operating efficiency of both operations"

Almost certainly, De Jager was interested in the packaging component of MI rather than the metal-working division. The latter does not fit into the Lenco mould and it's reasonable to assume De Jager may sell this if he can realise a satisfactory price. However, the MI acquisition bodes well for improved results from Lenco's packaging interests and for Lenco's earnings.

Had the purchase been in place for the six months to end-August, Lenco's interim EPS would have increased by 12,85% to 24,32c and the debt.equity ratio risen to about 40% from 25% at the 1992 fiscal year-end The cost of financing the additional debt has been taken into account and the investment should provide a more than adequate long-term return on investment to cover the interest outflow.

Lenco's business continues to grow away from its clothing orientation A previous observation bears repeating — if the share was listed in almost any other sector, it would most likely command a higher p e than the historical 6,5 on which it now stands

Gerald Hirshon

SHAREDEALING SCAMS (232)

FM 25/9/92

JSE reaps the whirlwind

While it is regrettable that neither the methods nor extent of stockbrokers Kenneth Fouché and André Coetzee's irregular share dealings will come out in open court — a point made publicly by the JSE and privately

FM 25/9/92 (232) FOX

by a number of brokers — the upshot will be tighter surveillance and possibly more culprits being brought to book. They paid R400 000 admission of guilt fines last week after charges against them were reduced.

A spokesman for the Attorney-General says Fouché and Coetzee have offered assistance with investigations and the possible prosecution of others involved in irregular deals As there is no link between this case and next month's Supreme Court trial of Greg Blank, it seems others may still be prosecuted.

The JSE's surveillance department has resumed its internal investigation. JSE president Roy Andersen says that after picking up the initial irregularities and handing the file over to the authorities, this was put on hold till further evidence was tabled in court

"Now that the Attorney-General has made a decision, we have resumed our investigation," Andersen says While he is not aware of any "additional problems," the JSE will study all dealings by Fouché and Coetzee

If anything further is uncovered, information will be handed over to the authorities The JSE can also now hold a disciplinary hearing; its most severe censure is expulsion

Andersen emphasises that the JSE investigates *transactions* where the rules may have been broken, rather than *people* If, from these investigations, it appears that somebody has committed a crime, the files are handed to the Attorney-General

Stockbroker Ed Hern Rudolph, for which Fouché and Coetzee worked, has borne the bad publicity of this case, just as Frankel Max Pollak will probably pick up negative reactions when Blank comes to court

The JSE has already tightened up surveillance considerably Creation of a new post of director of surveillance and conversion to the BDA accounting system (which will be completed early next year) should make irregular deals easier to pick up

It should be remembered that Fouché and Coetzee were only half the party involved in

continue →

FM 25/9/92 (232)

as the main reason for the recent firming in prices, but the market remains jittery and shares generally are still being seen as too expensive

Since the downward spiral of share prices abated, the Financial & Industrial index has regained four percentage points of its earlier loss Aside from the tentative moves back towards negotiations, the JSE, often sensitive to movements in world bourses, has reflected some positive economic developments offshore

Lower rates

These include the announcement in late August by the Japanese government of its 10 trillion yen fiscal stimulus package and Germany's more recent break with tradition in placing international responsibilities before domestic priorities, when it announced a small cut in its Lombard and discount rates A move towards lower rates elsewhere in Europe would also be seen as positive, as would the French vote for the Maastricht treaty

On the domestic front, things are less rosy While political parties battle to notch up points against each other, mass action and events such as those at Bisho do little to encourage investor confidence abroad or at home The widening of the financial rand discount, which has doubled to 32% in 1992, tells the tale

With the financial turmoil in Europe, rand-hedge shares such as Richemont, Minorco, Charter and FIT have attracted attention on the JSE, while gold retained, if only briefly, its safe-haven status

The general view of market analysts is that the recent uptick in the JSE is partly a reaction to excessive selling Much of the fall from June's highs was driven by political sentiment, rather than a response to trends on world stock markets

One analyst attributes improved sentiment to the relief factor — investors are cautiously optimistic in the light of recent conciliatory moves by Nelson Mandela With market players nervous about both the political and economic climate, movements in the market are exaggerated by the thin volume of trade But, with some leading shares beginning to offer value, most are sanguine about an improvement, though a slow and, possibly, hesitant one *Marylou Greig*

FRANKEL/ROSENBERGS

FM 25/9/92 (232)

Agreeing to disagree

When colleagues agree to disagree there's usually a fair amount of awkward fall-out That's certainly true of the continuing disagreement between broker Frankel Max Pollak Vinderine's Sydney Frankel on one side and his erstwhile partners Gerald and

FM 25/9/92 (232) FOX

Wayne Rosenberg on the other

Frankel has now lodged formal complaints with the JSE, in which he asks that the exchange should discipline the Rosenbergs and provide his own firm with the institution's protection When approached for comment, Gerald Rosenberg told the *FM* "I have no reason to want to speak to you "

The argument stretches back to the merger of Frankel's firm with the Rosenbergs' Menell Jack Hyman Rosenberg (Menell) in May 1988, when Frankel paid R425 000 to Rosenberg towards the winding down costs of Menell Rosenberg terminated the arrangement in August 1990 and various disputes between the parties were referred to arbitration, principally around the matter of what was to happen to the clients of the merged firm

Menell's contention was that it was entitled to the return of clients The arbitrator, senior counsel Clive Cohen, disagreed and found Frankel's clients remained its clients after the termination of the merger, even though they may have been Menell's clients before the merger

Since then, there have been three separate court hearings about the matter In June 1991, Frankel petitioned the Supreme Court for the arbitration award to be made an order of court Menell asked, at the same time, that the award should be set aside Judge Eloff found in favour of Frankel

In October, Menell asked the court for leave to appeal against its June decision Judge Eloff declined to grant the application

Subsequently, Menell returned to the legal attack with a request last November to the court that it should set aside its order made in June Menell changed its mind at the last moment and withdrew its motion, but Frankel insisted the court be given an opportunity to determine whether costs should not be awarded

Judge Eloff again found in favour of Frankel. "Consideration of all the facts and circumstances of the case leads me to conclude that the attitude of Menell has been grossly unreasonable, frivolous and vexatious," said the judge "The time has come when I should express my disapproval of this type of conduct "

In between all this, the Rosenbergs have formed a merger with broker Martin Irish, to create the firm Irish & Menell Rosenberg Frankel, meanwhile, alleges that Menell is now approaching its former clients but who are now clients of Frankel It is contended that Menell's conduct and that of certain directors of Irish & Menell, is such as to bring into disrepute the standing of the JSE Frankel is asking for protection of the JSE against what is described as touting for clients, but Sydney Frankel was unavailable to respond to queries His secretary says he's "gone abroad "

JSE executive president Roy Andersen confirms a complaint has been received, but referred the *FM* to the chairman of the exchange's general purposes committee, Pe-

Contin —D

FOX FM 25/9/92 · (232)

ter Redman He declined to comment, saying the matter is sub judice

Meanwhile, there is friction between Irish & Menell Rosenberg senior partner Martin Irish and the Rosenbergs, much of it arising from the underlying causes of the dispute with Frankel It is widely understood Irish is seeking to terminate the arrangement between his firm and its new partners Asked to comment, Irish said "I'm off to play golf now " Which is certainly one way of dealing with partnership pressures

David Gleason

Income funds 'the best bet'

LINDA ENSOR 232

CAPE TOWN — Income funds would be the top performers among unit trusts in the third quarter, Old Mutual Unit Trusts manager Peter de Beyer said yesterday

The equity market had slumped but income funds would show some capital appreciation due to falling interest rates in addition to their normal returns BDAY 25/9/92

Since end-June, R50m had flowed into the Old Mutual Income Fund, bringing its total assets to R125m

De Beyer said a lot of switching from Old Mutual's equity fund had taken place, indicating more sophistication on the part of investors who previously would have withdrawn from the industry at great cost.

A saving of about 4%-5% was made on administration costs, MST and brokerage charges by switching rather than withdrawing The total cost of switching was about 2%-3%

Meanwhile, bearish sentiment on the JSE and the flight of investor capital into bonds resulted in record inflows into the Syfrets Gilt Fund

Syfrets investment manager Rob Nichol said as much as R40m flowed into the fund in a single day in mid-September as the gap between the rising All Bond Index and the falling All Share Index continued to widen

COMPANIES

Special dividend for Rubenstein

BIDAY 25/9/92

EDWARD WEST

(232)

RUBENSTEIN Holdings shareholders would receive a bumper 40c a share special dividend, chairman Jeff Rubenstein said at the release of the group's results for the six months to end-June 1992.

At year-end to February 1991, the group's shareholders received a dividend of 6c a share The special dividend came after a 19,6% increase in earnings to 11,6c a share from 9,7c a share in the interim period in 1991

The group was involved in asset-based financing in secondary markets and its core activities were manufacturing and marketing plastic carrier bags, industrial sheeting and shrinkwrap

Rubenstein said the group's decision to distribute resources among shareholders was taken because it had resources in excess of its needs.

He believed the dividend announcement would prompt renewed interest in the share and other investors could well follow the lead of Fedlife, which acquired a stake in the group earlier this year

At the interim stage Ruhold's ~~shares had~~ been trading in a narrow band of between 70c and 75c, which meant that the special dividend came to more than half the share price The share was untraded at 85c yesterday off its low of 50c in July

Turnover was up at R5,1m (R3,2m) After tax of R606 00 (R252 000) and losses from associates of R635 000 — compared with profit of R232 000 from associates in 1991 — attributable profit increased 20,2% to R3,9m (R3,2m)

Long-term and short-term borrowings fell to R30,7m from R31,8m at year-end and from R42,3m at the interim last year

While measures implemented last year had resulted in consolidation and improved efficiencies, expansion opportunities would be explored

Rubenstein expected earnings to exceed those of the previous year

Only five show loss

By JULIE WALKER

COMPANY results were a mixed bag this week Of the 32 reporting, 15 fared better than previously and only five incurred losses (232)

Anglovaal made R464-million in the year to June, a touch down on 1991, but the dividend was raised 9% to 100c S/Times (8455)

In the six months to August, Pick 'n Pay lifted sales by a tenth to R3-billion and pre-tax profit 15% to R67-million thanks largely to a R10-million swing in interest received 27/9/92

A billion-rand strike across the engineering industry hurt Powertech Its turnover eased 8% to R556-million and attributable profit 9% to R8,7-million

Executive chairman Peter Watt says that without the strike and mass action, earnings would not have dropped below 1991's The group is evaluating an investment in consumer products (believed to be Picaphi), an area likely to be boosted from mass electrification

Group Five turnover edged up 6% to R1,38-billion in the year to June, but unforeseen difficulties on a bridge contract in America halved earnings to R24-million

A trio of computer-based companies — Fintech, Jasco and Ohio — reported improved fortunes, but UK-based Telemetrix incurred a loss at the earnings a share level

Asset management scramble hots up

St Times (Buss) 27/9/92

(232)

By JULIE WALKER

COMPETITION in asset management will become even tougher with the advent of the R10-billion RMB Asset Management Company

The merger of Rand Merchant Bank's R1-billion-plus asset management company and Momentum Life's R9-billion charge arises from the takeover of Momentum by RMB Holdings this year

Momentum chairman and RMB director Laurie Dippenaar says a stand-alone asset management company rather than two separate ones overcomes any possible conflict of interest

Name

"The corporate culture of asset management is more in line with that of a merchant bank than of a life office," says Mr Dippenaar, who will chair the new company

"RMB has a good name in the field, albeit on a relatively small portfolio Our 24,8% annualised return in the 30 months to June 1992 is among the best and well above the average of 17,8%

"We aim to achieve the same level of returns from the merged group"

Five divisions will each have an executive director Rowan Hutchinson will tend non-linked portfolios and individual pension funds and Peter du Toit linked portfolios, pension funds and the Momentum unit trust

Fixed investments, derivatives, research and new products — the hallmarks of RMB — will fall under Alberto Bottega, and administration and finance under Richard Spilg and Jan du Buisson

Property will be run as a separate company by Momentum staff members augmented by two secondments from RMB Holdings' subsidiary Rand Consolidated Properties

Mr Dippenaar says "We won't be taking a maverick approach to investments We see the role of our economist Rudolf Gouws as vital in assessing global trends and the consequences for SA

"The best house view will be reflected in the portfolios and adapted to fit in with client requirements"

Mr Dippenaar makes no promises of magic-wand waving to boost returns from RMB Asset Management, but edging them up by only 1% will mean an extra R100-million for policyholders and shareholders

Momentum managing director Niel Krige will be deputy chairman of the asset management company He is pleased with Momentum's peformance during a time of consolidation to June 1992

The net disclosed taxed surplus grew by 17% to R21-million — not great for an insurer, but not bad for any company in the current climate

Momentum limited the growth of single-premium business because of its lower margins Comparison of recurring premium business with 1991's is distorted by R150-million of such business arising off the balance sheet in 1992

Goodwill

Recurring premium income topped R716-million and single premium R178-million

Momentum shares are 470c, 30c above the price paid by RMB Holdings The proforma balance sheet reflecting the corporate structure as of July 1, 1992, gives total assets under management at R13,9-billion An amount of R57-million, being the premium paid by Momentum for Rand Merchant Bank, has been written down

Mr Dippenaar says "When a fund manager buys shares trading at a premium to net asset value, he does not have to reflect them as goodwill But when there is a change of control, the premium must be discounted"

RMB Holdings is likely to be listed on the JSE this year, but the format has not yet been settled

LAURIE DIPPENAAR Any possible conflict of interests avoided

NKP to convert to variable loan stock status

8/DAY 28/9/92

PETER GALLI

(232)

NEW Kleinfontein Properties (NKP), which had acquired a property portfolio worth R101,6m, would be converted into a variable loan stock company, MD Grant Fisher said at the weekend

As the company was originally listed in 1894 it already held a London listing, which would make it the only local loan stock company with an offshore listing

About 10% of shares were held offshore All offshore property acquisitions would be funded by the issue of linked units on the London Stock Exchange

The change of listing and issue of new shares would take place at the end of November, after shareholders' approval was obtained

"The scheme means existing shareholders will realise the full net asset value of their shares, which will be paid out in the form of a special dividend

"This will then have to be channelled back into the company and two linked units comprising a share and an unsecured debenture of 620c each will be issued," he said

This meant shareholders who held an ordinary share with an underlying NAV of 970,6c would, on implementation of the scheme, hold two linked loan stock units with a NAV of 1 223,07c, Fisher said

In addition, 13,4-million linked units of 620c each would be placed with financial institutions to raise the additional R83,16m necessary for the acquisition of the eight properties in the new portfolio

Abcon MD Nikki Vontas, who will become an executive director of NKP, said the company intended to grow the portfolio to about R500m — with about 75% invested locally and 25% in western Europe — as soon as market conditions improved

The scheme did not run the risk of rejection as AFC Investments, which held 62% of NKP, supported the move and would buy all of NKP's non-income-producing assets, its debtors and Van Leer House for R26,66m

Fisher said the increased number of units would improve the tradeability of the share

AFC's holding would fall to 18% of the 17,4-million units in issue

The share was untraded on Friday

Iscor share values dive against assets

EDWARD WEST

ISCOR'S market value was R1,53bn at 82c a share yesterday, which, compared with its R6,7bn asset value, would normally make it a prime target for a takeover with a view to selling off its assets, analysts said

Based on its current net asset value of 361c a share and the number of shares in issue, its assets are worth about R6,7bn Anybody who bought all Iscor's shares at its listing price of R2 a share could theoretically sell off its assets and realise a profit of R1,80 on every share

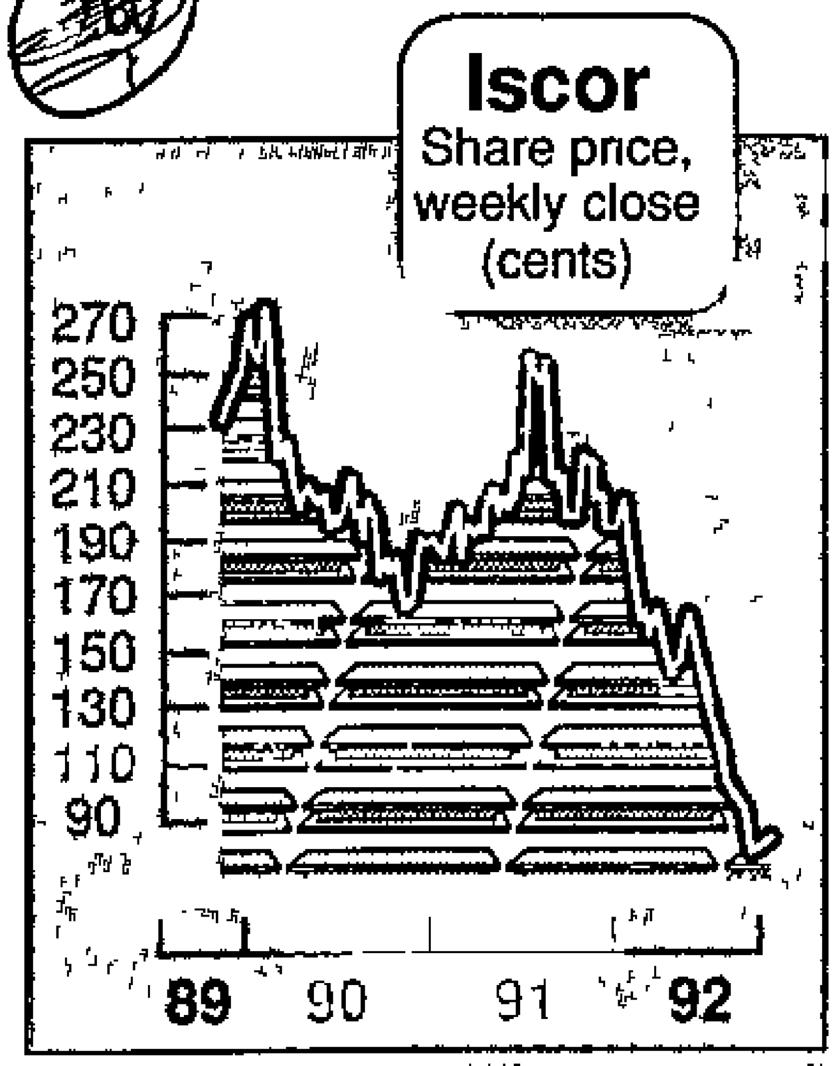
However, with local and foreign investors limited to a 20% stake and individual investors to a 10% holding in terms of the group's listing prospectus, a takeover is impossible

Major shareholders include the Industrial Development Corporation with a 16,5% holding, Standard Bank Nominees with 13%, SA Mutual Life Assurance Society with 10% and CMB Nominees with 8%

Iscor's share price has been trading at record lows because of the weak local economy, and overcapacity in international steel markets which shortens earnings potential

Simpson & McKie analyst Hennie Vermeulen said the share price prevented Iscor from raising funds by a rights issue because a shares increase would further dilute earnings, and the share was poorly rated

He suggested unbundling might be the way for Iscor to go For instance, its Sishen iron ore facility and its coal mining operations could be floated off as separate entities



Graphic LEE EMERTON Source I NET

However Frankel, Max Pollack, Vinderine analyst Kevin Kartun seriously doubted the feasibility of this idea, as Iscor's strategic advantage lay with it being self sufficient for 68% of its raw materials

Vermeulen said it would be best not to buy Iscor shares in the next six months as its interim earnings were expected to fall to about 6c from 9c a share last year However, his medium term forecast was good

He said Iscor's steel dispatches increased by 10% and 6% in June and July over the respective preceding months, but fell again by about 10% in August

Kartun suggested that because the share was tradeable, buying and selling should be done in tandem with the commodity cycle However, the big question was how long the cycle would remain in a trough

Poor landings hurt Natrawl

LINDA ENSOR

CAPE TOWN — Natal Ocean Trawling (Natrawl), which catches prawns off the Natal and Mozambique coasts, recorded a 5,5% increase in attributable earnings in the six months to end-June as a result of poor landings of inshore prawn and a sharp drop in prices

An additional factor was that no contribution was made by Natrawl's Mozambican associate company

Earnings dropped to 2,79c (5,56c) on an increase in the number of shares in issue to about 41,6-million (19,8-million), after last year's rights issue of about 19,8-million and this year's bonus share offer

Chairman Frank Walsh announced that Natrawl was negotiating the sale of part of its stake in its Mozambican associate company in which it had a 40% interest

"Deep water fishing results in Mozambique have remained satisfactory but trading conditions there have become extremely difficult," he said Whereas in 1991 Natrawl derived R400 000 in dividend income from its Mozambican associate, no contribution was expected for the current year

Turnover increased 41% to R7,6m (R5,4m) with gross income from fishing rising by only 15% Margins fell to 19,8% (22,4%), generating a 21% growth in operating income to R1,5m (R1,24m)

The bottom-line result was undermined by higher finance charges arising from the increase in long term loans to R7,8m (R5m)

Walsh was not optimistic about prospects for the final results

"It is difficult to forecast what to expect from the second half of the year, but if the prevailing circumstances continue, earnings are unlikely to rise," he said

Rentbel achieves remarkable turnaround

LINDA ENSOR

CAPE TOWN — Rationalisation and improved efficiencies saw diversified industrial holding company Rentmeesterbeleggings (Rentbel) achieve a remarkable R8m turnaround in operating profit in the year to end-June, even though turnover fell 30%

However, the tax bill and heavy losses from associated aviation company Trek Airways, which launched Flitestar in competition with SAA, wiped out these gains to such an extent that bottom-line losses were larger than last year

The loss made by associates amounted to R3,4m compared with last year's R5,4m profit The group suffered a loss of 116,8c a share compared with last year's 73,3c loss and no dividend has been declared

MD Joggie Vermooten said Flitestar's competition with SAA on major routes had resulted in fare dilutions which had placed pressure on margins He expected this situation to continue for some time because of overcapacity and an inadequate fare structure in the domestic market

Start-up costs of Flitestar and initial losses had been capitalised and would be amortised over 60 months

Group turnover declined to R94,4m (R135m) but an operating profit of R5m was generated compared with last year's R2,9m loss The interest bill dropped to R4,6m (R6,6m) While the total attributable loss increased to R4,2m (R2,7m), the attributable loss from subsidiaries improved from R8,7m to a loss of R97 041

EC car slump dents demand for rhodium

B/DAY 1/10/92

(232)

MATTHEW CURTIN

EUROPEAN car makers are buying much smaller amounts of rhodium than they were expected to in the runup to the implementation of new clean air rules in the EC, says Impala Platinum (Implats) senior marketing manager John Hollely

Hollely says the slump in the EC car industry has dented rhodium demand and prices. The metal is a key ingredient in modern three-way car catalysts, and high rhodium prices have helped SA platinum producers weather falling platinum prices in the past two years

Rhodium prices have fallen 16% to $2 270 an ounce this week from recent highs of $2 700 in mid-July Firmer platinum prices have not brought any respite to producers because the metal has consistently fought shy of the $370 mark. Platinum was fixed in London yesterday afternoon at $367,40, more than $3 higher than Tuesday's afternoon fix of $364,25, but $0,10 down from the morning mark

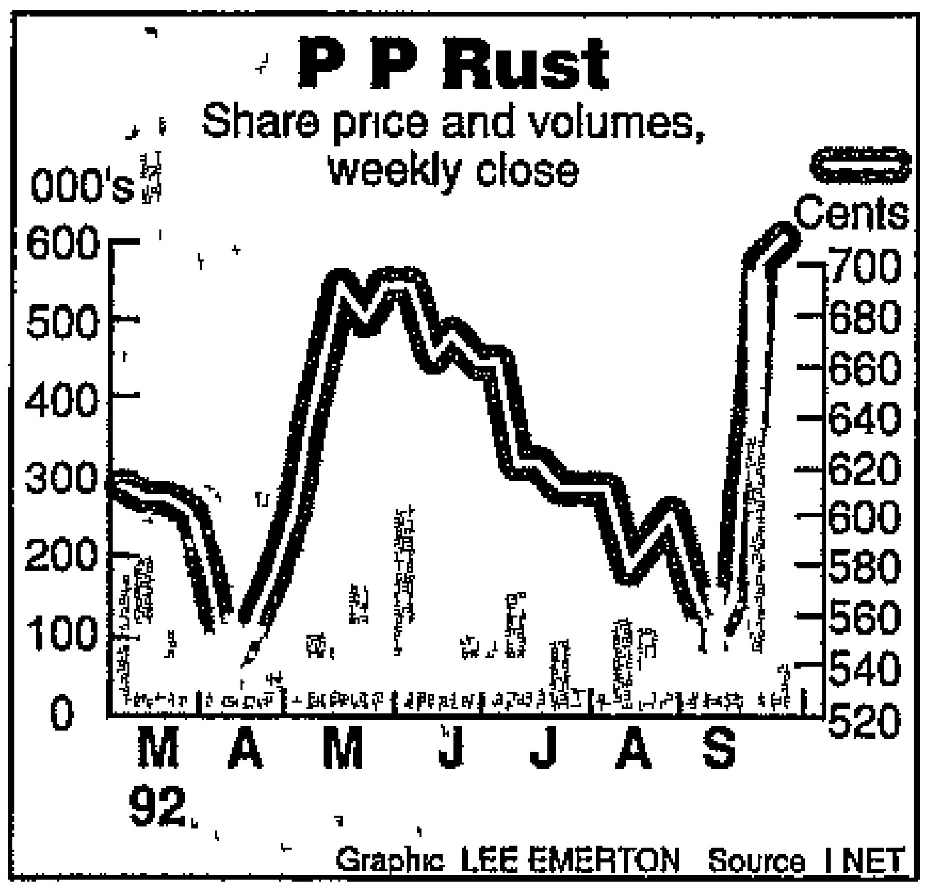
The prospect of another year of disappointing platinum group metal prices has hit market sentiment on the JSE Only shares in market leader Rustenburg Platinum (Rusplat) and developing mine Potgietsrust Platinums (P P Rust) have weathered erratic platinum group metal (pgm) prices so far in 1992

P P Rust closed at a new high of 725c yesterday, equivalent to a 25% increase since the start of the year Rusplat shares have risen 34% in the same period, although they closed 35c down at R78,00 Heavy trade in P P Rust shares followed last week's announcement that management had cut the Platreef open-cast mine capital cost by R79m to R475, and revised estimates of its working costs, 18% down at R100 against R122 a ton milled

Bearish market sentiment has knocked the shine off Implats, Lebowa Platinum, and Messina shares Analysts said market confidence in Implats, dogged by labour unrest in 1991, was knocked by fears that the ANC's mass action campaign might spark political unrest in Bophuthatswana which could spill over into the group's mines Implats shares rose 75c to R42 on the JSE yesterday, equivalent to a 46% or R36 discount to Rusplat stock

Hollely said yesterday that the build-up in demand for rhodium in the EC, whose new clean air legislation mandated heavier pgm loadings in catalytic convertors in all new cars from 1993, had turned out to be more sluggish than expected

He said British and French car manufacturers had appealed to their governments for dispensation from the new regulations because their stock of 1992 models, not fitted with the new catalysts, were so large that they would have to sell many of the vehicles in 1993



Bearish sentiment boosts new Syfrets Gilt Fund

(232)

STAR 3/10/92

BEARISH sentiment on the JSE and the resulting flight of investor capital into bonds have resulted in record inflows into Syfrets Gilt Fund As much as R40 million flowed into the fund in a single day in mid-September as the gap between the rising all-bond index and the falling all-share index continued to widen.

With Syfrets Gilt Fund outperforming both indices since the end of July, inflows have increased exponentially The fund more than doubled in size from R75 million to R190 million on September 23

Syfrets investment manager Rob Nichol describes the inflows as extremely positive, given that the fund is barely six months old

The Syfrets Gilt Fund was launched in April in anticipation of increasing investor interest in bonds and Syfrets's investment team's feeling that the JSE was heading for a correction

The gilt fund focuses on total return (moderate income plus an element of capital gain) rather than a high regular income. It invests in government, semi-government and municipal paper The minimum investment is R10 000

Says Nichol "The Syfrets Gilt Fund was launched at the top of the equity market — the best possible time Since the JSE decline, both private and institutional investors have come on board to take advantage of opportunities presented in the capital market"

Nichol says the gilt fund's growth "has not been at the expense of our equity-based unit trusts"

Quarterly results, to be released soon, will show that Syfrets's equity-based unit trusts held up well

Syfrets Income Fund, which invests in gilts, debentures and money market instruments, has also been favourably positioned to take advantage of opportunities in the capital markets

Finrand slumps

S[ ] Times [Buss]

4/10/92

Business Times Reporter

A FLURRY of possible foreign acquisitions appears to have been behind this week's panic selling of the financial rand.

A deal — thought to be worth more than R2-billion — which would give Anglo American and Royal Food a controlling stake in Del Monte Europe is likely, say dealers, accounting for the 34-point drop in the finrand rate to R4,42 in a few hours of trading on Thursday (232)

The currency crisis in Europe was manna for investors trying to settle payments for foreign acquisitions in sterling

The sterling-finrand cross-rate strengthened from about R8 to R6,85 after sterling's departure from the exchange rate mechanism of the European monetary system, but fell to R7,47 on Friday.

Royal, which listed in 1991, bought SA Preserving Company (Sapco) from Del Monte Foods International for R113-million and the Fedbisco business from Fedfoods

More recently it acquired Donald Cook's, Utico's Fresh Up division and the distribution rights for Mars products

PETER CAMPBELL The froth went out of beer sales in August — down by double-digit figures

Third quarter a business disaster

S/Times [Buss] 4/10/97 232

Business Times Reporters

EARLY signals from business suggest that the third quarter was even worse than expected, consumer spending slowing further

There are now fears that even a cut in interest rates will not be enough to revive consumer spending and stimulate economic growth

The slowdown in sales reported by manufacturers and retailers for the three months to the end of September point to further falls in VAT and corporate tax collections, exacerbating the Government's revenue crisis

Key indicators of how consumers spend their rand — from beer to household goods, cars and houses — point to a deepening of the recession What little buying there was in the quarter was a result of cut-price marketing, sales of essential goods and people buying down

Tourism

Adding to consumer gloom was the R60-billion drop in share market capitalisation

Tourism remained subdued, the secondary effects of the drought continued to bite and political uncertainties reduced investor confidence

Even SA's export growth slowed in the wake of sluggish world economic conditions Exporters' confidence took a knock in the quarter. Strikes increased rapidly after a slow start to the year

This, together with mass action and the loss of consumer confidence, contributed to expectations of a 6,5% year-on-year fall in real retail sales

Beer sales, a solid barometer of consumer spending, have slumped SA Breweries is unable to give a breakdown of sales for the past quarter because it is preparing its interim results Suppliers to the beer division say the position is serious

Peter Campbell, deputy chairman of Nampak, which supplies cans to SA Breweries, says beer sales fell by "double-digit" figures in August

Hennie Roos, managing director of Consol's glass division, says beer sales could be down by 0,2% to 0,3% on last year

Another major indicator of consumer spending is the car market In the quarter to September, sales of new cars are expected to reach 46 500 Light-commercial vehicle (LCV) sales are likely to be about 23 000

In the same quarter last year, 49 477 cars and 24 244 LCVs were sold

The Bureau for Economic Research (BER) report on manufacturing says general business conditions deteriorated considerably in the third quarter and were "worse than expected"

All sub-sectors reported lower domestic sales Optimistic expectations for export sales and orders failed to materialise

A BER survey of the building sector found that all, except for quantity surveyors, experienced a third quarter worse than the second

The effects of poor SA and world economic conditions were felt in the equity market

De Beers' spectacular decline was one of the biggest influences on the JSE overall index's 12% loss in the September quarter

The diamond index shed more than 40% after De Beers said its dividend might be cut

The all-gold index lost 17% to 902 points — dipping through a six-year low — even though gold was little changed above $340/oz

Lag

The industrial index eased 7% and the financial one was little changed

Insurance and transport both added 10% Pharmaceutical and tobacco also gained The Dow industrial index came off 2%

Fund managers are bearish about the outlook for the JSE and expect company results to be disappointing in the coming months

With little hope held for a Christmas bonanza, retailers and manufacturers do not expect an improvement in trading conditions in the fourth quarter

Most economists do not foresee much of a bottoming out of the economy in the quarter

They believe an interest-rate cut would ease the pain in certain areas of the economy But Old Mutual chief

● To Page 3

Disaster

232

● From Page 1

economist David Mohr warn[s] that there is usually a tim[e] lag before an improvement i[s] felt in the economy

Given the general uncer[tainty] in SA, there could be [a] longer time lag before th[e] effects are felt

S/Times

Economists say tangibl[e] improvements in the politica[l] arena will also take time t[o] filter through The establish[ment] of an interim gover[n]ment, for example, might b[e] clouded with its own uncer[tainties], they say

(Buss) 4/10/9[7]

AVI makes it seven in a row

Finance Staff 232 (66)

STAR 5/10/92

Anglovaal Industries' (AVI) earnings for the 12 months to June improved for the seventh consecutive year to a record R270,6 million, compared with R234,1 million in the previous financial year and the company expects a further rise in the current year.

Chairman Basil Hersov says that the past year's earnings were achieved despite difficult trading conditions, especially in the second half.

He says: "Although the earnings improvement forecast in my chairman's statement a year ago has been achieved, it was not to the extent that was originally envisaged.

"At that time there were hopeful signs of an economic revival, but trading conditions have worsened, principally as a result of the serious drought and the ongoing civil unrest which continues to fuel political uncertainty and retard investment decisions.

"Consumer spending power has been eroded by continuing high interest rates, inflation and levels of corporate and personal taxes."

Basil Hersov . . . trading conditions have worsened

Turnover rose 8 percent to almost R8 billion (1991: R7,4 billion), but reduced margins in many of the markets served by AVI companies caused a fall in the operating profit.

However, net financing costs improved to R20,9 million received (R43,2 million paid), mainly because of interest earned on short-term cash investments of the net R547,3 million proceeds of the rights issues undertaken by AVI and subsidiaries, Consol and Irvin & Johnson, as well as on the proceeds from the sale of National Brands' Cadbury Schweppes share interest.

Despite the improvement in net financing costs, pre-tax profit was virtually unchanged, mainly because of the poor performance of Grinaker Holdings and, to a lesser degree, some divisions in the Avtex textile group.

The effective tax rate was slightly lower, but associated companies' earnings rose sharply, largely as a result of the purchase of a 25 percent interest in Anglo-Alpha.

After deducting minority interests — 16 percent lower at R134,4 million (R159,2 million), principally attributable to a substantially reduced contribution by Grinaker — earnings rose to R270,6 million (R234,1 million)

Pension fund finances project

B/DAY 5/10/92 (232)

LINDA ENSOR

CAPE TOWN — A major pension fund has invested R300m in a golf and country club estate near Hermanus which plans to host international golf and other sports tournaments when it opens in January 1995

Eighteen multinational companies are expected to sign sponsorship contracts worth R18m spread over 15 years, underpinning the R300m pension fund investment in Laughing Waters.

Launching the Laughing Waters project at the weekend, chairman Peter Mills said the R300m was in place.

The pension fund had been guaranteed a 19,7% return on its investment over 15 years, the duration of the sponsorship contracts with the multinationals, each of which would pay about R2,5m a year for 15 years with an escalation factor of 14% a year

In return each would get free advertising at all events each company would have a dedicated hole on the 18-hole golf course for advertising purposes. Each would have specified use of facilities at the estate and would also have conference rooms and five houses on the estate

Laughing Waters would consist of a 200-room lodge and 250 separate units. Stands for 50 units would be sold to founder members The estate would have 18 conference centres, a 3 000m² auditorium with capacity to seat 2 000 people, six tennis courts, four bowling greens, six squash courts and a yacht club

A total of R10m in prize money for sports events in 1995 would be available to attract mega sports stars in ~~golf~~, tennis, ~~squash~~ and snooker. Technical equipment worth R15m, including a local area network system for TV cameras, a control room and multilanguage facilities, would be installed, Mills said

International golf star and Laughing Waters golf director Mark McNulty, with course designer Peter Matkovich, planned the 6 290m, 72-par golf course to international standards. McNulty, who would wear the estate's fish eagle logo at all his international tournaments, would be building a home on the estate.

Mills said McNulty believed that five holes on the course would be world-class signature holes.

The estate, situated on a 113 ha site alongside the Bot River lagoon, an hour's drive from Cape Town, would have an annual running budget of R26m.

Offshore investment showing an increase

STAR 5/10/92

By Leigh Hassall [redacted] [redacted] 232 [redacted]

Calendar 1991 saw substantial reshuffling and refocusing by some major business groups, indicating a trend away from a philosophy of diversification.

This pattern emerges from an analysis of the 226 publicly announced merger transactions of 1991. From an analysis of the transactions, accountants Ernst & Young identify a number of interesting trends and statistics as reported in their booklet, "Merger and Acquisition Review."

SA's increasing political acceptability is reflected in an upsurge of overseas investments made by local companies.

Outward investment represented a significant 18 percent (R2,3 billion) of the total value of those transactions disclosing a purchase price. The largest deals were Liberty Life's R1,6 billion investment in Transatlantic Holdings and Sun Life, and Minorco's buy of Elkebies GmbH Muhl-Prettin from the German government for R292 million.

Investment in SA did not fare so well, despite a record number of inquiries from abroad.

Eleven transactions (4,4 percent) were identified where the investor was a foreign party The total purchase consideration of the six transactions disclosing figures was a meagre R46 million

The industrial holdings sector dominated acquisition activity, accounting for 19 percent of the total disclosed transaction value

Ernst & Young says that only seven transactions were management buy-outs, none of them involving a foreign seller. This represents a reversal from previous years' buyouts, which were largely driven by foreign disinvestment.

On average, buyers paid a premium of 14 percent above the target company's share price as quoted on the JSE a week before the first cautionary announcement was made

Buyers also paid substantially higher prices for their acquisitions The average premium to the target company's net asset value was 68 percent. However, the purchase premium ranged from a whopping 530 percent in one transaction to a discount of 94 percent in another

Pressure eases, but market still jittery

HILARY GUSH (232)

PRESSURE on the money market eased ~~towards~~ the end of last week with the shortage slipping back to R3,8bn on Thursday from R4,76bn on Wednesday

The week saw a tight month-end in which the Reserve Bank intervened twice to alleviate market illiquidity Consequently call rates slid back to average around 12,75% on Friday from the 13,75% highs of only a few days earlier. BDay 5/10/92.

While the money market was, according to one dealer, "deathly" quiet last week, the capital market witnessed some active trading On Tuesday yields on the key gilts and semi-gilts breached resistance levels and tumbled to near nine-year lows

The buying frenzy was attributed to enhanced chances of a Bank rate cut following the release of favourable August money supply growth figures At an annual 8,72%, the figures were encouraging as they fell well within the Bank's 7%-10% guideline range.

The Public Investment Commissioners were believed to have been in on the gilts market, furiously buying government stock and forcing the rate on the R150 bond down to an intra-day low of 13,77% on Tuesday.

As news of a higher-than-expected August inflation rate reached the market in early Wednesday afternoon trade, gilts yields shot up amid panic selling before losses were recovered and rates stabilised.

Rumours of a petrol price hike — spelling bad news for inflation — and an expected gilts sell-off by foreign holders after Thursday's finrand crash, saw bears take to the floor on Friday The E168 hit a mid-session high of 13,94%, 25 points up from Thursday's 13,69% low.

The market remains nervous and jittery and a swing either way would not surprise anyone

MONEY MARKETS

Pressure eases, but market still jittery

HILARY GUSH (232)

PRESSURE on the money market eased towards the end of last week with the shortage slipping back to R3,8bn on Thursday from R4,76bn on Wednesday

The week saw a tight month-end in which the Reserve Bank intervened twice to alleviate market illiquidity. Consequently call rates slid back to average around 12,75% on Friday from the 13,75% highs of only a few days earlier. BDay 5/10/92.

While the money market was, according to one dealer, "deathly" quiet last week, the capital market witnessed some active trading. On Tuesday yields on the key gilts and semi-gilts breached resistance levels and tumbled to near nine-year lows

The buying frenzy was attributed to enhanced chances of a Bank rate cut following the release of favourable August money supply growth figures At an annual 8,72%, the figures were encouraging as they fell well within the Bank's 7%-10% guideline range

The Public Investment Commissioners were believed to have been in on the gilts market, furiously buying government stock and forcing the rate on the R150 bond down to an intra-day low of 13,77% on Tuesday.

As news of a higher-than-expected August inflation rate reached the market in early Wednesday afternoon trade, gilts yields shot up amid panic selling before losses were recovered and rates stabilised

Rumours of a petrol price hike — spelling bad news for inflation — and an expected gilts sell-off by foreign holders after Thursday's finrand crash, saw bears take to the floor on Friday. The E168 hit a mid-session high of 13,94%, 25 points up from Thursday's 13,69% low.

The market remains nervous and jittery and a swing either way would not surprise anyone

Cagey unit trusts switch holdings

Finance Staff STAR 6|10|92

Unit trust portfolio managers are cautious about the outlook for the equity market and are shifting their holdings into cash and fixed-interest stock.

While Fedgro's portfolio grew 10,5 percent (capital plus income) in the year to September, fund manager Ian Fraser says funds allocated to fixed-interest stocks ahead of the present decline in interest rates cushioned the fall somewhat.

"With some 26 percent of the portfolio in cash and fixed-interest stock, we were able to limit the effect of falling share prices on the portfolio," he says.

"The cut in the Bank rate on June 30 accelerated the bull trend in the capital markets. We expect this trend will continue for the rest of 1992 as inflation and interest rates continue to decline.

"Our expectation for share prices in the short term is influenced by the performance of the major world economies, the adverse effects of the drought, ongoing violence and political uncertainty, and weaker company results," he says.

232

Top five

While two of Sanlam's unit trusts again featured among the industry's top five over the past three years, all five funds in its stable raised liquidity levels.

"An annual yield of 23,9 percent was produced by the Industrial Trust over the past three years, and the Dividend Trust had a yield of 17,6 percent," says Stafford Thomas, senior portfolio manager.

Two funds have income distributions this quarter. Sanlam Trust will pay 25c a unit and Sanlam Dividend Trust 9,6c.

Mr Thomas says liquidity levels for all funds have been raised quite sharply, headed by Sanlam Dividend Trust with 31,3 percent, and the Industrial Trust with 20 percent.

"The potential for share prices in general to rise significantly from current levels is rather limited over the short term.

"The primary reason is the current recessionary conditions prevailing in the the SA and international economies.

"Political uncertainty is also adversely affecting investor sentiment. Recent positive developments may lead to improved confidence. A volatile market is expected in the short term."

The IGI unit trust raised its liquidity from 13 to 16 percent by selling its entire shareholding in De Beers and Sunbop It is making an income distribution of 1,89c a unit for the six months to end-September.

AVI hopes for return of business confidence

BD 6/10/92 (232)

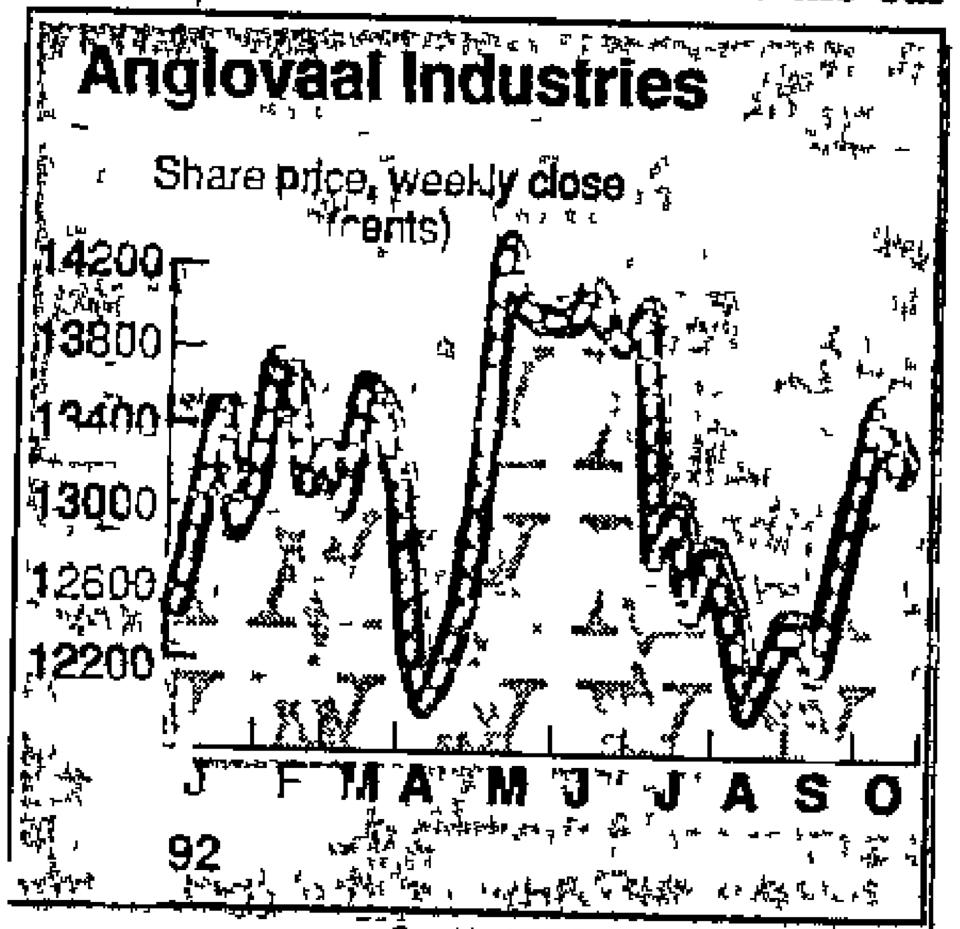
EDWARD WEST

ANGLOVAAL Industries (AVI) forecast earnings would increase for the eighth consecutive year, chairman Basil Hersov said in his latest annual review.

However, the extent of the earnings increase would be dependent on a mild improvement in trading conditions and a return of business confidence, the latter being largely dependent on the early recommencement of the constitutional negotiation process, Hersov said

The past year's earnings forecasts were achieved, but not to the extent originally envisaged "At that time there were signs of an economic revival, but trading conditions have worsened, principally as a result of the drought and continuing civil unrest," he said

Consumer spending power — many of the group's markets were consumer driven — had been eroded by high interest rates, inflation and levels of corporate and personal taxes The recession showed no sign of easing in the first two months the current financial year to end-June 1993.



Graphic: LEE EMERTON Source I-NET

Although the easing of sanctions was pleasing, SA offered little incentive for foreign investors. The situation was worsened by high interest rates, inflation, company taxation, violence and labour unrest.

AVI's involvement in export and international trade was not significant, but opportunities would continue to be investigated, Hersov said.

AVI subsidiary Consol, which made the largest contribution to group earnings, reported a lower than expected earnings increase in the past year, but was well placed to respond positively to an improvement in the economy, he said.

Improved results by the engineering activities of AVI Diversified Holdings in the past year were offset by a reduced contribution from textiles

Grinaker also performed unsatisfactorily and contributed a loss to the AVI Group I & J performed well and planned a major capital expenditure programme to meet the demands of an upturn.

National Brands, which increased earnings 18% in the past year, should show strong earnings growth, particularly in an improved business enviroment.

Anglo Alpha, in which AVI acquired a 25% stake for R320m in January 1992, contributed R8,7m to earnings in the six months to end-June 1992. Hersov said although AVI's earnings were expected to increase marginally as a result of the acquisition, the quality of these earnings would improve

AVI's attributable earnings increased to R270,6m in the year to end-June 1992, compared with R234,1m in the previous year.

Shaky foreign bourses fuel the fall

Share prices take a dive as JSE buckles

B/DAY 6/10/92. (232)

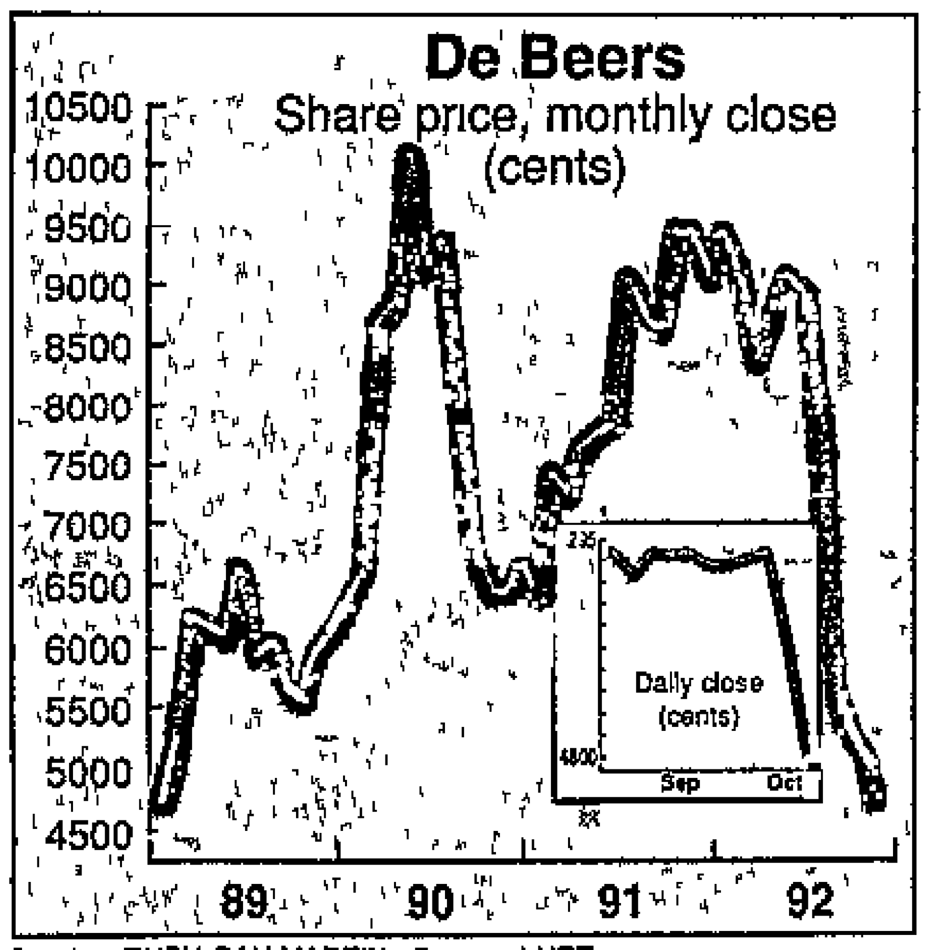
MERVYN HARRIS

SHARE prices plunged on Diagonal Street yesterday as the market cracked under the weight of a litany of bad news on both the domestic and international fronts.

Fuelled by tumbling international bourses, the JSE overall index crumbled 2% or 66 points to close at 3 114 despite further sharp weakness in the embattled finrand

Dealers said JSE share prices should have "gone through the roof" in rand terms in the wake of the enormous finrand slump in the past few days The fact that prices had instead weakened underlined the fragility of the market and masked the big drop of currency-linked shares in dollar terms

On the heels of Friday's sharp sell-off, Wall Street plummeted 110 points at one stage last night to firmly breach the 3 181 level, seen as a bear signal by Dow theorists, before recouping some losses in volatile trade.



Graphic RUBY GAY MARTIN Source I NET

The London Stock Market yesterday registered its largest intra-day fall in five years as the FTSE 100 fell 4,06% to close 103,4 points down at 2 446 Losses among other European bourses ranged between 3%-6%, while the Tokyo market eased for the seventh successive session

A JSE dealer said "The circle of bears in the market has substantially widened over the past few weeks Friday's US jobs data underlined that there is no sign of a turnaround in world economies, while SA remains mired in political and economic atrophy

"These are some of the negative factors which have been in the back of people's minds but have now come to the forefront The chaos on foreign exchange markets and sliding global equities reflect the bearish mood as people look at things more realistically," he said

Led by sharp falls in heavily weighted De Beers and associate Anglos, the downturn on the JSE came on low volumes as buyers withdrew to the sidelines to await developments

De Beers shed almost 6% to close at a new year low of R47,85 as the shares came under renewed pressure after a BBC TV programme reported that Russia was threatening to disrupt the diamond market But analysts said the reaction was overdone and the shares were being driven lower by sentiment rather than fundamentals

Volatile foreign exchanges and falling

☐ To Page 2

Share prices

B/DAY 6/10/92 (232)

☐ From Page 1

equities spurred US fund buying of gold for the metal to breach overhead resistance at $350 and close $3,25 higher in London at $351,85 The rise bolstered platinum which was steady at a London afternoon fix of $365,50

Analysts said gold needed to break more firmly out of its current trading range but they noted that the metal could start to play a more important role as the destabilisation, particularly in foreign exchanges, continues

The higher price of the metal and the weaker finrand enabled gold shares to escape the ravage of the market with the JSE all gold index ending 15 points firmer to 902

The JSE industrial index declined 78 points to 4 103 with fund managers reported to be looking to buy shares at lower levels "The market was like an accident waiting to happen Hopes have been dashed as realism takes over with the market now really in the doldrums," a trader said.

Hanson bids for food firm

LONDON — Anglo-US industrial conglomerate Hanson yesterday disclosed a £780m cash bid for UK food manufacturer Ranks Hovis McDougall

The hostile offer values each Ranks Hovis share at 220p, representing a 26% premium over the 175p closing price on the London Stock Exchange on Friday

The offer also represents a 57% premium over the 140p-a-share price on September 4 when, Hanson claimed, Press speculation over a possible bid began

But the bid represents a comedown in the fortunes of Ranks Hovis In 1988, Hanson said Ranks Hovis rejected an offer of 465p a share

BDM 6/10/92

Ranks Hovis "seems to have lost its way forward since the time of the bid in 1988, when you turned down 465p a share and such a bright picture was painted", chairman Lord Hanson wrote in an open letter to Ranks Hovis chairman Stanley Metcalfe

"We believe our financial strength and management skills will provide a vital new dimension to your company at a time when there is likely to be considerable restructuring needed in the milling and baking industry"

In the year ended August 31, Rank Hovis's pretax profit rose 15% to £150,2m on a decline in sales to £1,53bn from £1,77bn It lifted its full-year dividend to 13,36p a share from 12,74p — AP-DJ

Sanlam unit trust portfolios static as income is used to build liquidity

.232

BDM 6/10/92

LINDA ENSOR

CAPE TOWN — Sanlam's five unit trusts, with total assets of about R1,8bn, were not active players in the buying and selling of shares during the quarter to end-September, instead using the inflow of cash to build up their liquidity levels, senior portfolio manager Stafford Thomas said yesterday

Liquidity levels increased to 16,9% (12,4%) for the Sanlam Trust, 16,7% (11,7%) for the Sanlam Index Trust, 31,3% (21,3%) for the Sanlam Dividend Trust, 19,8% (13,7%) for the Sanlam Industrial Trust and 14,8% (9,3%) for the Sanlam Mining Trust.

The slump in the stock market meant that the yields of the five trusts in the year to end-September — Sanlam Trust (3,9%), Index Trust (0,23%), Sanlam Dividend Trust (5,2%), Industrial Trust (9,6%) and Mining Trust (-10,8%) — did not match those of former years

Thomas noted that the Sanlam Industrial Trust had produced an annualised yield of 23,9% during the past three years — the second best in the industry — and the Sanlam Dividend Trust a yield of 17,6%, which placed it fifth During the three-year period the all share index grew by about 15,5% while the inflation rate averaged 14,8%, Thomas said

Sanlam Trust paid out 25c a unit for the past quarter and the Dividend Trust 9,6c

Thomas said no major restructuring of the share portfolios was envisaged during the coming quarter

Liquidity would be allowed to build up a few more percentage points

"The potential for share prices in general to rise significantly from current levels is rather limited over the short term The primary reason is the recessionary conditions prevailing in the SA and international economies," Thomas said

"Political uncertainty is also adversely affecting investor sentiment Recent positive developments may lead to improved confidence A volatile market is expected in the short term

"We believe investors in unit trusts will continue to receive good returns over the medium and longer term"

In the past quarter Trans Natal, Samancor and Transhex shares were sold and Servgro, Ofsil, Datakor and a small number of platinum shares were amongst those bought

The 10 largest holdings in the Sanlam Trust were Richemont, Metropolitan Life, Tiger Oats, Remgro, SA Breweries, Remgro Beherend, Murray & Roberts, Suncrush, Gencor Beherend and Sasol

Steel producers face gloomy prospects

TOKYO — Prospects for the world's steel makers were gloomy, International Iron and Steel Institute general secretary Lenhard Holschuh said yesterday

"Given the morose world economic climate, steel demand will not rise in 1992 and is unlikely to show much improvement in 1993," said Holschuh, in Tokyo for the institute's 26th annual conference.

Total world output of steel products would stand at about 623-million tons this year, the same as in 1991, and would only rise to 632-million tons in 1993, he said

In the longer term, the institute estimated demand would grow only moderately and not return to the record highs of 1989 and 1990 (664-million tons and 654-million tons respectively) until after the middle of the decade

Steel demand in the US would rise 10% to 85-million tons this year, but only 3% in 1993 because of the "tenuous nature of the economic recovery" there, Holschuh said

In Japan, the steep 13% drop in output to 81-million tons expected this year would be followed by a modest 3% growth next year In the EC, after falling 2-million tons in 1992 to 105-million tons, steel consumption would probably only increase about 1-million tons in 1993 — Sapa-AFP

Iscor lets down small investors

232

STAR 6/10/92.

By Marc Hasenfuss

Iscor shares are trading at an historic low of 80c, putting the market value of the share at less than a quarter of its net asset value a share of about 360c.

Small shareholders, initially attracted to the share via a high-profile promotional campaign in 1989, have grown increasingly impatient with the financial performance of the steel giant.

The recent financial statement disclosing a profit drop of 43 percent to R171 million, has led to an exodus of small investors. At the time of reporting the financial statements, the share was at 137c on the JSE.

Since then it has plummeted through the 100c psychological support level (being half its November 1989 listing price), further spooking cash-strapped small investors and recession-ridden companies alike.

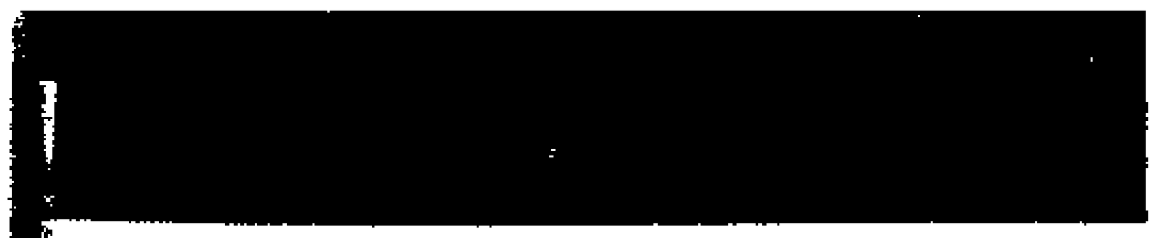
Further drop

The market believes the share could still go lower and At year end June 1992 individual shareholders totalled almost 196 000 compared with 212 000 the previous year.

Companies also fled the share in the period under review. In 1991 1 580 companies held 378 million shares or about 20 percent in Iscor. By year end 1992 the number of companies invested in Iscor dropped to 1 356 holding 315,7 million or 16,9 percent of the issued shares.

Insurance companies dropped their holding to 20 percent from 23 percent in the previous year. The holding for pension and retirement funds was relatively static.

Most market analysts advise against buying Iscor for six months or at least until the interim performance can be gauged.



aving the Rand Supreme Court. Picture BRIAN HENDLER

obtained business from Nampak as a supplier of machinery and spare parts, Barker allegedly received one-third of CMS's equity and a payment of R1 108 950.

Insolvent company's ex-directors in court

01Dry 6/10/92. 232

PRETORIA — Three companies yesterday claimed R1,8m from nine former directors of liquidated textile company Wolnit in the Pretoria Supreme Court in a case which could have consequences for the auditing profession.

TIM COHEN

The companies — Philotex, Union Spinning and Gregory Knitting Mills — claim the directors acted recklessly and are therefore personally liable for the company's debts in terms of section 424 of the Companies Act

In an expert report submitted on behalf of the applicants, accountant Harvey Wainer concluded the directors were "grossly negligent" in continuing to trade.

Wolnit was liquidated in 1989.

Window-dress

It sustained trading losses of R199 000 in 1985, rising to R946 000 in the year of its demise

There were also irregularities in preparation of its financial statements.

It was difficult to conclude that the directors intention was not to "windowdress" the financial statements, Wainer said.

The company had been commercially insolvent for a number of years before it was liquidated, he said in the report.

The nine businessmen are J Vermooten, P J Gous, A D Niemand, S J Nel, S J du Plooy, L M Pretorius, E F Zondagh, P R Botha and N S Read

They have all denied they were negligent.

The case, being heard by Judge K van Dijkhorst, will resume on Friday.

A senior member of the legal profession said yesterday auditors were following the case with particular interest.

It could settle different judicial interpretations of the insolvency laws.

Investors steer clear of weak market

MERVYN HARRIS (232)

DIAGONAL Street remained weak in thin trading yesterday as apprehensive investors kept to the sidelines amid renewed volatility on international bourses after Monday's downturn. B/DAY 7/10/92

The finrand reversed direction from its weak trend to firm to R4,53 to the dollar from the previous R4,84. Currency traders attributed the rise to short covering and demand for the unit at the lower levels after sharp recent falls.

Wall Street again recovered from a sharply weaker opening after salvaging 80% of its losses on Monday. The rebound spurred rallies in Tokyo and London but other European bourses were mixed with a softer bias.

The downward drift of shares prices on the JSE lowered the overall index 11 points to 3 103 but short covering in the US enabled De Beers to defy the softer trend and close 40c up at R48,25.

Institutional nibbling of selected shares on their way down boosted activity in the afternoon after a slow and hesitant start to trading. "People are still nervous and reluctant to take positions," a trader noted.

Dealers reported more domestic and offshore interest in gold shares but a firmer finrand undermined early gains.

The all gold index ended with a loss of seven points to 895 and the industrial index slipped 15 points to 4 088.

Debt judgments 'will rise'

STAR 7/10/92.

PRETORIA — SA's debt scenario is likely to darken by the year-end due to chronic unemployment, continued high interest rates and low consumer confidence, says Information Trust Corporation CEO Tony Leng.

(232)

But he says Central Statistical Service figures indicate the M3 money supply ithin government guidelines and a further reduction in interest rates could result soon.

Leng says the number of debt judgments against individuals will continue to rise as increasing numbers of consumers come under financial stress.

Between January and July this year, judgments for debt had soared 24% compared with the same period last year, he said.

In the first six months of the year 2 234 individuals had been sequestrated — the highest number on record in a six-month period.

The number of companies and close corporations liquidated in the seven months to end-July had increased by almost 60% on last year to 1 387.

Local disinvestment puts single currency further out of reach

232

GRETA STEYN

BDAY 7/10/92

IN THE heady days that followed the announcement of plans to create the new SA, the discount between the financial and commercial rands narrowed to less than 10% and a single currency seemed in the offing. As the discount surged to almost 45% this week, a unified currency again seemed a distant dream of a wishful central banker.

A dealer, when asked this week why the currency had weakened, responded facetiously: "More sellers than buyers." But he hastened to add there was a message in the identity of the sellers, in the fact that South Africans were taking money offshore while foreign investors were not keen to commit money to the country.

Is the slump in the finrand a massive vote of no confidence in the SA economy by SA business, or do the falls in the finrand only reflect a temporary blot on the horizon of new opportunities opening up for SA internationally?

The factors conspiring to send the finrand reeling include not only the SA offshore purchases, but also large speculative positions and the Reserve Bank's statement that it might from time to time support the currency.

SA companies expanding overseas are taking more than R2bn out of the country. Royal's plans to purchase tinned food company Del Monte is estimated to be worth about R1,3bn. Anglo American's purchase of a stake in Del Monte is expected to be financed offshore, which would not involve the finrand market.

First National Bank is buying UK merchant bank Henry Ansbacher, which could add another R500m-R600m. The deal will be financed through capital raised in a rights issue.

Standard Bank will be spending an undisclosed amount on buying ANZ Grindlays' African branches. The price is anybody's guess and could depend on factors such as African government attitudes and timing.

Standard has been negotiating with the Zimbabwean government on the takeover amid predictions of further devaluations in the Zimbabwean dollar. To what extent it will be able to benefit from the falling Zimbabwean currency remains to be seen.

The recent purchase by Investec of Allied Trust in London is no longer exerting pressure on the finrand market, but is another example of South Africans moving money offshore. Yet another is the recent announcement by Rand Merchant Bank that it is buying a dealing operation in Australia. Bankers say there are others waiting in the wings, hoping for Reserve Bank approval.

The Bank might be somewhat hesitant in giving the go-ahead and the companies themselves might think again at the present levels of the investment currency. In FNB's case, the price might turn out much higher than initially expected. Market talk is also that the Royal/Del Monte deal has not been signed; it could be abandoned and the finrand deals for it could be unwound.

The move offshore by local interests represents sizeable negative influences on the finrand. By contrast, foreign investors in SA equity have been conspicuously absent. In general, there has been net selling of JSE shares by foreigners while non-listed equity investments in the past year run into only a few hundred million rands.

The main positive influence until now has been the speculative interest in the currency. Foreign holdings of SA gilts run into billions of rands with foreigners holding more than half of Eskom's total issued stock. The money market, because of its short-term nature, gained in popularity as political uncertainty became a factor. Throughout the period of Boipatong and Bisho, there was no sign of the speculators scrambling to get out of SA. The gilts bull run continued virtually without pause and money market rates continued to mark time.

The build-up of large speculative positions was supported by the Reserve Bank's statement that it would, from time to time, intervene to support the currency. The Bank has been at pains to point out that it did not commit itself to supporting the currency. But it seems the finer nuances of the statement were lost on the dealers. Speculators felt safe coming into SA in the "knowledge" that their capital would be protected by the Bank.

The huge SA move offshore put pressure on the currency and pushed it towards levels that could trigger speculators' stop-losses. The Reserve Bank's retreat to the sidelines while the stuffing was being knocked out of the finrand sparked fears of speculators fleeing, fuelling bearish sentiment.

There were signs that stop-losses were triggered when the currency moved below $0,24. Money market investors in the Far East cut their losses and there was some selling of gilts. A nightmare of post-Rubicon proportions no longer seemed impossible.

But the Reserve Bank made a deliberately noticeable return to the market, soothing speculators with a forceful attitude and a handful of dollars. There was to be no nightmare on Diagonal Street.

At the present lower levels, and with the Bank back in the market, there are signs of marginal investors returning. The yields are a major attraction: a discount of 40% implies an effective return of about 18% for a one-month money market investment. But these investments are short term and unstable.

Dealers, relieved that there was t[o] be no nightmare this time round, ar[e] worried about the way in which th[e] SA acquisitions are being done. The[y] believe the Bank could be more ope[n] with the market about the flows, an[d] could also exert some influence t[o] smooth them.

But the Bank should take care no[t] to waste precious foreign exchang[e] reserves to drive down the discoun[t] between the commercial and finan[-]cial rands. The discount is not lan[-]guishing at near post-Rubicon level[s] without a reason, and the Ban[k] would be wise not to take on th[e] market.

The message the finrand market i[s] giving us is that SA companies wan[t] to move offshore while foreigner[s] want to make easy profits but do no[t] want to invest long term. Wh[y] should they want to invest in SA i[f] South Africans are themselves not investing?

Investment in the productive capacity of the SA economy has dwindled to the basic minimum needed due to normal wear and tear. The Reserve Bank commented in its Quarterly Bulletin that this had "serious implications for future economic growth". Net investment — after allowing for depreciation — has fallen to only 1% of GDP from an average of 8% in the '80s and 14,5% in the '70s. For foreigners who want to cash in on the rapidly growing developing economies, SA will not be an option until SA starts investing in itself.

The late Reserve Bank Governor Gerhard de Kock had to see his work in scrapping the finrand undone when the debt crisis hit SA in 1985. His successor Chris Stals obviously shares the desire to do away with the dual currency system. That much was obvious from his statement on the finrand market earlier this year.

One currency would restore SA's dignity and take it out of the list of "exotic" investments on offer. But as long as South Africans continue disinvesting at this rate and foreigners come in only for a quick buck, this desire will not be realised.

City Lodge listing a bonanza for two mine pension funds

STAR 7.10.92

232

By Derek Tommey

The two major mine pension funds — the Mine Officials' Pension Fund and the Mine Employees' Pension Fund — stand to gain about R100 million from the listing of City Lodge next month, says Barry Botes, CEO of MPF Management Services, which manages the two funds

City Lodge was cofounded by the two pension funds and Hans Enderle in 1985 and has proved a successful investment.

Botes says returns on the MEPF, which has total assets of R5,1 billion, grew 18,6 percent in the year to June, while the average annual return in the five years to June was 19,6 percent.

The MOPF, which has assets of R9,2 billion, had an 18,7 percent return in the year to June and an average return for the five years to June of 20,2 percent.

Improvements have been made to the benefits offered by both funds, including an increase in minimum pensions paid of 11,1 percent.

COMPANIES

UAL Gilt gives 32,5% return

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

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

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

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

ANDREW KRUMM

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

However, other UAL unit trusts had not done as well. (232)

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

The Mining and Resources Fund showed negative 5% growth.

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

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

Insolvency sector 'rife with unethical practices'

(232)

B/Day 7/10/92

GAVIN DU VENAGE

THE "insolvency industry" badly needs a cleanup, along with the implementation of policing mechanisms, says Kessel Feinstein MD Oliver Powell

Powell said the industry — comprising insolvency practitioners and consultants — was rife with unethical practices This included auctioneers paying kickbacks to liquidators, and liquidators paying attorneys to secure business.

Another abuse was that many creditors gave business to liquidators who would not pursue their securities too energetically, and take "an amiable approach" in chasing assets to pay debtors

Liquidators could find themselves in a situation where they stood to lose work if they did not "play ball", said Powell This left a lot of impeachable security undisclosed.

He said remedies sponsored by the Master of the Transvaal Supreme Court Tommy Bell, whose office was responsible for the appointment of liquidators, were to be applauded, but these remedies nevertheless skirted the problems rather than confronted them

The Master's office had issued a series of guidelines governing the impartiality of trustees

Under the present system, many "sharp operators" remained undetected, while action was taken only when abuses were brought to the Master's attention This was often too late for anything to be done

Powell proposed a series of wide-ranging changes including a code of conduct for insolvency practitioners similar to codes of conduct for other professional bodies such as the law societies and the Institute of Chartered Accountants.

Sanctions

The code would provide for sanctions against unethical conduct This would apply, for instance, when a liquidator acted impartially or failed to withdraw when there was a conflict of interests

He also suggested the appointment of a commissioner, such as a retired judge, and a disciplinary council to oversee proceedings arising from malpractice and misconduct

Powell proposed that the Association of Insolvency Practitioners be given statutory recognition, and that anyone wanting to become a practitioner should qualify through an examination

The Justice Department should establish an inspectorate within the Master's office with jusrisdiction to investigate the books and records of insolvent estates at the practitioner's place of business

Powell said insolvency practitioners should also be required to sign affidavits pledging not to enter into any kind of fee-sharing arrangements other than those arrangements between themselves in the case of joint appointments

Responding in a statement, Bell said the Master's office had sufficient powers and wide-ranging discretion to ensure the impartiality of liquidators

He said that appointments usually stemmed from the experience gained during working relationships between the functionaries of the Master's office and the insolvency practitioners

"The Master's decision can be influenced by the objective consensus of opinion of the office holders under his control, who are in daily touch with the practitioners," he said

Bell added that the Master's office had sufficient discretion to allow flexible decisions

City Lodge group may be listed on JSE next month

(232)

BDay 7/10/92

JONO WATERS

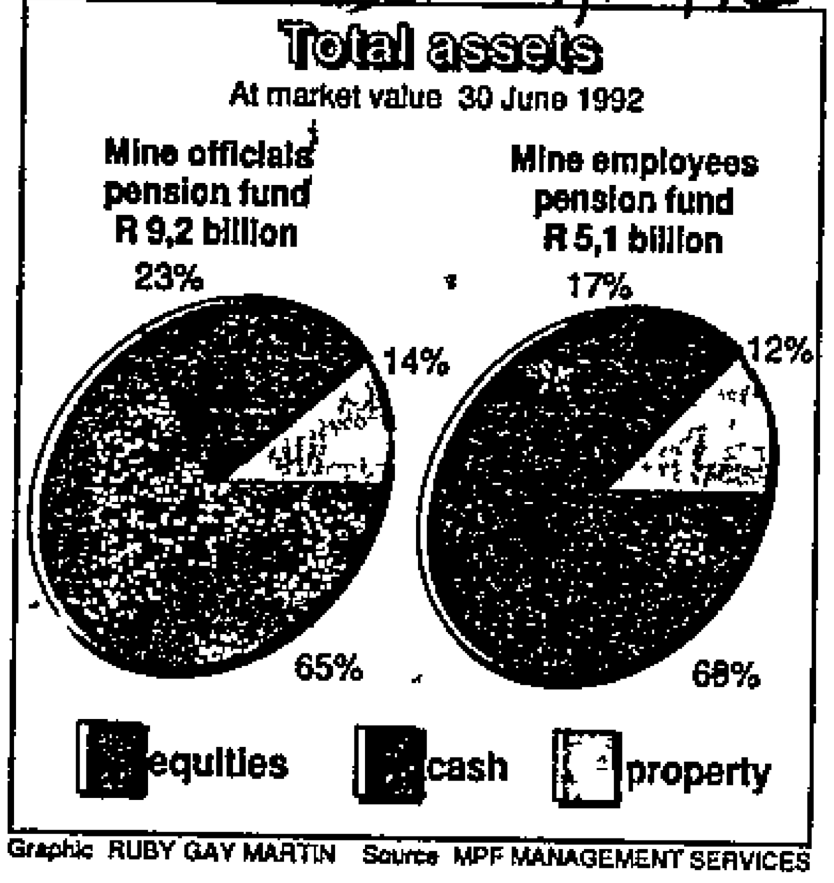
THE Mine Pension Fund Management Services would push ahead with plans for listing the City Lodge hotel group in early November, CE Barry Botes said yesterday

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

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

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

In the 18 months to end June 1992, the officials' fund received R479m from interest payments, R251m in



Graphic RUBY GAY MARTIN Source MPF MANAGEMENT SERVICES

dividend payments and R99,7m in rent income

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

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

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

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

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

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

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

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

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

Analysts pessimistic about Rusfurn recovery outlook

BDay 7/10/92

MARCIA KLEIN

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

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

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

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

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

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

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

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

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

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

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

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

Guardbank trust managers see promise in longer term

STAR 8/10/92

By Sven Lunsche 232

The outlook for the equity market remains hostage to a troubled international economic order and local political uncertainty, says GuardBank in its commentary accompanying quarterly results of its three unit trusts

"After the sharp market correction of the quarter under review, equity prices are at somewhat less demanding valuation levels," GuardBank says.

"Nevertheless, over the shorter term the uncertain global and domestic economic environment will inhibit the SA equity market and it is likely that a period of under-performance lies ahead.

"Taking a longer view, the worldwide changes in the free enterprise market-driven economy will also of necessity have to be the cornerstone for growth in the 'new' South Africa.

"In such a context, the outlook for the JSE in the medium to longer term remains promising," the portfolio managers say

Growth Fund reported a total return (capital appreciation and income reinvestment) of 9,9 percent for the year to end-September.

However, the market value of the fund fell from R1,52 billion in June this year to R1,44 billion at end-September, in line with falling equity prices.

The fund improved its liquidity level from 19,3 percent to 27,8 percent in the September quarter.

GuardBank says the slump in De Beers' share price was largely responsible for the 12,2 percent drop in average prices during the quarter.

"In addition, the stalled political negotiation process and the severe recessionary trading environment exacerbated by mass action and violence sapped investor confidence"

GuardBank Industrial Fund's return since its April inception date has been 6,8 percent and increased its market value by 35 percent to R8,1 million in the quarter

The Resources Fund's return was a negative three percent for the year, in line with the poor performances of mining and energy stocks.

The strongest growth was reported by the Income Fund, with an annual return of 28,2 percent and a quarterly surge in its market value from R63,9 million to R134,1 million

Setbacks at De Beers drag down OM Investors' Fund

(232) STAR 8/10/92.

By ~~Magnus Heystek~~

The sharp decline in the share price of De Beers has had a negative effect on the performance of SA's largest unit trust, the Old Mutual Investors' Fund

The fund has a large exposure to De Beers and the decline of the share price from R90 to its current level of R48 has pushed the giant trust to the bottom of the pile as far as performance figures for the September quarter are concerned

In investment circles it is known that Old Mutual was an aggressive buyer of De Beers just prior to its shock disclosure of a possible cut in its dividend.

In his quarterly survey of the unit trust industry, Professor Hugo Lambrecht of the Graduate Business School at the University of Pretoria says the Investors' Fund had negative growth of 11,40 percent in the September quarter, the only fund to be outperformed by the JSE overall index

The most salient point about the performance of various unit trusts was the superiority of gilt funds and, to a lesser extent, income funds

According to Lambrecht's preliminary calculations, the best performing fund for the year to September (on a repurchase-to-repurchase basis) was Metboard Income Fund with growth of 34,99 percent, followed closely by UAL Gilt Fund on 32,50 percent

Old Mutual's annual performance figure was also influenced by its large De Beers exposure, recording a 0,55 percent growth (year on year) — second from the bottom

On an annual basis only, one equity fund managed to beat the inflation rate, although most of them managed to outperform the overall index

Ahead of the pack was Absa Industrial with 18,8 percent (repurchase to repurchase), followed by Syfrets Growth Fund with 13,98 percent, followed closely by Southern Equity (12,79 percent), Standard Bank Mutual (12,10 percent), BOE Growth (11,75 percent) and Absa Growth (11,46 percent)

The specialist funds, mostly with large exposures to gold and mining-related shares, had another terrible quarter, which dragged their annual performance figures down sharply.

● A full report on all unit trusts will be published in YOUR MONEY on Saturday

GuardBank's unit trusts notch up a successful year

232

B.DAY 8/10/92.

ANDREW KRUMM

GUARDBANK unit trusts reported a successful year, with three of the four funds administered turning in good or satisfactory performances.

However, a fourth trust, GuardBank Resources Fund, showed a negative 2,95% growth in the year to September against the background of difficult commodities and metals markets. Nonetheless the fund was the top performer among All Resources unit trusts

Liberty asset management MD James Inglis said "By comparison the JSE all gold, coal and diamond indices performed extremely poorly, reflecting returns ranging from -16,5% to -36,94% over the year."

In contrast, top performer GuardBank Income Fund posted a 28,18% total return including capital appreciation and income reinvestment), — which put it among the top three performing unit trusts for the past year.

In its most successful quarter, the market value of GuardBank Income grew R61m to finish at R134m, as investors chased better returns in gilts, Inglis said

Meanwhile, GuardBank's largest fund, the GuardBank Growth Fund, offered investors a 9,89% total return — outperforming the nearly static All Share index

Inglis attributed the performance to fund managers' concentration on blue chip shares, and heavy weighting towards the financial and industrial sectors.

However, GuardBank Growth experienced a net outflow of investment during the quarter, and the market value of the portfolio fell to R1,437bn from R1,517bn in June

Disposals

Inglis said GuardBank Growth's liquidity — fixed interest securities and cash — rose sharply from 19,32% to 27,76% during the quarter, with managers largely withdrawing from mining sector shares, and moving to medium-dated gilts

Some disposals included Anamint, Gencor, Charter Cons, Southern Life, SAB and Adcock Ingram.

Inglis said an uncertain global and domestic economic environment would inhibit the SA equity market, and it was likely a period of underperformance lay ahead, but the medium- to long-term outlook on the JSE was promising

Bond exodus sparks capital flight fears

BDM 8/10/92.

[redacted] (232)

TIM MARSLAND

THE prospect of massive capital flight from SA loomed closer yesterday as a major London broker advised investors not to invest in the SA capital market

Andy McDougall, head of London stockbrokers James Capell's SA trading desk, said from London he had advised clients not to invest in SA bonds and to lighten SA bond holdings where possible

Latest statistics from the JSE and Reserve Bank show foreign inflows into the SA capital market from April to last week Friday, which reflect only financial rand transactions through the JSE, have been R120m — compared with R1,030bn for the same period in 1991

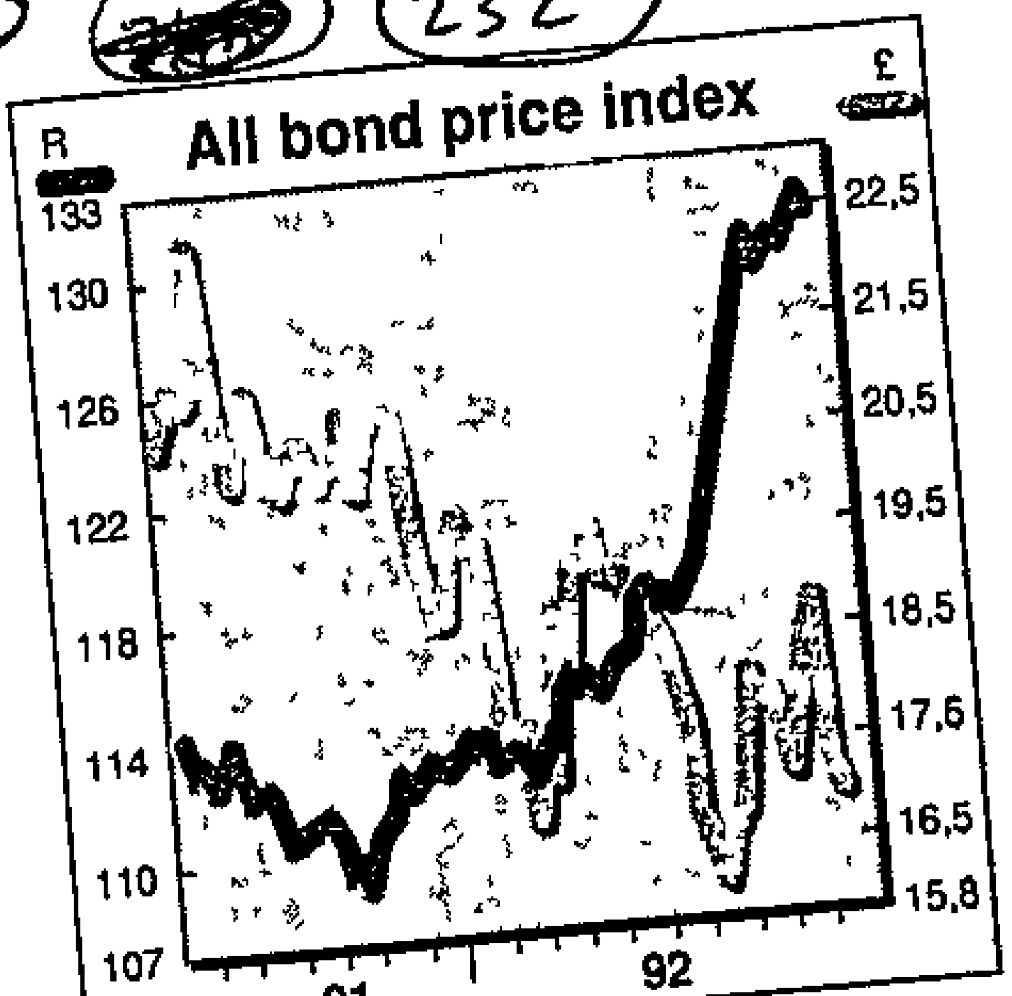
JSE floor trade accounts for about half of foreign trade due to the informal nature of the capital market Latest JSE figures show R129,574m fled the capital market last week alone.

McDougall said the sharp fall in the financial rand over the past two weeks was mostly to blame for the deteriorating confidence and political uncertainty

McDougall said selling orders in the past two weeks had been the largest he had seen for the past three years "Large investors are leaving SA and will not return The confidence has been knocked out of the SA bond market by the fall in the finrand

"There is a lack of new interest and the big players want to get out of the market," he said However, smaller investors would stay as "they tend to ride out the storms"

Any appreciation in the financial rand would see major bond selling, he warned The unit has depreciated about 33%



Graphic RUBY-GAY MARTIN Source I-NET

☐ To Page 2

Capital flight

BDM 8/10/92.

[redacted] (232)

☐ From Page 1

against sterling over the past few months The investment unit's fall was led by SA banks' paying for acquisitions abroad.

McDougall said confidence in SA started to wane after the failure of the Codesa talks The stop-start scenario in political talks since had unnerved investors, he said Also, uncertainty as to how tight a future government's monetary control was going to be scared foreigners

He said selling had occurred across the board, but government stock in particular was targeted European players had been major sellers in the past two weeks, he said They bought stock some time ago so had already made their profits.

By contrast, US investors entered the market only in the last year or so after the scrapping of US embargoes against SA They had seen their capital depreciate sharply and were unable to get out of their positions Far Eastern investors faced the same prospect, he said

A local dealer said investing in SA bonds has traditionally been favourable for foreigners "They are able to pay for bonds through the financial rand while interest payments are made in commercial rands"

However, he said foreigners were disenchanted with the finrand and not SA bonds as such.

"While the running yield (interest payments) is favourable, the financial rand is an unstable currency which makes it difficult to deal in."

Foreigners were able to attract yields of around 22% in dollar terms in SA bonds compared with about 8% in German bonds

The local dealer said falling global interest rates coupled with an appreciation in the financial rand would see investors return to the market.

"The return would then outweigh the risk," he said. Foreigners' perception of the local market was "not particularly worrying", he said

Inflow into Old Mutual unit trusts

232 LINDA ENSOR

CAPE TOWN — There was a net inflow into Old Mutual unit trusts in the September quarter despite the weaker stock market.

Old Mutual Income Fund's assets rose 58% to R120m over the quarter as equity fund investors switched their investments in an uncertain market. The portfolio consisted of 58% gilts and 42% liquid assets at the end of the quarter.

Funds in the Old Mutual fold were relatively fully invested to take advantage of growth as sentiment improved, Old Mutual Unit Trusts assistant GM Barry Crookes said BDAY

No major changes had been made to the equity fund portfolios, though the Investors' Fund had bought R73m worth of gilts during the quarter — R50m in the 12% RSA 1994 and R23m in the 14,5% RSA 1993.

The fund bought about 233 000 Lydenburg shares and sold off its entire stake of 174 200 shares in Freegold as well as the 50 700 Ofsil stake. Gold Fields of SA's holding was increased by 67 000 shares and Amic's by 30 000. 9/10/92

Old Mutual Industrial Fund bought into Engen shares, Masonite, Richemont and Toco and sold off its holding in Metair.

The Top Companies Fund increased its holdings in Richemont, Anglos, Gencor, Genbel, Santam, Yabeng and Masonite while the stake in De Beers was cut by 20 000 shares to 80 100. The Richemont holding more than doubled to 283 000 shares and Masonite rose from 150 000 to 260 300 shares

FM 9/10/92 (232)

FINANCIAL MARKETS FM 9/10/92

In the path of a hurricane

The massive international currency realignment, against the backdrop of a stalled US economic recovery, has triggered a worldwide crisis of confidence Uncertainty is spreading like a virus through financial markets, infecting investor judgment, destabilising prices, disabling decision makers and destroying the credibility of politicians

In the UK, PM John Major is fighting to keep some vestige of his reputation after he reversed policy and took sterling out of the (232)

John Major vestiges of his reputation

continued p35

exchange rate mechanism on September 16 And in the US, President George Bush faces defeat in next month's election as economic statistics continue weak to neutral

Political uncertainty makes SA markets particularly vulnerable to unfavourable external events The fall in the financial rand to under US20c at one point on Monday testifies to their fundamental weakness

The decline started in June, when the breakdown of Codesa 2 and related events sent the cost of a dollar from May's FR3,45 to FR4,04 on July 8 It recovered briefly to FR3,65 on August 7 before resuming a slow slide for some weeks, then plunged below FR4 on September 18, FR4,28 on October 1 and closed Monday at FR4,81.

Continuing disputes among major political groups obviously play an important part in the weakness, as they prompt capital outflows JSE statistics show nonresident transactions of gilts and equities turned strongly negative in the week ending August 28. Last week saw net sales worth nearly R176m.

It is generally believed the decline was accentuated by events such as First National Bank's need to finance its purchase of UK merchant bank Henry Ansbacher and a large rumoured stop-loss sale of finrands bought for speculative purposes that had been held in cash deposits.

But local developments should be seen in context. The fall in the JSE Industrial index from a peak of 4689 on June 4 to 4103 at the close on Monday is only 12,5%. The *Financial Times*-Stock Exchange 100 share index fell 4,2% to 2446,3 on Monday alone, its biggest one-day fall since the Crash of October 1987; as did the Paris bourse, where the 40-share CAC index hit 1611,04, its lowest close of 1992; and the Nikkei Stock Average fell 8% between September 24 and October 5 to close Monday at 17101,5 (before recovering to 17268 on Tuesday)

Even Germany, land of the rampant D-mark, has not been unscathed. On Monday, shares hit a 20-month closing low as Frankfurt's 30-share DAX index fell 3,6% to 1424. And in New York, the Dow Jones average's 3179 was the lowest close since the year's first day of trading

So though domestic events have prompted finrand sales, these have taken place at a time when investment is treated with caution worldwide — and there are consequently fewer buyers It is part of general malaise afflicting the international economy.

Underlying troubles in the currency markets (*Leaders* September 25) is a variety of economic ills

In Britain, the lack of a clearcut strategy is sending sterling into free fall; it touched a new low of DM2,3650 on Monday There are fears that recession will turn into depression

In the US, the three contenders for the presidency are sidestepping economic issues, after 18 interest rate cuts in two years have failed to stimulate consumer demand And in Japan, a glut of bank lending has been followed by a credit crunch

Because SA's economic fortunes are closely linked to the strength of the major industrial countries, a workable solution to the European currency crisis, as well as a recovery in the US and Japan, are pivotal to our own prospects

All SA can do, as it waits, is to get its own house in order so it can take full advantage of a recovery when it comes ■

COMPANY LAW FM 9/10/92

232

Buying your own shares

A new proposal would bring company law in line with overseas models

Should SA companies be permitted to buy their own shares? This controversial idea has been floated by the Department of Trade & Industry (DoT).

The repurchase of a company's shares by the company itself was prohibited in classical English company law — which is still valid in SA. This has the effect of a reduction in capital which is potentially prejudicial to creditors A reduction of capital in SA law under the Companies Act still has to follow a rigorous procedure — including sanction by the Supreme Court.

Share repurchase has always been allowed on an unrestricted basis in US law, while English company law was changed in 1985 to permit share repurchase on a carefully defined and restricted basis

The DoT proposals argue that repurchase could be advantageous for a company, providing as it would for.

□ An additional and at times convenient mechanism for shifting control;

□ The ability to achieve repatriation of ownership through buying out foreign shareholders with company funds;

□ Influencing the price of the company's shares when market values have deviated in either direction from the value dictated by the fundamentals,

□ Buying out a controlling shareholder in the case of a closely held company where the funds are available within the company;

□ Compromise of a shareholder's indebtedness to the company through setting off the proceeds of repurchase against the debt, and

□ The ability to buy back from employees shares linked to incentive schemes.

The North American approach permits repurchases provided the solvency of the company is not impaired. Abuse is curtailed by applying important general protective rules in US and Canadian company and securities law. These include provisions allowing shareholders to sue the company through a class action and more onerous financial reporting requirements.

Broadly, the DoT argues that SA should follow the North American precedent. Companies should be permitted to buy their own shares subject to protective rules to be introduced, provided either the memorandum or articles of association permit this The power should be exercisable through a resolution of the board (not a special resolution of the shareholders); and the repurchased shares should be cancelled and so become authorised but unissued shares

Repurchase would be allowed only if the company remains solvent and able to meet its obligations as they fall due and if the funds are drawn from distributable profits

There should be strong disclosure requirements. Thus, private companies should notify the Registrar of Companies and public companies file insider reports including comment on the reasons for the purchase, source of funds, and the factors affecting the fair value of the shares.

There should be two major limitations. A public company should not be permitted to buy more than 1% of its issued shares per month — but with the right to apply to the proposed Securities Commission for an exemption from the disclosure requirements

Continued

Second, a repurchasing company should be subject to the same liability now imposed on insiders who trade in a company's shares

Other safeguards should include

□ A claim for damages by creditors against the directors who authorise the repurchase if the transaction breaches the solvency and liquidity tests, plus a right of recourse against the shareholders who sold,

□ An interested party should be entitled to apply to court for a restraining order or for an order rescinding the offer, and

□ The law should also provide for the difficult technical situations that can arise with contracts to purchase shares over a period

Ivan Oshry, a partner in Fluxman Rabinowitz Raphaely Weiner, notes that the revision of UK company law also permitted a company to provide financial assistance to its shareholders or to third parties to facilitate the purchase of the company's shares. (This remains outlawed by section 38 of the SA Companies Act.)

The UK procedures allow off-market purchases in the case of unquoted shares, by special resolution of shareholders and — for public companies — by ordinary resolution The resolution must authorise the transaction within a specified price band and within a specified period (not later than 18 months from the date of the resolution) Also allowed, for off-market purchases, is a "contingent purchase contract" allowing a company to acquire options to repurchase (The restriction prevents public companies from speculating in their listed shares.)

Broadly, payment of the purchase price or the amount of the financial assistance may only be made out of distributable profits or out of the proceeds of a specific fresh issue of shares made for that purpose

Oshry says the UK provisions have worked well. They have assisted companies that want to restructure themselves as well as minority shareholders who would otherwise not have had a ready market for their shares Creditors have not been prejudiced

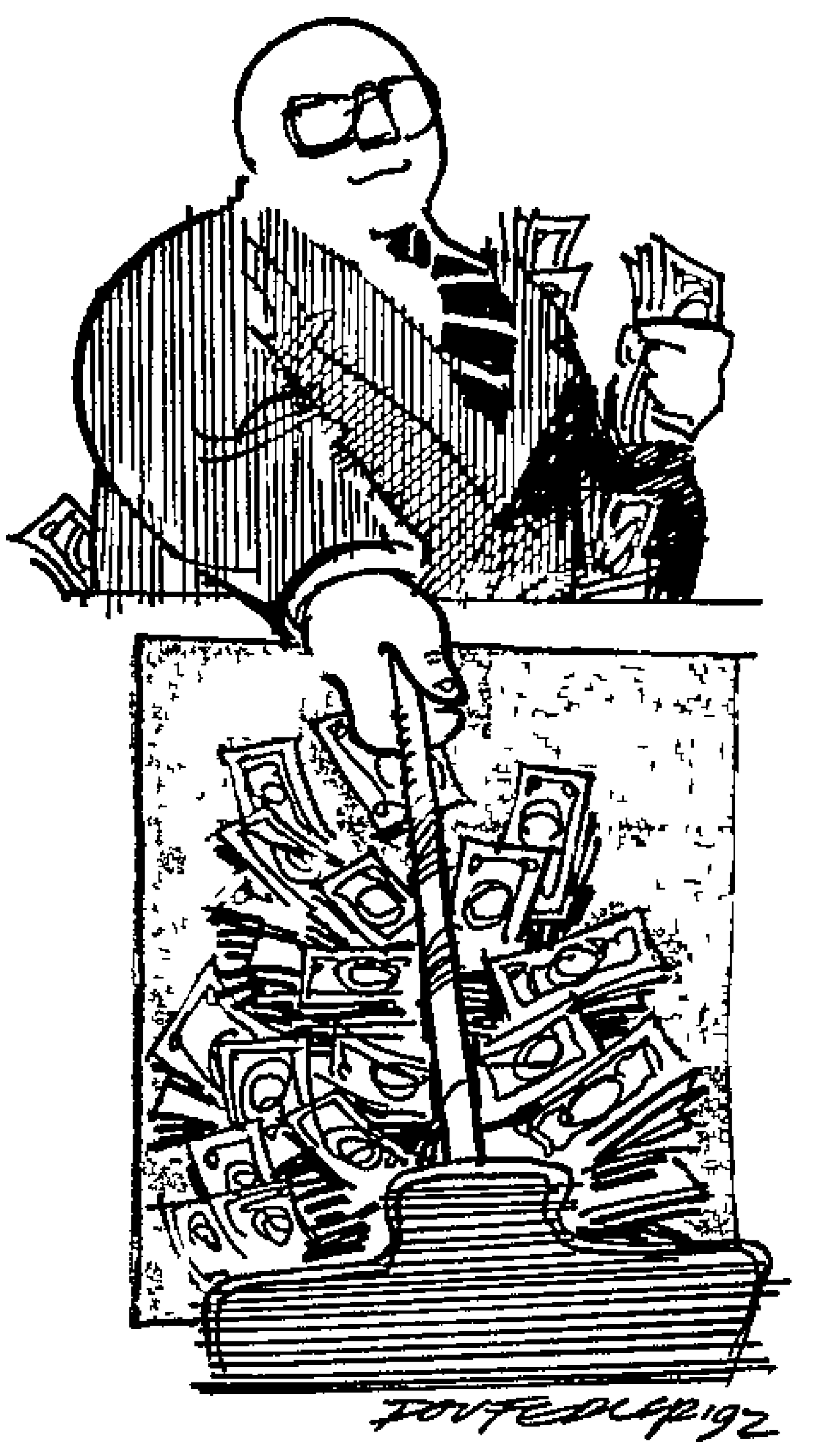
The cumbersome procedures and stringent disclosure rules have attracted criticism

The underlying principle both of the prohibition of repurchase of shares and of rendering financial assistance under section 38 of the Act, is to maintain the share capital for the protection of creditors In practice, a private company's issued share capital seldom exceeds the aggregate of its liabilities Most private companies are established with a minimal amount of share capital and a maximum amount of loan capital — for fiscal and other commercial reasons

The real protection for creditors lies elsewhere in the Act: the personal risk to the directors if they permit the company to incur credit that renders it unlikely to be able to meet its obligations. This constraint would not be weakened if a company reduces its share capital either via an existing mechanism or by the purchase of its own shares or by providing assistance to a shareholder to purchase its shares

Provided directors are held personally liable if the company (after repurchase) becomes unable to meet its obligations, then creditors are adequately protected. If full details of all share dealings by a company are recorded and accessible to the public, a potential creditor will be sufficiently informed

To give actual and potential creditors the greatest degree of protection, Oshry says the proposed amendments should include elements of both the English and Canadian systems. A purchase of shares should be permitted if the price is to be paid out of funds which would otherwise have been available for distribution as a dividend Alternatively, the price should be drawn from the proceeds of a fresh issue of shares made for the purpose Or, if the company cannot



fund the purchase in this way, then the payment may still be made from company funds if the double-barrelled test of solvency is not breached

To avoid the cumbersome procedures laid down in the English Act, the only formality should be a resolution of the board of directors approving the purchase, subject to subsequent ratification by a simple majority of the shareholders in a general meeting Then the purchase could proceed immediately

The facility should be totally flexible It should not be obligatory — in the absence of unanimous written agreement — for the company to make the offer to all shareholders Finally, section 38 should be amended to enable a company to render financial assistance for the purchase of its shares in comparable circumstances to those for repurchase

Oshy Tugendhaft, senior partner at Moss Morris Mendelow Browde Inc, agrees section 38 should go The common law provides adequate, indeed better, safeguards But repurchase should require the unanimous approval of all shareholders in private companies The open tender purchase procedure proposed would be "coercive " It would violate the legitimate expectations of shareholders about voting control and would frequently place directors in a conflict situation

Werksmans partner Maas van den Berg is more cautious He says solvency can be a highly subjective criterion, as evidenced by the valuations of the Mykonos properties To avoid abuse, it would be necessary to apply some constraints upon the application of the solvency criterion For example, a company should be obliged to maintain a specified margin of solvency And, in the valuation of assets, increments from book value should be restricted to the inflation rate

Establishing the right to repurchase would facilitate so-called greenmailing operations — the selective buying in of shares to bolster the directors' control in the face of a takeover bid, which is inherently undesirable So a company seeking to buy its own shares should do so from all shareholders

The procedure should be run as the obverse of a rights issue Shareholders wishing to sell more than their aliquot portions should be entitled to tender the surplus, the excess offers being dealt with on a predetermined equitable basis

Similarly, if a company is to be enabled to maintain an inventory of "treasury" (repurchased) shares, they should be treated in the same way prescribed by the JSE for unissued shares — they may be issued only in exchange for assets acquired by a company or by way of a rights offer

Some of the arguments for the proposals would have been more valid, says Van den Berg, if dividends were still subject to tax The removal of tax on dividends has taken away what was probably the single biggest obstacle to the achievement of objectives which are said to be facilitated by the abolition of the rule against repurchase In practice, what would be rendered possible by the removal of the rule would in any event be unattractive for fiscal reasons

The remaining disadvantage of protecting the sanctity of capital — the formalities for achieving a reduction of capital — is outweighed by its salutary features So Van den Berg favours the retention of the existing dispensation

Kessel Feinstein tax partner Ernest Mazansky indicates a tax problem with the proposals to the extent that the purchase price exceeds par value and is not funded out of a share premium account, the excess would constitute a dividend This would trigger NRST for nonresidents And residents' dividends could become taxable again

Van den Berg is clearly correct about greenmailing — in the light of recent US experience So any possible amendments should be worded to make this as difficult as possible We should also avoid naive reliance on expectations that the exemption of dividends from tax will survive into the new political dispensation ■

SAFEX FM 9/10/92

To those who wait (232)

The eagerly awaited trading of options on futures is to be introduced by the SA Futures Exchange (Safex) on October 16 Trading was meant to start on September 28 but, says Safex CE Stuart Rees "The clearing members felt the month end was too busy a time to start They also felt that offset margining, introduced on October 2, needed a little while to pan out before we moved into options "

The listing of options is not intended to regulate the already thriving over-the-counter (OTC) options market on Safex contracts out of existence Writers will be allowed to register such options until October 16 Thereafter OTCs will be settled in cash, not on the exercise of the underlying contract After that date, it will still be possible to write options on slightly different underlying contracts "We have defined our options narrowly, for this very purpose," says Rees, "So an OTC option can still be written on a

FM 9/10/92 (232)

contract that varies only slightly from ours, for example one that expires only two minutes before or after close out "

Rees believes the Safex options will have certain attractions over OTC options because of the absence of counter-party risk In addition, no premium is paid at the writing of the option, but over the life of the option through the mark-to-market system Safex will also automatically exercise the option on expiry if the holder is in the money, should the holder be unable to do so himself

Safex hopes the introduction of offset margining will allow for increased spread or offset trading on all contracts Until recently traders were discouraged by the high margins (the amount deposited with the exchange for security) from holding opposite positions in related contracts on each contract Under the new system a lower margin is payable as it is calculated on the overall, less risky position of the portfolio The Standard Portfolio Analysis method is used in defining whether correlations exist in contracts Overall the trader can pay as little as 15% of the margin he would have paid before for a spread position

Rees says Safex lost about 10% of margin on the first night through the new system, but feels this will be more than made up for by the increased liquidity There should also be a spin-off with increased spread trading between the options on futures

In the first three months of the financial year to September, the exchange recorded a provisional net profit of R1,7m, after payments to the fidelity fund and option expenditure Rees says this means the costs of setting up the exchange, including options trading, and the losses of the first year, have been recovered ■

Tedelex to delist after R19,5m loss

b/Dom 9/10/92

232

DUMA GQUBULE

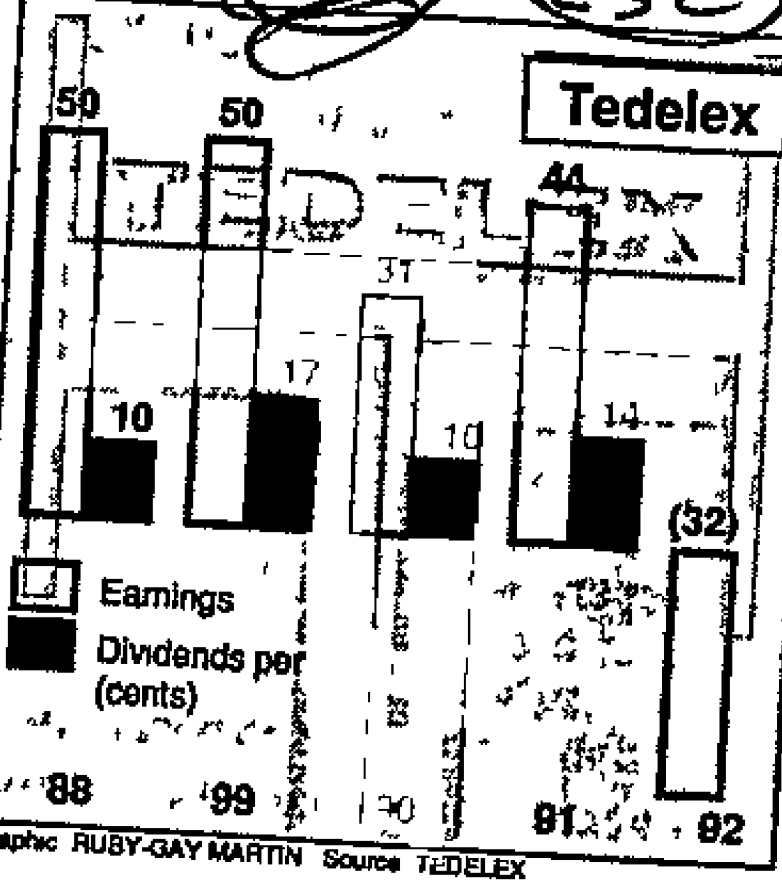
BATTERED by a flood of "illegal" imports, consumer electronics group Tedelex yesterday announced it was to delist, having suffered an attributable loss of R19,5m for the year to end-August.

It also disclosed that holding company Malbak would buy out minorities, who are to be offered 200c a share compared with yesterday's closing price of 120c

Chairman Jack Cohen said the market had, over the years, repeatedly asked Malbak, which had a 96% stake in Tedelex, why it was maintaining the listing

With the currently depressed state of the industry and the drastic rationalisation required at Tedelex, it seemed propitious to terminate the listing Trading conditions had deteriorated further during the second half of the year The position had been aggravated by a high level of duty evasion and illegal imports, as well as the parallel importation of established international branded goods

Turnover had declined by 18% to R412,8m (R511,9), but intense competition in an unwilling marketplace had forced the company to cut margins to an unacceptably low level to maintain some marketshare, Cohen said. An operating loss of R1,4m had been incurred compared with an operating profit of R39,2m last year.



Graphic RUBY-GAY MARTIN Source TEDELEX

Finance charges had absorbed R15m (R13m) and the pre-tax loss had come to R16,7m. The group's new company, Amalgamated Appliances — a joint venture with Lion Match subsidiary Lion Appliances — had incurred an equity accounted loss of R2,6m during the year. But Cohen expected the company would operate profitably in the coming year.

The loss attributable to shareholders was R19,5m, equivalent to 32c a share compared with earnings a share of 44c last year

An accumulation of stocks and the recognition on the balance sheet of loans to customers of an undisclosed listed furniture chain through a joint finance company had resulted in increased borrowings of R133,5m (R95,6m) — equivalent to 69% (43%) of shareholders' funds, he said

Malbak to delist Tedelex

232

Malbak, which holds 96 percent of Tedelex, has announced the delisting of its consumer electronics subsidiary as its huge losses will demand drastic rationalisation measures. STAR 9/10/92

Minority holders will be offered 200c a share — 67 percent avove the market price.

For the year to end-August Tedelex reports a 32c a share loss, compared with a profit of 44c in 1990-91.

The group blames the poor results on the economic recession and the high level of illegal imorts. — Finance Staff.

Teachers' sit-in protest at threat of retrenchment

JOHN VILJOEN
Education Reporter

232

ARG 10/10/92

ELEVEN members of a national delegation from a teachers' union are staging a sit-in protest at the Cape Town offices of the House of Representatives education department after talks with officials became deadlocked.

The South African Democratic Teacher's Union delegation entered the offices, in Liberty Life Towers, Roeland Street at 10am yesterday to demand a meeting over rationalisation moves

They later met a department delegation led by executive director Mr Awie Muller, but the talks proved fruitless

When Mr Muller left the building to fulfil a commitment in Tulbagh, the delegation decided to stay until he returned to complete discussions

The 11 were to reconsider their position this morning

In a statement written in the department's 12th floor offices and brought to journalists the delegation said its action was intended "to focus attention on the retrenchment threats staring thousands of teachers in the face"

The delegation, representing various regions, had travelled to Cape Town even though education officials cancelled a meeting scheduled for yesterday

About 200 teachers, watched by members of the police Internal Stability Unit, gathered outside the building during the day in support of the delegation

At 5pm, union general secretary, Mr Randall van den Heever, told journalists and teachers that talks with the officials were deadlocked

The group had told senior education officials they rejected the restructuring of education without consulting teachers

The department had offered to arrange a meeting with the Director-General of Education in the House of Representatives on Monday

But the union would only agree to the meeting if Monday's deadline for teachers to apply for the department's retirement package was frozen, he said

The delegation said it wanted to negotiate a better deal for teachers while considering the welfare of those left behind in the profession

The package the department was offering was not equivalent to severance pay, which was a major complaint

Also, white teachers had been offered a much better deal, he said "This smacks of discrimination"

A legal team was investigating the possibility of applying for a court interdict to stop the department implementing the retirement package

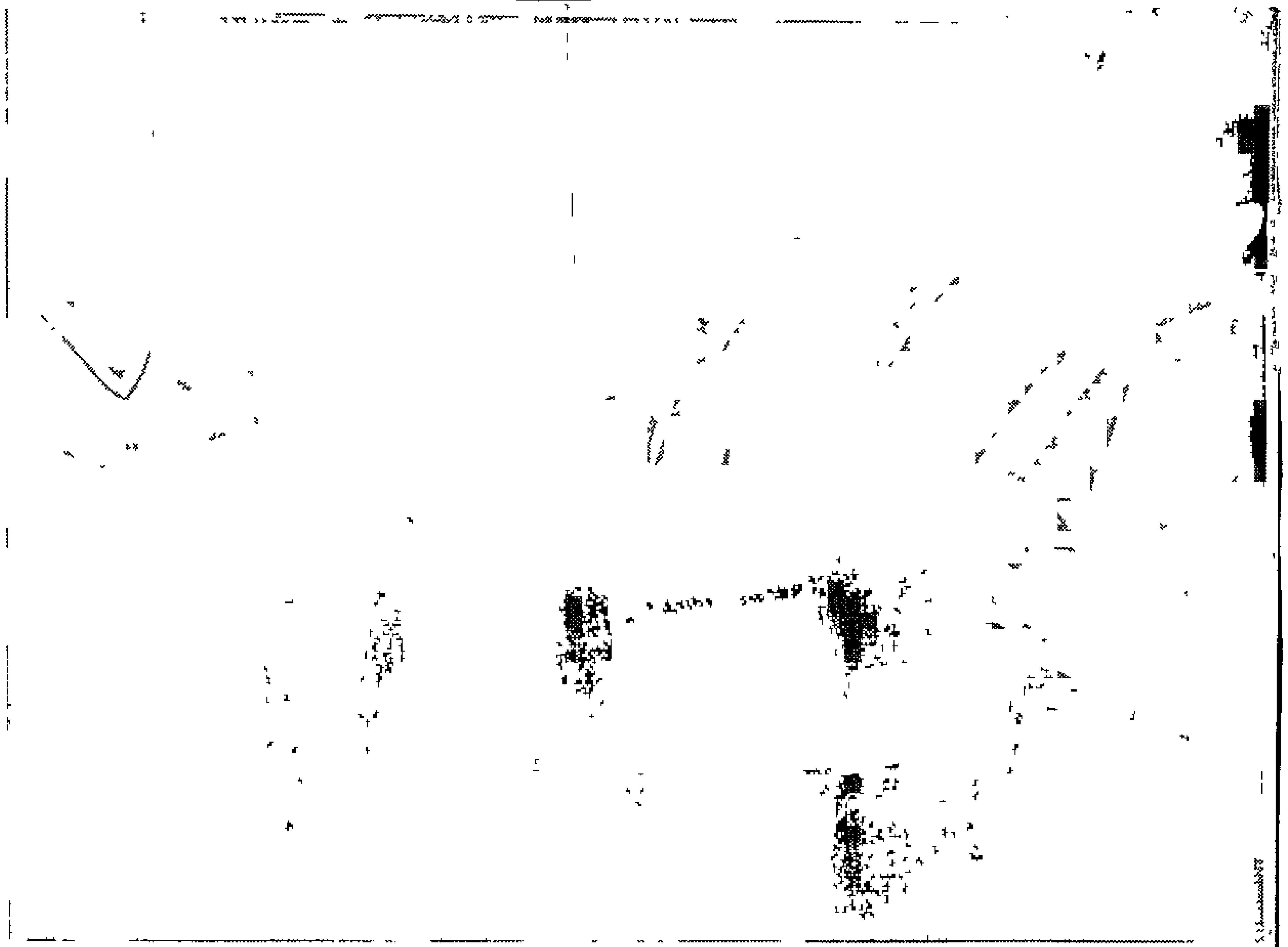
The union believed the department had acted beyond its authority in announcing the rationalisation moves, Mr Van den Heever said

Officials told him 8 000 teachers had applied for the package, although they only intended to retrench 3 200 in January

Only a minority of teachers would qualify for the package, he said

● The Union of Teachers' Association of South Africa has called for the resignation of Mr Awie Muller, executive director of education in the House of Representatives

The rationalisation announced in last weekend's Press would "create chaos and cause irreperable harm" to education

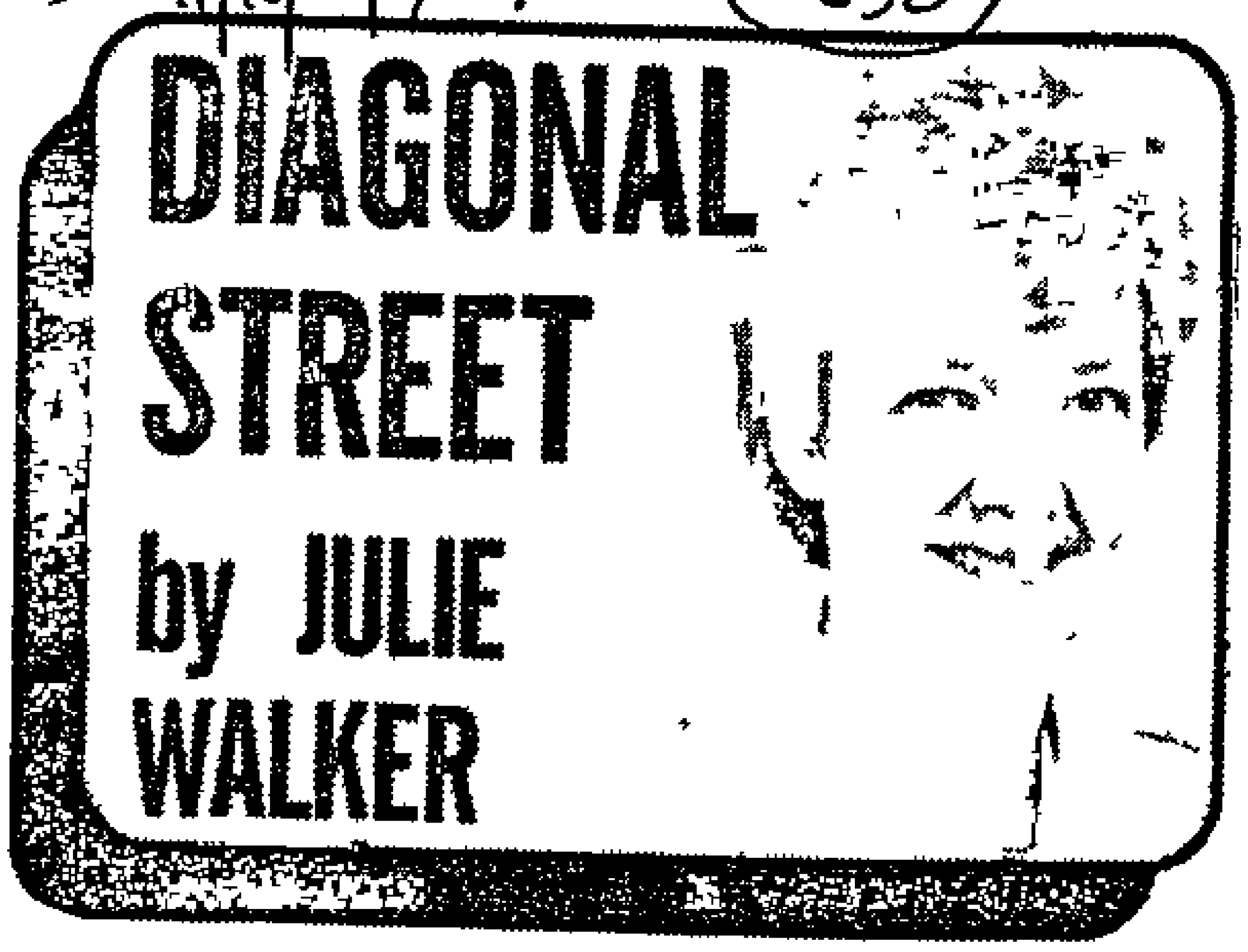


Picture OBED ZILWA, Weekend Argus

☐ **DEADLOCK:** Mr Randall van den Heever, general secretary of SADTU, speaks to teachers and reporters before starting a sit-in protest at education department offices.

Safex up and running well

S/Times (Buss) 11/10/92. (232)



THE second step for the introduction of trading in options on futures through Safex (SA Futures Exchange) will be taken on Friday

Safex chief executive Stuart Rees says that open interest in the current over-the-counter dealing in options on futures is estimated at 100 000 contracts at any one time This includes some double-counting because it takes no account of options being on-sold or bought back, but it presents a solid base from which Safex hopes to expand its financial derivatives businesses

The advantage of trading options through Safex is that if the writer defaults, the guarantees at the clearing house provide cover — an element missing in an over-the-counter market

Mr Rees is especially pleased that Safex is introducing the options systems well within a year and the modest budget of R500 000

I cannot help but compare it to the JSE's Traded Options Market (Tom) — three years late, costing R17-million and used by nobody

A margining technique called standard portfolio analysis of risk (Span) will be introduced to bring Safex in line with other futures exchanges

Span takes all the positions statistically related to one another and combines them to arrive at a net risk position — the extent to which loss is liable to occur overnight — for the exchange

The step follows the introduction a fortnight ago of offsetting margin This means that where a client has positions which partly offset each other, he need only put a lower amount of money margin up front to secure his positions

For example, before offset margining was introduced, a client who held positions on both the all-share and the industrial indices had to pay the full margin on each contract even though there is a relationship between the movements of the two indices This is called trading the gap-spread

He would have had to pay about R4 000 in margin, whereas now it will mean an initial outlay of only R900

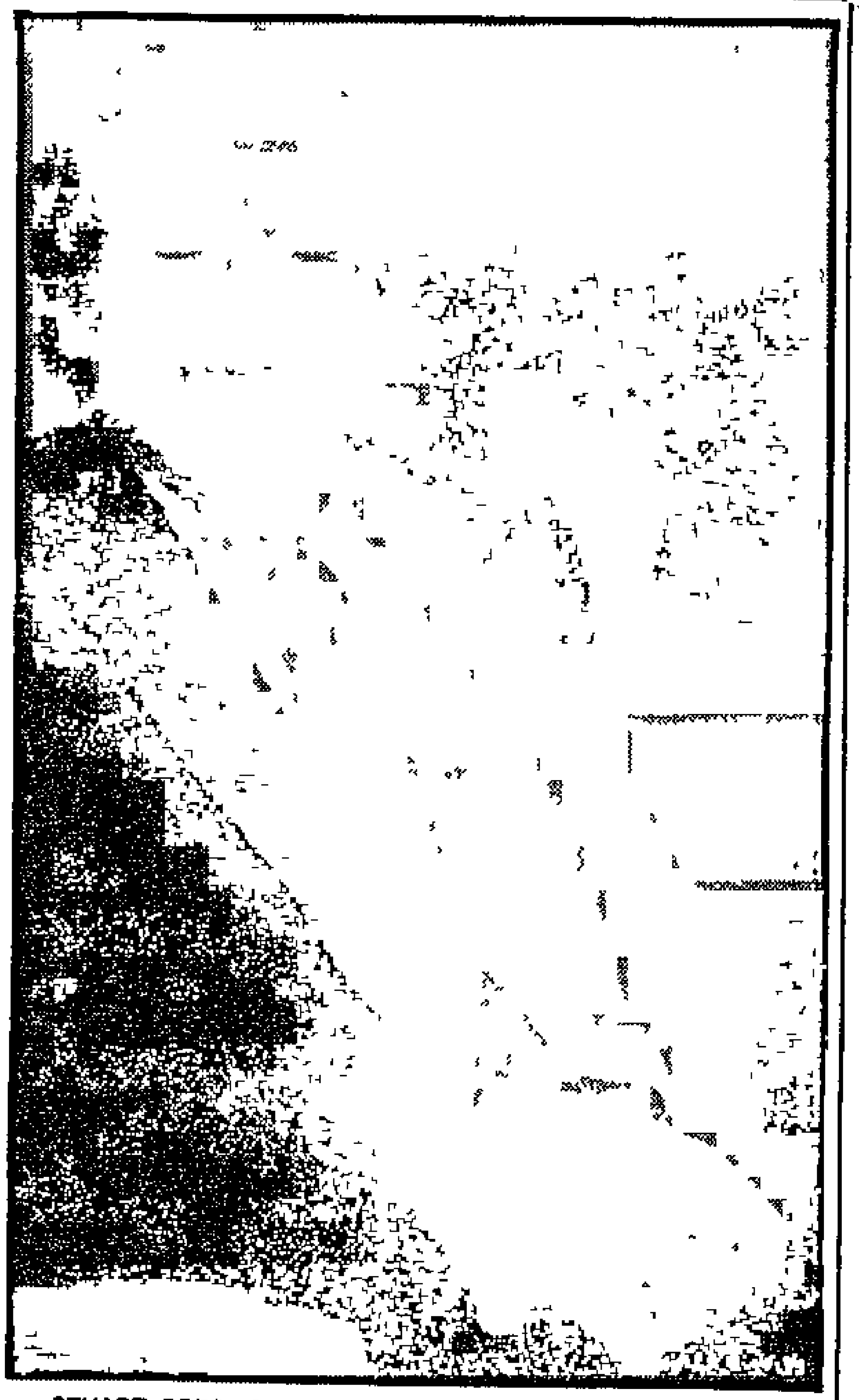
Another situation where offset margining can be applied is positions in both long- and near-dated contracts — trading the date-spread

The third step in Safex's introduction of options on futures will be the opening of the market to foreigners — they account for more than 10% of trade in futures contracts

Mr Rees says "It will be open to all by the end of the year We want to iron out any difficulties domestically so that the market is running properly before overseas investors come in"

After a shaky start, Safex is thriving Its daily trade is about R300-million — three times a really good day on the JSE, which supplies the underlying securities on which the futures industry is based

Safex needs 4 000 contracts a day to meet its budgets for the year to June 1993 It is trading 7 300 Each month, new highs are reached in terms of volume



STUART REES Clearing up before the foreigners arrive

At the end of September Safex started to accumulate a surplus, which will be used to boost the fidelity fund and to build up a reserve, currently R500 000

Mr Rees says many portfolio managers are cottoning on to the principle of hedging through options to protect themselves against adverse market movements

The unit trust business successfully lobbied for a change in the Unit Trust Control Act to allow for the use of derivatives in portfolio risk management to optimise performance It has not yet been implemented because the Registrar of Unit Trusts has not defined the parameters

Pension-fund trustees are waking up to the fact that there remain lazy fund managers who are not delivering the best returns If it can be proved that the use of futures and options enhances performance, the idle fund manager might find himself in breach of fiduciary duty

On the other hand, says Mr Rees, many fund managers use futures For example, the recently formed RMB Asset Management company expects to improve returns by at least a half percent purely from the use of hedging

The introduction of options on futures will in no way lead to the demise of the futures business itself, says Mr Rees He believes the futures market will get a boost The usual futures to options ratio is about 100 to 20

The advantage of options is that there is finite downside limited to the amount of premium put up Another advantage is that Safex will automatically exercise an in-the-money option on the holder's behalf

"Sometimes, a holder is away, or he forgets about it, and the writer does not remind him for obvious reasons," says Mr Rees

A concept hard to grasp is that the options need not be paid for up front The premium is paid off during the life of the option in terms of the time value of money

Safex chairman Colin Dunn says this year's expected surplus plus last year's will effectively wipe out the accumulated loss of R3,5-million resulting from the set-up costs and from the first year's operating loss

Investors in dark over suspensions

S Times (Buss) 11/10/92. (232)

By JULIE WALKER

MINORITIES in companies suspended from trade on the JSE must become frustrated by the lack of information about what is happening to their investments

At present, 19 listings are suspended — they are depicted by red flags on the equity floor and by the word suspended on the stocks pages of newspapers

Reasons for suspension include liquidations, takeovers, cash shells and on rare occasions price-sensitive negotiations

Blue Circle and Genrec shareholders have been offered shares in Murray & Roberts in a section 440 take-out of minorities as the leading company tidies its portfolio in the greater Sanlam investment scene Similarly, Musica is being taken over by Clicks

Bank

Three gold mines feature — Eersteling, Nigel and Osprey Eersteling — suspended in May 1991 when in provisional liquidation — has compromised with its creditors But the JSE requires it to prove its sustainable profitability before it will lift the suspension

Talk is that Eersteling may voluntarily delist now that it has only a few minority members

A final winding-up order has been issued against Nigel, suspended in April

Osprey, which went into provisional liquidation in June, is still under Reserve Bank investigation

Transport company Presto, suspended in May 1990, has been taken out of liquidation But like Eersteling, it must continue to make money before the JSE will relist it

Three clothing-linked firms, Debonair, Leegall and Trimtex, are all in provisional liquidation, as is clothing and bedding retailer Focus Holdings There is talk of a rescue at Focus

The JSE's latest handbook is at odds about two listings It says Crest — see Dergra But it gives no entry under Dergra and Claw is still marked suspended

Appeal

The handbook says it was delisted in liquidation in July

Richard Connellan, head of the JSE's listings division, says Claw was suspended at the end of February at the request of the directors after a legal dispute involving ownership The continued suspension is under scrutiny.

Crest, in final liquidation, is a problem child, says Mr Connellan No offer has been made to the minority after a change of control and there has been a costly legal dispute about its continued listing

The costs of a JSE-led appeal for the obligation to be fulfilled might be significant relative to the value of the offer

Mr Connellan says "Minorities look to us for protection and we are unhappy when obligations in terms of the JSE's listings requirements are not met"

One rotten egg can spoil the best intentions. It is a matter for the committee to decide on

Ill-fated DPF Investments, a Development Capital Market listing that had takeover ideas above its station, failed in its bid for control of Grovewalk Properties and went into liquidation in January The termination of its listing appears imminent

Dukel, into which timeshare company Leisure Resources was due to be reversed last year, remains suspended An offer has been made to the minority, but documents relating to Dukel's new assets have not been formally submitted for JSE approval

Quorum, a financial services company that was reversed into the Computer Warehouse cash shell, went into provisional liquidation in September

Shoprite and Buffcor are both cash shells

Forced

Mr Connellan says the JSE has adjusted its rules regarding cash shells Now, a meeting is called in terms of the Stock Exchanges Control Act A termination date is set for cash shells that fail to acquire suitable assets within eight months of the meeting Previously, it was within six months of suspension

Shareholders in companies under forced and final liquidation should realistically write off those investments They won't see a cent

Unit trusts knocked

S Times [B455] 11/10/92.

By JULIE WALKER 232

THE 12% decline in the JSE all-share index in the third quarter after strong growth in the half-year to June took most of the blame for the inferior performances of most equity unit trusts

In the 12 months to September and adjusted for dividend income, the JSE all-share index edged up by 0,6%. Those fund managers who did better than that patted themselves on the back

Dominated

The top-performing shares in the 12 months included ZCI, Macmed, Farm-ag and Rale, Foston, Crown, Premier Pharmaceuticals (formerly Twins) cash-shell Shoprite, mining holding company Coronation Syndicate, Publico, Sechold, Gresham, Royal and Dial-a-Movie.

Over five years the top performances came from Trencor, Suncrush, Pepgro, Mutual & Federal, SunBop, Liberty, Saflife, Argus, SA Eagle, Santam, Utico, Investec, Afrox, Perskor, Engen and Metpol.

But the portfolios of unit trusts continue to be dominated by De Beers (less so now), Anglo American, Barlows, SA Breweries, Remgro — all the index stocks included for their size and tradeability.

There are grounds for including the bigger companies, but there is also room for some of the smaller ones.

Fund managers concur that in the longer term, prospects for the JSE are encouraging. But the litany of short-term conditions is extensively duplicated — political settlement, world coming out of recession etc.

The smart fund money was in gilt unit trusts, particularly in the last quarter. The market value of UAL's Gilt fund jumped from R180-million to R480-million Its total return of 32,5% for the year to September promoted it top of the class over five years, with an average annual compound return of 18,47%

Guardbank's income fund value doubled in the quarter to R134-million and returned 28,2% in the year to September

Standard Bank's Extra Income Fund excused its relatively low return of 16,6% by claiming a high weighting in lower-risk money-market instruments Over five years it has achieved 16,7% annual growth

Fertile ground for rumour

STAR 12/10/92

By Jacques Magliolo (232)

Talking to dealers and analysts off the record can be quite enlightening

Take, for instance, the recent departure of Times Media Limited (TML) MD Steven Mulholland Before the event, an analyst said he'd heard a rumour Steve was resigning.

Impossible! Why would someone who had spent so much energy and time saving the group suddenly depart for other shores? Yet leave he did, and the share price subsequently fell to a low of R16,75 from a previous high of R24. This translates into a 30 percent decline which is — in JSE terminology — a crash

Would such knowledge have constituted a breach of insider-trading regulations? While difficult to answer, the question does pose a problem for JSE authorities

"More observations, gossip and remarks are made when the indices are drifting than during strong market cycles," says a dealer

He says that in the past week the main actuaries indices were all down on the previous week. The industrial index fell by 2,8 percent to 4 066, the financial index by 1,3 percent to 2 911, the platinum index by 8,5 pecent to 4 354, the gold by 3,8 percent to 853 and the overall index by 3,2 percent to 3 079

Most analysts differ in providing an answer to the week's decline While one points to De Beers' slump as the reason for other shares following suit, another says that the petrol price increase is to blame

"Take your pick," says a dealer. "Look at the multitude of poor company results being announced, the economy's vicious downward cycle, inflation remaining at high levels, gold continuing to drift and so on," he says

"This is a speculator's market," says a consumer analyst, reiterating the dealer's statement that the market is "full of juicy rumours"

In the past week, several such rumours came to the fore and involved Sappi, Kohler Packaging and Consol.

While these are as yet unproven, several brokers says that "more companies are in dire financial straits than they are willing to admit"

A Cape-based broker says "Mondi has recently closed four of its mills because of lack of demand and is about to close down another If this company is in trouble, you can bet that Sappi is in a similar position,"

The Kohler and Consol rumours revolve around reduction of work time and possible retrenchments The former is said to have reduced its work shifts to one from three and the latter to have reduced its working days to four from the normal working week of five days

Whether this speculation is true or not, one analyst says the reaction to such statements should draw interesting comments from the directors.

ANC fearful of capital flight

JSE volumes low 'until the finrand goes'

BDay 12/10/92. 232

SHARON WOOD

LIQUIDITY on the JSE would remain low until exchange controls could be lifted, stock exchange president Roy Andersen said at the weekend.

He said exchange control — the dual currency system of the financial and commercial rands — was one of the greatest impediments to increasing the low levels of liquidity on the JSE.

Speaking at the SA Financial Instruments Association's annual financial markets conference in Sun City, Andersen said research had indicated that JSE market users believed the exchange's low volumes were a major drawback.

Anderson said "Exchange control is a problem for the JSE, but we realise that macroeconomic and political considerations are such that it cannot be lifted until an interim government is in place."

Andersen said there was "a concentration of power" on the JSE, while foreign investment in the stock market was deterred because of the two-tier currency system "The JSE is not user-friendly because of exchange control," he said

Genbel MD Anton Botha told the conference the dual currency was the single biggest obstacle to SA economic growth because it made the country uncompetitive internationally.

ANC representative Maria Ramos said the government could not lift exchange controls in the interim for fear of triggering a flight of capital from the country.

"Lifting exchange controls at this stage would have signifiant negative effects. It is not that we won't consider it but we need to minimise its effects," she said SA's balance of payments position was not strong enough to withstand a marked depreciation of the rand.

Andersen said the JSE had conducted research into the possible new form the exchange would take. There were three pillars to a possible "big bang", based on whether commissions should be fixed or negotiable, whether brokers should act as principals, agents or both, and whether there should be individual or corporate membership of the exchange.

Research by the JSE showed most market users would prefer negotiated brokerage for larger deals, brokers acting in a single capacity as agents and a floor as opposed to screen trading system.

There would be a full JSE committee meeting in mid-November and he expected the JSE to go public with its decision in early 1993 "Deregulation is possible but not compulsory," he added.

Ramos said while the JSE had an important role to play, it would have to change its image from being a "private club of wealthy members".

Small businesses did not have ready access to credit and finance and the exchange could play an important role in overcoming that problem. The JSE "must play a positive role in the development process"

She said large institutions had a responsibility to invest part of their portfolios in social projects. If they did not do it themselves, the ANC might have to pass legislation making it compulsory.

COMPANIES

Unit trust industry shrinks despite new investments

BDay 12/10/92 (232)

ANDREW KRUMM

THE unit trust industry suffered its first contraction in two years in the September quarter this year, despite more money being pumped into the sector by new investors, an industry spokesman said at the weekend.

In a quarterly survey of unit trust results released by Pretoria University Graduate School of Management, Prof Hugo Lamprechts said "In overall terms total industry assets shrank by 1,1% to R12,7bn in September from R12,85bn in June as the JSE weakened."

But during the same period the industry experienced a record net inflow of about R754m in new investment. "The only way to explain it is that people are beginning to invest in unit trusts on a monthly basis, as opposed to investing lump sums"

Lambrechts added that "equity unit trusts experienced the most difficult quarter in five years, but it was probably the best ever for income funds".

The survey showed that all specialist equity funds — with the exception of the industrial funds — showed negative growth as commodity and metals prices continued to weaken the mining sector on the JSE.

He said the market value of income and gilt fund assets had risen 63,61% from R1,1bn in June to R1,8bn in September, and was linked to better yields in the bond market as interest rates fell.

The top performing unit trusts for the year to September also came from the income and gilts sector. Metboard Income Fund headed the list, offering investors a 34,99% return for the year, followed by the UAL gilt unit trust (32,5%), and then Guardbank Income Fund (28,18%)

However, performance among equity unit trusts was subdued as the JSE moved through its worst quarter since the stock market crash of October 1987.

UNIT TRUST PERFORMANCES FOR THE YEAR TO SEPTEMBER 1992

GENERAL EQUITY FUNDS

	Total Annual Return %
Benchmark All Share Index	0,59
ABSA	11,46
BOE Growth	11,75
Community Fund	—
CU Growth	7,22
Fedgro	9,41
Guardbank Growth	9,54
IGI (Safegro)	7,89
Metfund	6,79
Metlife	[illegible]
Momentum	6,17
NBS Hallmark	8,72
Norwich NBS	8,89
Old Mutual Investors'	0,55
Sage Fund	6,83
Sanlam Index Trust	0,35
Sanlam Dividend Fund	5,09
Sanlam Trust	3,42
Southern Equity	12,79
Standard Bank Mutual	12,10
Syfrets Growth Fund	13,98
Syfrets Trustee	8,44
UAL Unit Trust	8,28

NOTE. This information was supplied by the University of Pretoria Graduate School of Management.

The top performance came from Absa's Industrial fund (18,08%), which was also the only fund to beat inflation for the year to September.

Association of Unit Trusts vice-chairman Bernie Nakin described the past quarter as "encouraging"

"Unit sales for the quarter were R1,4bn compared with R1,1bn in the previous quarter This shows that many investors have seen the period of correction in the JSE to increase or start new investments"

He said not only had the industry seen an investment inflow — which demonstrated investor maturity — but most equity funds also outperformed the all-share index.

"One equity fund that did not outperform the index was the Old Mutual Investors' Fund. This fund — the largest unit trust in the market — gave investors a 0,55% return for the year to September It was rumoured to have bought heavily into De Beers just before the company said it might have to cut its dividend for the full year. Share prices across the JSE plunged on the news.

Old Mutual unit trust manager Peter De Beyer said unit trusts were essentially long-term investment mechanisms. "I regard this as a temporary phase, and expect the industry to prosper — although the rate of expansion cannot continue at the exceptional pace of the past few years."

He added that although the income funds had outperformed the equity funds over the one, three and five years to September 1992, the gilt market had benefited from a once-off sharp decline in interest rates.

Nakin said "When you get to the high income funds — obviously they have produced exceptional returns over the past one to five years to September — but these markets do not provide the long-term returns seen in equities."

OK shares' downward spiral hits 14-year low

B(ORY 12/10/92 (232)

MARCIA KLEIN

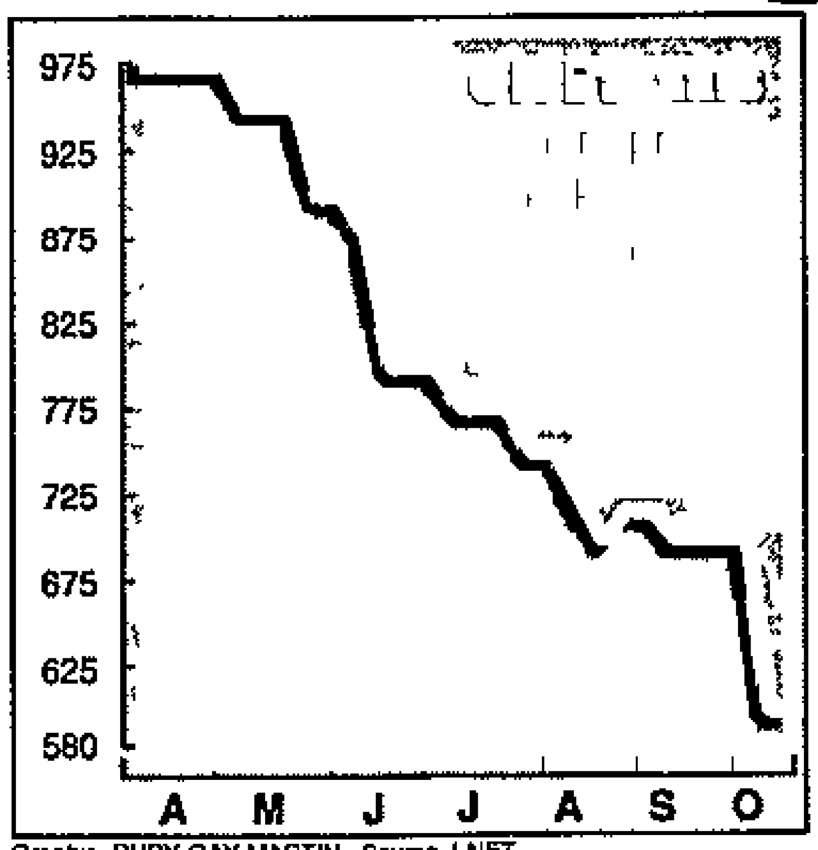
OK BAZAARS' shares tumbled to a 14-year low last week, closing untraded on Friday at 600c

Market sources said at the weekend that the company would show a loss of nearly R35m for the full year to end-March

The OK, which will report its September interim results at the beginning of November, last traded at 600c in 1978, falling from R21 in 1969 The share rose to R27 in 1983, and was trading at almost R20 at the beginning of 1990, when it began its most recent downward spiral

In the past financial year OK reported a 37% decline in attributable earnings to R9,4m from turnover of R5bn Operating income of R43,2m was eroded by a R46,8m interest bill, but a R13,5m tax write-back saved earnings at the bottom line

Interest cover was reduced to 0,9 times, and gearing rose to 111% from 72% Operating margins were just 0,9%, against the previous year's 1,4%



Graphic RUBY GAY MARTIN Source I NET

Earnings of 75,3c a share and dividends of 37c were the lowest in at least a decade In 1982 the group earned 306,9c a share and paid dividends of 142c a share

Analysts said they expected a substantial loss for the full year as earnings had been dropping since 1989, and there were no signs of any upturn in consumer spending, which was critical to the OK's success

In his 1992 annual review, CE Gordon Hood made no forecasts for the year ahead He said closures of small, obsolete branches and their replacement by strategically placed, dominant stores and Hyperamas placed the group well for an improvement in the economy, "which must surely eventually materialise"

But analysts said this improvement had not happened in the six months to end-September, and was unlikely to happen by end-March

Mass action had affected black consumer spending in particular, and the OK had a huge black market exposure

The OK, which is 69%-held by SA Breweries (SAB), contributed nearly 28% of SAB's turnover to end-March but made a minimal 1,1% contribution to attributable earnings An analyst said the OK was "a big operation with big sales, but it generated no income for the group"

The split into Hyperamas and OK stores had helped to some extent, but analysts believed this split could have helped Hyperama at the expense of the OK stores

Although Hyperamas were trading profitably, analysts said many of the OK stores were "trying to be all things to all people", and were carrying too many different lines The only area where the OK was saving on costs was in advertising

Cullinan winning battle to balance brick supply

B(ORY 12/10/92

PETER GALLI

DEMAND for bricks was unlikely to increase before next year, and could still drop further by then, Cullinan Holdings group executive director Rod Stewart said at the weekend

In spite of this, Cullinan Brick had nearly succeeded in its battle to match supply with demand, and its R35m brick factory had almost overcome its teething problems of the past two years It was producing well, he said.

"This has taken longer than we originally expected but is not unusual for the commissioning of a plant

"Initially we experienced problems with the mechanical handling equipment," he said

Yield

Another problem was that as production capacity was increased, the quality of bricks produced deteriorated, resulting in major adjustments to kiln equipment

The tunnel kiln was producing at 75% of capacity, and in August and September the yield of high-quality product was at required levels, he said

The original budget for the tunnel kiln was R35m, but the capitalisation of some finance charges and commissioning costs had added another R5m to this "About R2m was spent on upgrading the clay preparation facility, and we expect to spend more on this in the medium term. Our stockpile is less than 25-million bricks, and stocks will have to be substantially reduced before production is increased"

National sales manager Schalk van Wyk said that in spite of the 40% drop in demand for bricks from the residential market and the 60% fall in demand from the commercial and industrial markets during the past three years, face bricks remained popular

"The trend has been away from the glass-and-aluminium structure craze three years ago towards low-maintenance face brick While this is initially more expensive, its maintenance-free quality offsets the initial expense within 10 years"

A strength of the company was that it was able to produce a full range of colour products at its Midrand factory Most of its clay deposits were on site It had opened offices in Natal and Bloemfontein

In its drive to improve profitability and deal with market conditions, the Cullinan Group had reduced staff levels by about 50% to 3 000 in the past three years, Stewart said

The brick division now had a total staff complement of 285, from 760 three years ago This would be trimmed to 265 under its phased retrenchment programme

Audiodek posts R844 000 loss

DUMA GQUBULE

AUDIO importer and distributor Audiodek suffered a loss of R844 000 in the half-year to end-June. B(ORY 12/10/92.

MD and chairman Monty Tolkin said trading conditions had been the most difficult since the company was listed in 1987.

Although the group maintained market share, turnover and margins had been under constant pressure. Turnover declined 9% to R24,6m (R27,2m). A squeeze on margins resulted in an operating loss of R411 000 compared with a profit of R1,2m in the same period last year. Interest payments absorbed R478 000 The attributable loss came to R844 000, or 4,25c a share. Last year interim earnings came to 1,67c a share.

Tolkin said the group had returned to profitability in the three months since June. Barring any further deterioration in the economy, he expected the interim losses to be wiped out by the end of the year. On the balance sheet, long- and short-term debt was reduced to R5,3m from R8m.

The company's shares have fallen 10% or 2c to 18c in the past month Audiodek is trading at a discount of more than 50% to its net asset value of 40,4c a share. The company's market capitalisation has fallen to R4m.

Reserve Bank acts to control size of financial rand pool

232 STAR 12/10/92

By Sven Lünsche

The listing of a South African company on the Johannesburg Stock Exchange (JSE) now needs the formal approval of the Reserve Bank's Exchange Control Department.

In an apparent attempt to control the size of the financial rand pool, the Reserve Bank has issued a number of directives to the JSE.

They were released by the stock exchange authorities as a practice note two weeks ago

The directives tighten the exchange control requirements for transactions on the JSE, extending their scope to instances which do not necessarily involve off-shore investments on the local equity market.

They come at a time when the stock exchange authorities are appealing to the Reserve Bank to ease exchange controls, thereby allowing wider investments by local companies on foreign financial markets

The Bank, however, has recently been criticised for granting "without thinking" foreign investment approval to local institutions, leading to volatile trading on the financial rand market

The charges were reportedly rejected by Reserve Bank Governor Dr Chris Stals, who was, however, critical about the way in which some banks had recently dumped finrands on the market

The new regulations, described by one company director as Draconian, appear to be an attempt to monitor more closely the involvement of foreign investors on the local market

The Reserve Bank's assistant general manager, exchange controls, Alec Bruce-Brand, denies that the directives are an attempt to tighten administrative controls, arguing that they simply "formalise existing informal arrangements"

However, the JSE's corporate finance manager Tracy Stewart admits that the scope of the directives took her by surprise

"The previous arrangement required approval by the Reserve Bank for transactions involving non-residents — this has now been widened to virtually any transaction on the market," Ms Stewart says

"It appears to be an attempt to halt the recent decline in the financial rand pool," she adds

In terms of the practice note, the following instances require approval by the Bank's Exchange Control Department

- The listing of a SA-registered company on the JSE
- Rights issues by listed companies
- The delisting of a JSE-listed company.
- The declaration of a dividend in specie or special dividend for any purpose

This is in addition to the following transactions, which previously required formal approval.

- The acquisitions by non-residents of a cash shell
- Restructures, mergers and changes in control where non-residents are involved.
- The listing on a foreign exchange of a JSE-listed company.
- The listing on the JSE of a foreign company

City Lodge heads for JSE

EDWARD WEST (232)

CITY Lodge will offer 5-million shares and 5-million debentures to selected institutions, employees and business associates at 480c an ordinary share and 550c a debenture when it lists on November 18

The listing, by way of private placement, will capitalise the group at just under R200m, placing it in the top third of JSE companies in terms of market capitalisation Many financial institutions and pension funds have responded favourably to the new listing

A City Lodge spokesman said at the weekend that Sanlam, Old Mutual, Federated Life, Commercial Union, the Metal Industries' Pension Fund, Iscor Pension Fund and Syfrets were among those that would take up their allotments of ordinary shares He said some wanted more stock than they had been offered

City Lodge operates seven City Lodge Hotels and one Town Lodge in the economy segment hotel sector of the industry Three more hotels, being built at a total cost of R50m, are due to be completed this year

The listing prospectus, published today, forecasts taxed profit for the year ending July 31 1993 to be not less than R10,8m, representing earnings of 43,5c a share compared with fully diluted pro forma earnings of 33,5c a share in financial 1992

A dividend of 9c a share based on 24,8-million shares was expected to be paid in

☐ To Page 2

City Lodge

B'Dom 12/10/92 (232)

☐ From Page 1

April 1993 Dividend cover would be maintained at 1,5 times In 1992 a pro forma special dividend of 3,9c a share was declared which was not taken into account in the prospectus income statement

The spokesman said City Lodge planned to develop two lodges a year in SA over the next five years Tourism in the new SA was expected to provide not only higher room occupancy rates, but opportunities in the leisure accommodation field

The Mine Officials' and Mine Employees' Pension Funds undertook to provide loans repayable over 20 years for the development of new hotels to a maximum of R58m, in addition to R16m as at July 31 1992

On completion of the three hotels under development in Morningside, Jan Smuts Airport and Victoria & Alfred Waterfront, about R43m would have been spent, leaving R15m for further development

The full benefit of the three lodges would only be felt from the start of the 1994 financial year owing to expected low initial room occupancies and the impact of servicing debt during the initial period of build-up of occupancy levels

BIDAY 12/10/92

Companies liquidated

FOCUS Holdings Ltd and two of its subsidiaries, Humdinger and Mattress World Holdings (Pty) Ltd, were placed under final liquidation in the Rand Supreme Court on Friday

(232)

The date for the final liquidation of two other subsidiaries, Cashworths and Clothing Focus, was extended to November 11

Seven teachers held in education HQ protest

232

ARG 12/10/92

DENNIS CRUYWAGEN
Political Staff

SEVEN teachers were arrested near the House of Representatives education headquarters in Roeland Street today for illegal picketing

A colleague of the seven, Mr Basil Snayer, said the group, all members of the South African Democratic Teachers Union (Sadtu), had been protesting at plans to retrench coloured teachers

He said about 25 teachers were standing with placards when police arrived at 8am

Police said the picket was illegal and asked the group to remove its banners and placards, he said

"We moved to the opposite pavement but police arrested seven members of the group"

Those held were Mr Theo Combrick, Mr Muavia Gallie, Mr Granville Whittle, his wife Mrs Pearl Whittle, her sister Ms Kay Bailey, Mr Stanley Schoeman and Mr Anthony Diedericks.

Police confirmed that seven Sadtu members were arrested for picketing illegally.

Eleven members of a Sadtu delegation who began a sit-in at Liberty Life Towers on Friday have entered the fourth day of their protest.

Judgments for debt increasing

232

SAM 13/10/92

Finance Staff

Latest credit statistics from the Central Statistical Department and ITC (Information Trust Corporation) reflect the pattern of the previous year's credit spending

Tony Leng, ITC's chief executive, reports that the M3 money supply was well within government guidelines and could result in a further reduction of interest rates, thus offering some relief to the man in the street.

He cautions, however, that as more and more people experience financial stress owing to the current recession, the level of judgments against individuals can be expected to continue for some time to come.

Between January and July this year, judgments for debt granted against individuals continued to rise. Almost 240 000 judgments were given, representing an increase of 24 percent on the same period for last year.

"During the first six months of this year, 2234 individuals were sequestrated, the highest number on record," says Leng

The number of companies and close corporations liquidated in the seven months to the end of July this year has grown by almost 60 percent.

"The one positive aspect of the current economic environment is that it acts as a learning curve for both individuals and businesses," says Leng "Once the economy starts to improve, we'll see financially stronger individuals and businesses emerge."

Absa's unit trust funds beat the JSE's indices

S Day 13/10/92 ANDREW KRUMM

ABSA's general and industrial unit trusts turned in "index-beating" performances for the year to September, says Absa Fund Managers MD Ben Solomon. (232)

Solomon said the general fund's performance overshadowed a 2,6% decline in the JSE's all-share equities index, offering investors an 11,8% return for the period to September

According to a University of Pretoria survey, the industrial fund topped the equity unit trusts list, yielding 18,08% for the year.

"The general trust has declared a dividend of 4,02c a unit for the six months to September, and the industrial trust a dividend of 1,23c a unit for the quarter," Solomon said.

These translated into annual yields of 6,02% and 4,61% respectively, he said, adding that the assets of both trusts had increased by 40% to R70m during the year.

Solomon said the satisfactory yields achieved by the trusts since their creation in 1991 was refelected in the growth of unitholders, which now stood at more than 20 000

Market sheds millions as JSE slide continues

STAR 13/10/92. (232)

By Derek Tommey

Shares on the JSE continued their slide yesterday, with many more millions of rands being wiped off their market value

The gold share index dropped 36 points to 817 — its lowest level for seven years

The overall index dropped 55 points to 3024 — its lowest level since the middle of last year A 190c drop to R48,35 in the price of De Beers — the heavyweight of the JSE — also helped to push down the overall index

The industrial index lost 28 points to 4038 and came close to breaking its August low, when the market was severely hit by political developments

If this index had broken the low, all the gains made since the middle of last year would have been lost.

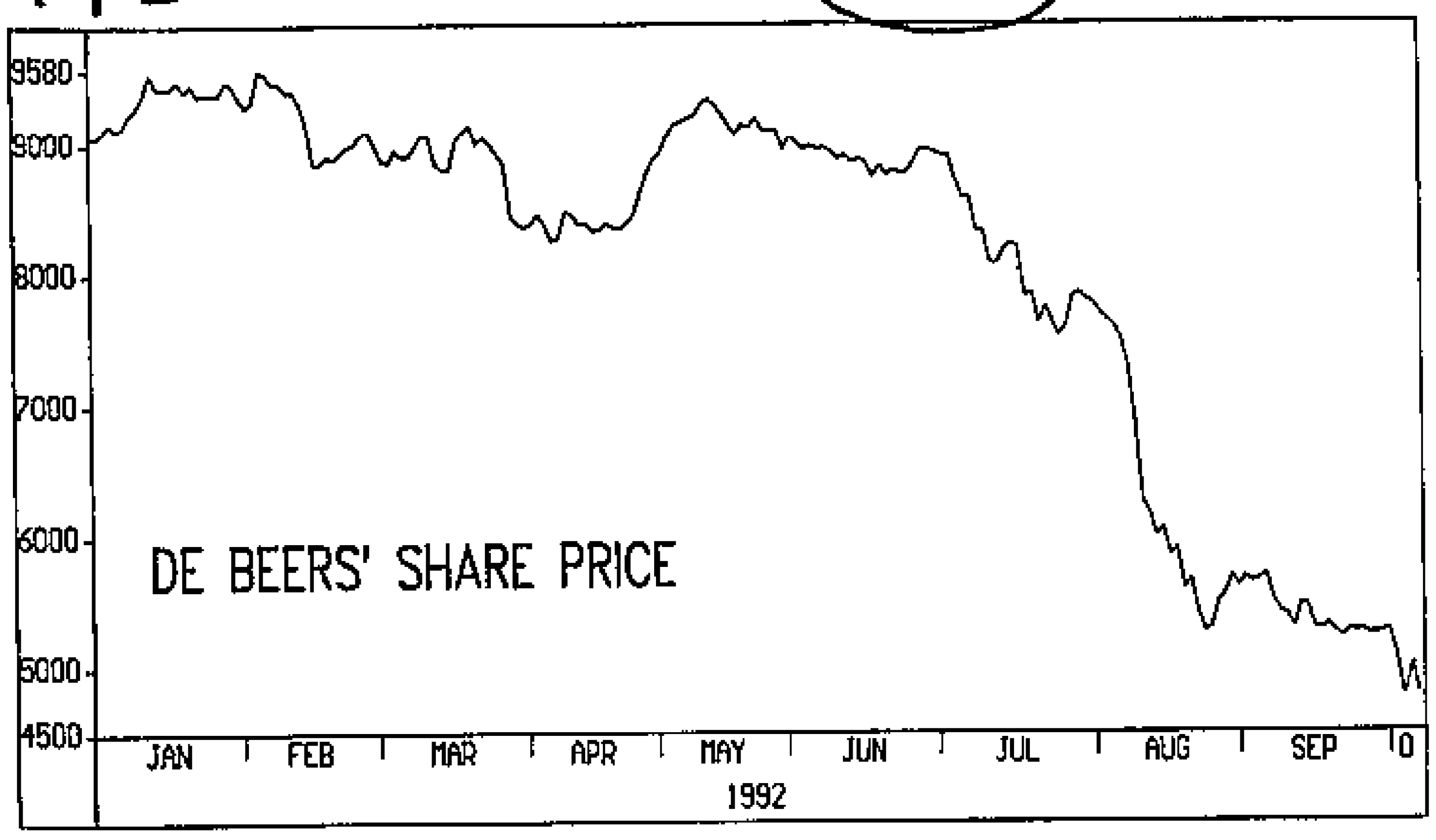
Uncertainty

Brokers blamed the immediate fall in share prices on the lower gold price yesterday and uncertainty about the outlook for the US economy — which was reflected in Friday's sharp fall in share prices on Wall Street.

However, Wall Street recovered yesterday after a statement by the chairman of the Federal Reserve Board, Arthur Greenspan, which raised hopes of a further cut in the US discount rate

The Dow Jones industrial average rose 37,83 points to close at 3174,41, regaining nearly all of Friday's setback of 39 points

Prospects of lower rates had dimmed last week and left the stock and bond markets slumping, Sapa-Reuter reports



But hopes were rekindled after Greenspan said the November 3 presidential election would not stand in the way of a rate cut if the economy needed it

The Fed was not "shutting down" monetary policy actions ahead of the election, he said

But while the better tone on Wall Street might lead to a slight improvement in sentiment on the JSE today, there is no doubt investors generally are concerned about the continuing poor outlook for the South African economy

Earlier this year several economists were forecasting that the first signs of an upturn should appear by the fourth quarter

In the light of SA's depressed state, few are now seeing any significant improvement until the middle of next year.

This is reflected in an opinion survey conducted recently by the Standard Bank Development Corporation and the South African Chamber of Small Business

The largest proportion of businessmen surveyed believed the economy would continue to deteriorate in the next 12 months and that political factors would have a negative effect on business

Such views are causing investors to switch from shares to cash Some of the recent weakness of industrials and better-class gold shares is attributed to the big financial institutions (as well as ordinary investors) doing this

The development shows up vividly in the latest unit trust figures

According to these figures, the movement increased its cash holdings from around R1,8 billion, or 15 percent of its total assets, at the end of March, to R2,5 billion, or 20 percent of total assets, at the end of September

This was financed out of its net cash flow and did not require the sale of any investments.

Limit losses

But with share prices likely to fall further, unit trusts are expected increasingly to switch from shares to cash not only to improve liquidity, but to limit any losses from more declines in share prices

Unless there is a marked improvement in investor sentiment, other financial institutions as well as the unit trusts are expected to be active sellers.

Nonetheless, South Africans should not be too gloomy. Market sentiment is extremely volatile

Any positive signs of an improvement in the US, German or Japanese economies — which could occur within the next month or so — could quickly result in improved sentiment and higher share prices

High-income funds give the best returns

STAR 13/10/92.

By Leigh Hassall (232)

Investors poured a record R753,6 million into unit trusts in the three months to September, of which nearly 80 percent was directed to high-income trusts

The Association of Unit Trusts (AUT) yesterday released statistics for the quarter to September

Investors who switched out of general equity funds into high-income trusts have reaped significantly higher returns.

High-income funds have benefited from declining interest rates and share prices.

The total return (capital growth plus income distributions) of the six high-income trusts for the year to September range from Standard Bank's Extra Income Trust's 16,56 percent to Metboard Income's 35,57 percent

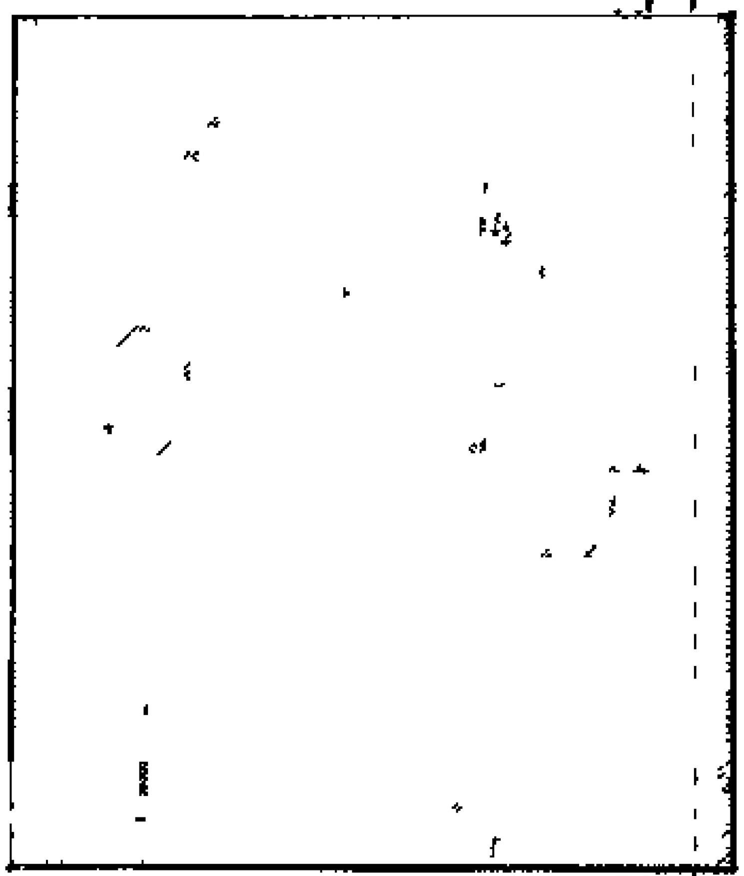
By contrast, general equity funds, which offer a balanced spread of investments, including cash and other assets, gave an average return of 8,5 percent

While this performance still compares favourably with the of 0,9 percent return on the JSE's overall index, it is a marked decline from the average total return of 18,4 percent general equity funds reported in the year to end-June.

A feature of the unit trust industry over the past six months has been the rising liquidity levels in general equity funds. Average liquidity rose to 20 percent in the September quarter from 15 percent six months ago

"This illustrates the defensive strategies of fund managers who have steadily reduced the equity content of their portfolios to an average of 80 percent at the quarter end," says Clive Turner, chairman of the AUT

The returns from the specialist equity trusts, which range from gold and mining funds to pure industrial trusts, were on average better than the share market.



Clive Turner . . defensive strategies of fund managers

Sales in the September quarter were a record R1,416 billion, compared with the industry's previous best of R1,134 billion in the June quarter

Repurchases were also high at R662,7 million Investors have poured over R2 billion into the unit trust industry in the past twelve months

The total market value of the assets managed by the 46 trusts was R12,72 billion, marginally down on the previous quarter's R12,86 billion The market value of high-income trusts increased 38 percent to R1 8 billion.

Mr Turner says it is heartening to see investors displaying such sophistication at a time of uncertain markets

"For some time now, we in the industry have adopted a cautionary approach and have alerted investors to the fact that the equity market is looking fully priced and that some weakness should be expected

"Increasingly, investors are recognising that markets can be volatile in the short term and have also become aware of the benefits of high-income funds at times when share markets are uncertain and/or interest rates are falling from high levels," Mr Turner says

Sage trust managers defensive ahead of expected 'correction'

(232)

BDAY 13/10/92

ANDREW KRUMM

SAGE unit trust managers continued to follow a defensive policy during the quarter to September in anticipation of a correction on the JSE, fund manager Dirk Stofberg said yesterday

He said liquidity levels in Sage Fund had been increased to R170,5m or 18,9% of total assets during the quarter

"Sage Fund's remaining investment in Malbak was sold, while holdings in GFSA, Barlows, Richemont, Afrox, Tiger Oats, Remgro and Wooltru were reduced to better balance the portfolio."

The fund also contracted with the JSE, dropping R74m in market value from R995,6m in June to R919,6m in September

In the group's foreign portfolio, it disposed of an investment in Newmont

Attractive European interest rates led to the disposal of Japanese bonds in favour of French and German bonds.

The fund offered investors a return of 7,2% for the year to September, compared with the 0,9% return by the all share index, he added

However, Sage mining unit trust — Sage Resources Fund — did not perform as well, recording a negative 7,8% return over the same period.

"Compared to the mining producers' index, which fell by negative 18,4% over the year to September, and the mining finance index which declined by negative 6,6%, the resources fund has done satisfactorily," Stofberg said.

He said mining ratings on the JSE were at an attractive long-term level, but that the timing of a global upswing remained vital to the sector's health.

"In the immediate future, the financial sector appears to be offering the best relative value," he said.

Standard's funds enjoy a sales boom

BIDAY 13/10/92

232

ANDREW KRUMM

THE Standard Bank group of unit trusts reported record growth in sales during the past quarter.

Standard Bank Fund Managers MD Derick Finlayson said the major portion of this new investment was directed to the group's Extra Income Fund, but investment inflow to the bank's four equity-based unit trusts slowed during the period.

The Extra Income Fund — which trades in fixed-interest securities — closed the quarter R83m up, at R337m, and posted a 16,6% return for the year to September. Finlayson said income fund managers had pursued a strategy of maintaining a high weighting of lower-risk money market instruments in the portfolio.

"The increased exposure to longer-dated money market instruments had the effect of protecting income returns in the face of falling deposit rates," he said.

Finlayson added that the malaise in government finances, with attendant inflationary supply-side effects, was likely to put a floor on the fall in capital market rates, creating higher risk conditions for longer-dated fixed interets investments.

The group's flagship, the Standard Bank Mutual Fund, was among the top-performing equity unit trusts and gave investors a 12,1% return for the year to September. However, the fund had contracted as the JSE turned, and was valued at R573,6m in September against R595,7m in June.

The Mutual Fund's near 40% liquidity level had sheltered unit prices from the overall fall in equity prices. "In terms of the equity sector mix, the fund has reduced its weightings in the mining sector to 26% (28%), while increasing its weighting in financials to 27% (28%) and holding its level of industrial shares at 47%."

Finlayson said the performance of the group's Gold Fund over one and five years had mirrored the all-gold index, with the fund posting -16,2% and -10,1% returns respectively, compared to the index's -16,09% and -12,28% returns. Liquidity remained at 25%.

The industrial fund — launched in May — had maintained its issue price of 100c, while the industrial index fell by 8% in the same period. "This was possible by holding between 50% and 60% of assets in cash, and selecting shares which outperformed the industrial index."

Fund managers, however, had not boosted liquidity levels in the Standard Bank International Fund. "In accordance with its investment policy, the fund maintained a more fully invested position with equities amounting to more than 87% of the portfolio," he said. Nonetheless, the market value of the fund had grown from R19,8m in June to R27,7m in September.

Prudence helps out at Norwich

ANDREW KRUMM (232)

A PRUDENT approach, ~~and in-~~ creased liquidity in June, helped Norwich unit trust weather the third quarter correction in the JSE, Norwich Management Company MD John Bowman said.

Boosting liquidity to more than 17% by the end of June had protected investors against the vagaries of the market, Bowman said.

"As a result, the fund produced a sound total return of 9,3% for investors over the year to September, compared to a 0,8% rise in the all share index." B/DAY 13/10/92

He said after the correction a cautious buying policy was initiated as better value appeared. Selling De Beers, Genbel, Samancor and Tiger Oats — among others — fund managers bought into Absa, Anglovaal, Wooltru and Trencor.

"By the end of September liquidity had been reduced to 12,6%."

Management had declared an income distribution of 7,70c a unit for the six months to September, comprising a 3,93c dividend portion and 3,77c a unit in interest.

Bowman said in the short term the JSE could remain volatile, and Norwich should consoldate until political sentiment improved and markets stabilised.

"We feel that significant downside is now limited and . . . attractive buying opportunities are now emerging," he said.

JSE at year low as sentiment dives

B/Day 13/10/92 (232)

MERVYN HARRIS

DEPRESSED sentiment sweeping the JSE sent share prices reeling yesterday

Widespread selling of blue chips across all sectors knocked the JSE overall index back 1,7% to close at a new year low of 3 024 and bring its losses to 19,3% since peaking at 3 748 at the beginning of June

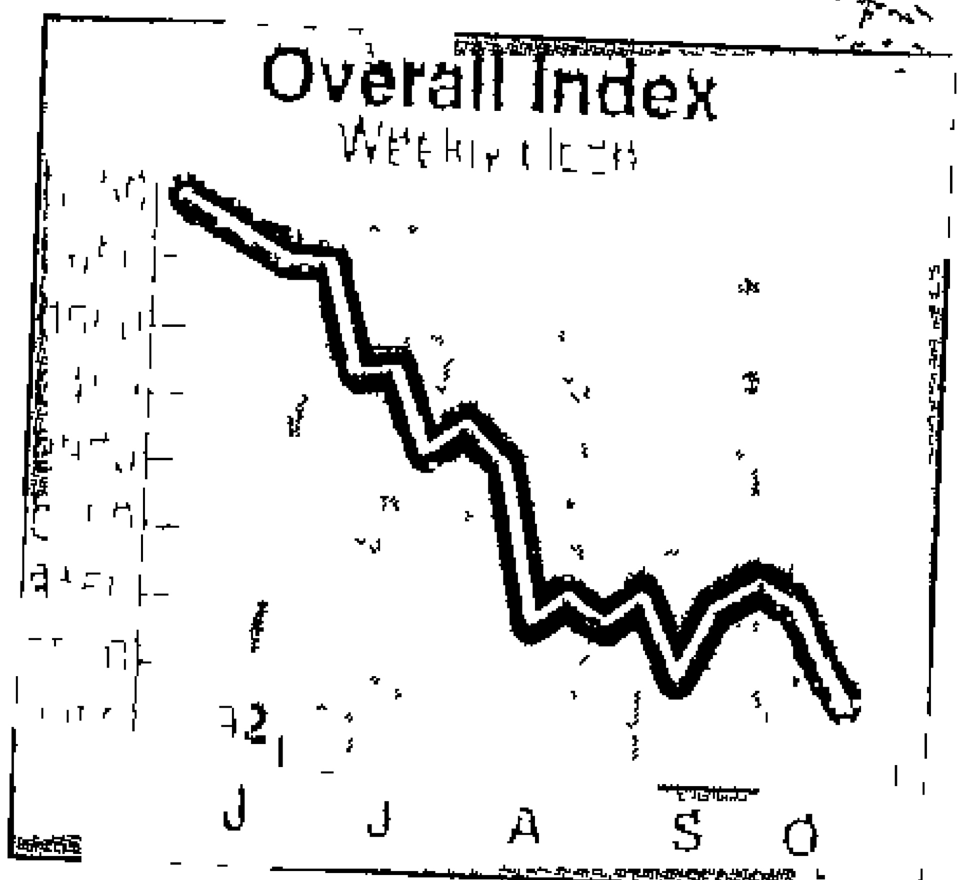
The market opened softer on the back of Friday's sharp fall on Wall Street and the downturn gathered momentum as speculators took advantage of thin US Columbus Day holiday conditions to drive gold lower

Gold briefly breached key support at $345 in volatile trading before rebounding to close $4,30 down in London at $346,25 Traders also noted producer selling with reports that SA was offloading gold after the rand gold price rose above R1 000 last week for the first time in months

But platinum held its ground to firm $1,25 to a London afternoon fix of $357,25

Battered by gold's falling price, the JSE all gold index slumped 4,2% to a new seven-year low of 817 while weak economic fundamentals pushed the industrial index down 0,7% or 28 points to 4 038, just above its August low of 3 970.

Analysts said the market was still in a downward correction and they said it could fall another 6% to bring its losses to 25% before bottoming



Graphic LEE EMERTON Source I NET

Shaky international bourses have also undermined sentiment but the JSE was expected to drift only marginally lower yesterday until Wall Street reopens today.

"There is a lot of despondency around. One can find reasons in political and economic uncertainties but the major factor is that sentiment has turned very negative," a dealer said.

Liquidation rate starts to reverse

BDay 13/10/92 GERALD REILLY (232)

PRETORIA — The number of liquidations and insolvencies continued to reflect an economy mired in recession, although there were indications the rate of increase had started to slow, economists said yesterday.

Central Statistical Service figures for the three months June to August, showed company and close corporation liquidations increased by 8,2% to 555 compared with the same period a year ago. However, compared with the previous three months, there was a decrease of 17,3%.

Insolvencies in May to July increased by 10,7% compared with the same period a year ago, but decreased by 6,8% compared with February to April.

In August, 205 companies and close corporations were placed in final liquidation — a decrease of 5,5% compared with August last year. And in July the number of insolvencies of individuals and partnerships — 353 — was 1,6% lower than for the same months last year.

Gold dashes rising hopes of investors

Star 14/10/92.

By Derek Tommey

232

The gold price has been teasing investors again.

For most of the past four weeks it has been raising hopes that the bear market in the metal ended by trading at above $350 and even reaching $351 at stage.

But these hopes have been se[illegible]y dashed.

The gold price has dropped $7 [illegible] the weekend and was trading at $343,55 in London last night [illegible] $346,50 on Monday

In New York selling on the Commodity Exchange pushed the price down $1,20 to $344. In Hong Kong this morning the metal opened at $345,10.

There are no obvious reasons for this latest retreat.

It has been suggested that it could reflect forward sales by producers eager even to get the limited benefit of a $350 price.

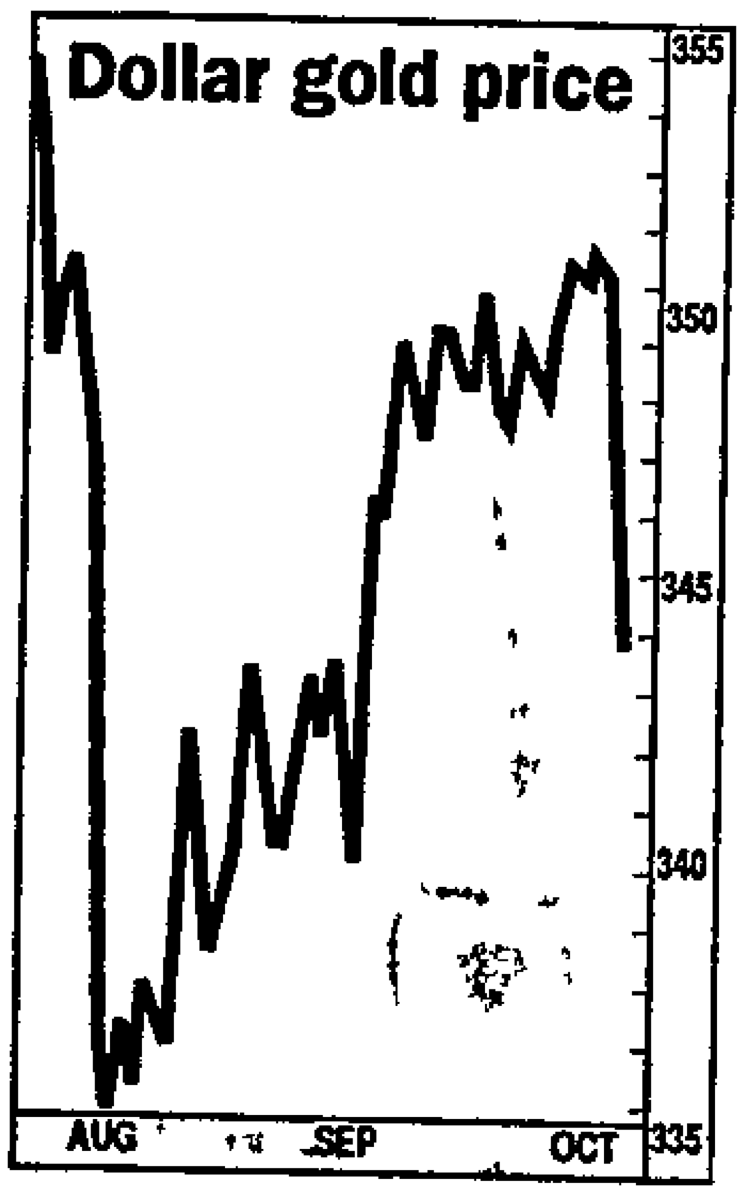
But it is possible the lower price may be related to the firmer dollar, which has appreciated against most other currencies in the past day or two One result has been to weaken the rand against the dollar.

It closed last night at 2,868 to the dollar — its lowest rate since early May

However, the weakness of the rand helped cushion the effect of the lower gold price on the mining industry as it resulted in the rand gold price increasing to R985 an ounce last night.

While this price is not particularly bountiful, it is better than the mining industry has been receiving.

This helps explain why the JSE gold share index recovered yesterday from its earlier fall to close only 11 points down on the day at 806.



City Lodge on a winner

STAR 14/10/92

232

Finance Staff

City Lodge's market capitalisation is set to exceed R200 million as its private placement is expected to be fully subscribed.

The placement to business associates, staff and institutions of five million shares and five million convertible debentures should raise more than R50 million.

In addition 19,8 million ordinary shares and 8,6 million convertible debentures will be in issue — if they are listed at their par values of 480c per share and 550c per debenture, the group's total market capitalisation will be in the region of R194 million.

A spokesman said yesterday that institutions like Sanlam, Old Mutual and Syfrets have taken up their allotment in full.

Momentum unit trust pays 6,17%

(232) BDAY 14/10/92

ANDREW KRUMM

ALTHOUGH exposure to gold shares hurt Momentum unit trust's performance over the year to September, the fund posted satisfactory results, says RMB Asset Management executive director Peter du Toit.

"During the quarter to September the fund had a 9% weighting in gold This exposure hurt our performance as the all gold index dropped under pressure from overseas selling," Du Toit said yesterday.

"On a relative yield basis gold shares offer fairly good value, and we intend to maintain our holding," he added

Given a tough third-quarter share market, the unit trust had outperformed the all share index and given investors a 6,17% total return for the year to September. However, the fund contracted to R53,6m in September from R57m in June as an overpriced JSE turned down.

Portfolio managers had disposed of remaining holdings in De Beers, East Dagga and consumer-related counters. These transactions increased liquidity from 13% in June to 25% in September

Du Toit said the trust would maintain a cautious approach to the equity market.

"The industrial and financial markets are still fundamentally overpriced, and our strategy is now defensive," he said

CT 14/10/92 (232)

Protest: Six teachers appear

Staff Reporter

Six teachers appeared in the Cape Town Magistrate's Court yesterday in connection with attending an unlawful demonstration outside the Department of Education and Culture (DEC) on Monday

The teachers were showing solidarity for 12 of their colleagues who staged a sit-in at the DEC's Roeland Street offices against voluntary early retirement when they were arrested.

The six were released and the case was postponed to November 23

Daun purchases Basil Read stake

232 EDWARD WEST

GERMAN textile industrialist Claus Daun extended his interests in SA with the purchase of Old Mutual's 25,2% stake in the construction group Basil Read.

Basil Read chairman Chris Jarvis said Daun et Cie AG, controlled by Claus Daun, bought some 3,6-million Basil Read shares valued at R1,3m in a book-over deal on the JSE on Monday.

The share was untraded yesterday, but reflected a seller at 100c and a buyer at 40c in spite of the ruling price of 35c.

It was not certain whether Daun et Cie AG, which has a civil engineering subsidiary in Germany, had plans to increase its stake in Basil Read.

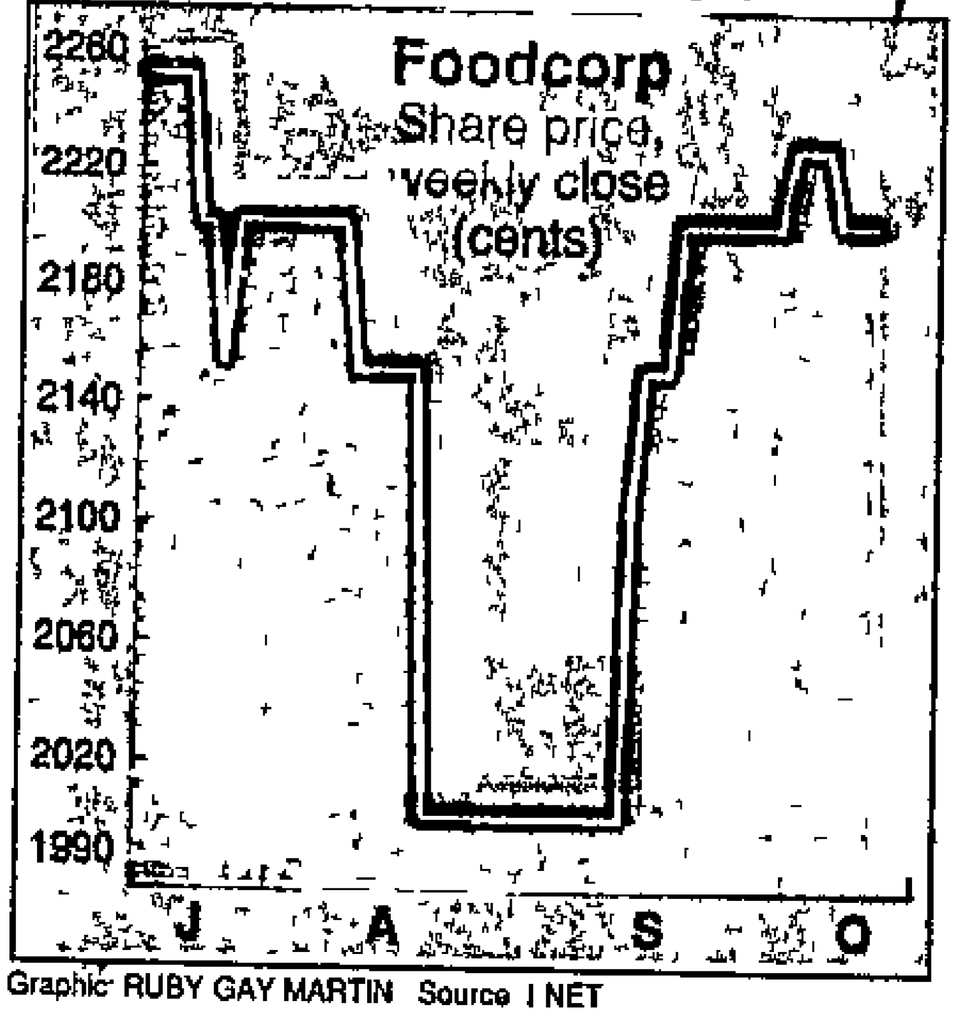
Jarvis described the German group as a participative shareholder. BDAY 14/10/92.

The move represented an extension of Daun's interests in SA. Late last year Tongaat-Hulett sold its loss-making Hebox Textile subsidiary to Daun, and other SA interests, apart from property, include companies such Total Sport, Courthiel and Table Bay Spinners.

Daun et Cie also has a 78,7% stake in furniture group Morkels.

Foodcorp earnings up 6%

14/10/92



Graphic RUBY GAY MARTIN Source I NET

MARCIA KLEIN

(232)

THE successful merger of Fedfood and Kanhym into the Malbak-controlled Foodcorp group saw it report a 6% increase in attributable earnings to R89m in the 12 months to end-August.

Foodcorp's results reflected a significant turnaround in Fedfood, which had reported a 26% earnings decline in the year to end-March.

CE Dirk Jacobs said results were achieved despite rationalisation and closure costs, and a significant increase in Kanhym's tax liability

Audited results reflected the 17-month period to end-August in line with Malbak's year-end, making comparisons with the

☐ To Page 2

Foodcorp

14/10/92

(232)

☐ From Page 1

previous 12-month period meaningless For the 17 months, turnover was R2,5bn, operating income R169m and attributable earnings R83m

However, management accounts for the 12 months to end-August have been published in order to compare results with the previous year

For the 12-month period, turnover of R2,4bn was 8% higher than the R2,3bn that would have been reported by Fedfood and Kanhym combined in the previous year Operating income rose by 7% to R165m from R154m.

Jacobs pointed out that CSS figures for August showed that the price of unprocessed foods rose by 38,2% year-on-year, while processed food went up by only 17,6%, indicating a substantial rise in raw materials costs

Despite this increase and a soft market for the group's products, margins were maintained at 6,8%, and operating income had increased through strict cost control

Operating income had been affected by the costs of closures, rationalisation and restructuring, the benefits of which would flow through in the coming year

Interest-bearing debt was held at Fedfood's pre-merger level Jacobs said that in the five months since the merger, interest bearing liabilities were reduced by R82m due to strict asset management.

Gearing declined to 43% from 70%, and would reduce by a further 15% when the Fedfood investment in preference shares was redeemed next year.

A 57% rise in taxation to R47m — due to Kanhym operations becoming liable for tax — saw income after tax decline to R86m from R94m.

But an increase in other income saw earnings rise by 6% to 184c a share A final dividend of 22c a share was declared

Changes in competition policy urged

CT 14/10/92 (232)

Own Correspondent

JOHANNESBURG — Competition Board chairman Mr Pierre Brooks yesterday proposed a sweeping review of existing competition policy, including the possibility of forcing uncompetitive companies to give up market share to new entrants

A discussion document compiled by Mr Brooks says deficiencies in the current system of competition administration need urgent remedy

The document proposes replacing the board with a competition tribunal and an appeal court The board's current investigations directorate would take over most of the existing board functions

Mr Brooks said yesterday the system would remove the government's direct role in implementing policy At present the board only made recommendations to the government

Government representation on the tribunal was not envisaged, although members would be state-appointed.

The board's investigations directorate should be renamed the office for competition matters

In addition to acting against price-fixing, market sharing, resale price maintenance and collusive tendering, the tribunal should be able to outlaw other anti-competitive behaviour on an ad hoc basis

Mr Brooks says the board has accepted that some measure of corporate conglomeration is not only tolerable, but desirable "However, the degree of economic concentration in South Africa is probably too high"

Syfrets unit trusts attract record inflow

LINDA ENSOR (232)

CAPE TOWN — The quarter to end September was the worst the JSE has experienced since the 1987 crash, but Syfrets unit trusts achieved a record net inflow of more than R260m. BDAY

The flight of investor capital from equities into bonds resulted in a net inflow of more than R150m into the Syfrets Gilt Fund, bringing its total market value at the end of the quarter to R167m. The gilt fund, which invests in capital market instruments, had a quarterly return of 12,43%.

Syfrets Income Fund, which invests in gilts, debentures and money market instruments, also benefited from the stock market's sagging fortunes and rising capital markets to post a quarterly return of 8,46%.

Flagship Syfrets Growth Fund fell 3,3% in the face of an 11,4% decline in the all share index. It had only a 75% exposure to the equity market. 15/10/92

The only significant transactions undertaken by the fund were a reduction in De Beers and an increased investment in Lenco and its holding company, Lenvest.

The newly established Community Growth Fund, which was totally invested in cash, produced a 4,18% quarterly return, while the quarterly return of the Syfrets Trustee Fund, which invests only in minimum risk blue-chip counters, was -5,37%.

"What these relatively strong results show is that even in adverse market conditions, the right unit trusts can provide investors with solid, long-term returns," Syfrets unit trusts marketing manager Kevin Hinton said.

Southern trusts remain cautious

BDAY 15/10/92 (232)

LINDA ENSOR

CAPE TOWN — Southern Life's unit trusts would continue to adopt a cautious investment strategy in the months ahead, building up liquidity and concentrating on quality shares, investments GM Carel de Ridder said yesterday on the release of the Southern unit trusts' results.

The Southern Equity Fund notched a return of 12,8%, placing it second among all the equity funds An income distribution of 3,69c per unit was declared giving a total for the year of 8,03c per unit

The fund increased its holdings in Johnnies, Richemont, Bevcon, SA Breweries, Dimension Data, Foschini, Tegkor and TIB, and introduced Dalys, Suncrush and Lefic into the portfolio The Pretoria Portland Cement shares were sold and the holding in FIT reduced.

The recently launched Southern Pure Specialist Fund, a socially responsible fund, attracted R8m in its first quarter, maintained its value, invested in 17 counters and had a liquidity level of 17,7%

The Southern Mining Fund declined by 10,4% over the last year with its exposure to Amcoal, De Beers, Driefontein, Southvaal, Implats and Rusplat increased and Gencor added All Palamin shares and Anglovaal loan stock were sold

FINANCIAL RAND FM 16/10/92

No big deal

(232)

The Reserve Bank is definitely not trying to regulate the size of the financial rand (finrand) pool, says Exchange Control GM John Postmus A suggestion that it was was made this week following the introduction of new regulations relating to the JSE.

"What is all the fuss about?" asks Postmus "The measures just formalise a situation which has existed informally for years "

The JSE Listings Department recently circulated all users with a practice note listing instances where exchange control authority must be obtained before completion of a JSE transaction. These include the listing or delisting of an SA company, declarations of dividends in specie or special dividends, listings of SA companies on foreign exchanges and the elimination of odd lot minority shareholders

Wider than expected

JSE corporate finance manager Tracy Stewart says the scope of the regulations is rather wider than she had expected UAL assistant GM Leon Liebenberg echoes her view, particularly with regard to the requirement relating to odd lots "I'm not at all sure why this has been included," he says.

Postmus explains. "The very fact of a listing means that finrand or blocked rand can be used for the acquisition of shares As an example, often we find a nonresident shareholding in a nonlisted company.

"When that company is listed the nonresident may wish to sell his shares to new SA holders Obviously, that must be undertaken through the financial rand "

One effect of the practice note will be to make it clear to users of the JSE that their actions are ever more closely monitored by the Reserve Bank JSE listings department general manager Richard Connellan confirms one recent example in which a cash shell was bought by a nonresident with finrand, in subsequent restructuring a dividend was remitted abroad in commercial rand

"There are clear rules," says Postmus, "and our job is to enforce them " Quite

David Gleason

DAB INVESTMENTS FM 16|10|92

Realising value (232)

Plans to sell the portfolio and distribute proceeds to shareholders have rapidly narrowed the discount between the share price and NAV to 5,5% At least the price has risen over the past few months while most of the market has been falling

Dabi's end-June price of R12 was a third below the value of its share portfolio, then 1 781c a share Since then the value of the portfolio has dropped 24%, from R81,8m to R62,5m, bringing NAV down to 1 376c, but the share price has risen to R13

Chairman Martin Cross says the decision to sell the portfolio followed the change in the last Budget to reduce the safe-haven period from 10 to five years for the sale of shares without paying tax on the proceeds

Dabi was formed seven years ago when Free State Development turned itself into a pure exploration and mineral rights company and hived off its share portfolio.

"We would have sold the shares then if we could, but we couldn't because the proceeds would have been taxed," says Cross "When Dabi was formed the Receiver treated the portfolio as a new acquisition, even though many investments had been held for considerable periods If the 10-year rule had not been changed we would have had to keep Dabi going for another few years"

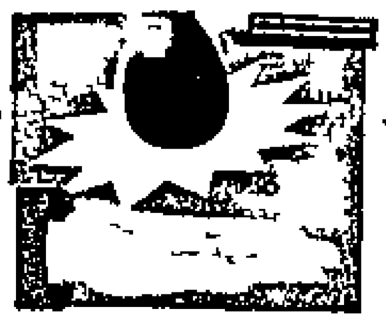
Dabi is being wound up because of its smallness and the costs of running it

FM 16|10|92 (232) **FOX**

Shareholders will be asked to agree to the sale of the portfolio at the AGM Once the shares are sold, Dabi will become a cash shell and its listings suspended JCI has no plans for the shell and it will be sold Cross adds there are several potential buyers.

"Main value of a cash shell is that it saves the buyer much of the cost of a conventional listing," he says "It costs about R500 000 to list a company on the JSE and Dabi has a London listing as well"

The plan should be welcomed by shareholders, who can only score through it It's just unfortunate the value of the portfolio has been knocked so badly in recent weeks by the depressed stock market *Brendan Ryan*



We need medicine not witchcraft

FM 16/10/92

Pierre du Toit is senior tax partner with Arthur Andersen & Associates

232

The provision allowing for a safe haven for disposal of listed shares (S9B of the Income Tax Act) was generally welcomed at its birth For one thing it was hoped that, by allowing for greater certainty as to the tax treatment of share transactions, the sluggish activity on our stock exchange may be improved

However, the first round required a share to have been held for 10 years before one could elect capital treatment This period was so long as potentially to have the opposite effect, or at best to be irrelevant, and the required holding period has since been reduced to five years (There is a strong rumour it is again going to be reduced — to two years.)

But the provision had a greater defect than the period. Interpretation of its ambiguity and internal grammatical conflict required a mental athleticism which drove many a taxpayer to intellectual anabolic steroids For example, for the provision to be rational the word share(s) has to be read at times as referring to an individual share (certificate number xyz), at times as referring to a counter (eg De Beers or Rembrandt) and at times as implying a taxpayer's entire shareholding

One of the major contentions that arose from this was whether a taxpayer's election for capital treatment of a share binds him as regards all his other shares for all time, which is the way the directorate sees the matter It is understood that the directorate is about to resolve this problem through a practice note.

Two issues arise. First, the way to fix inadequate legislation is not through practice notes but through proper amendments, that is the difference between witchcraft and medicine And, while we're at it, other ambiguities may be fixed, including the degree of retrospectivity of the re-election, following the reduction of the qualifying period from 10 to five years

Secondly, consideration must again be given to the principle of universal and infinite application of the election — it is ludicrous that the holding company of a massive conglomerate, by selling one share of R1, must be bound in respect of all other shares for all time, regardless of the fact that these may be worth billions

The worst part of this is that it either denies the reality of one entity or taxpayer legitimately holding both investment and speculative shares, or introduces artificiality in the realisation patterns of those holdings The understandable fear that taxpayers may base their elections on whether their shares have achieved gains or losses can largely be met by requiring the S9B election to be made at the time a share is acquired — a sort of "put your money where your mouth is" at the front end

Meanwhile all share disposals must be carefully considered in the light of these developments At the same time, groups should consider that even now they do have one counter weapon at least, separate companies within a group can elect independently Thanks to our outdated system of non-group tax, some control can still be engineered, without witchcraft

The dollar's surge came on expectations that.

□ The Bundesbank Council's meeting on Thursday would produce a further easing as evidence of Germany's economic slowdown mounts, and

□ The US Federal Reserve would not be seen providing a crutch for President George Bush by lowering short-term dollar rates before America goes to the polls on November 3.

Weight was added to the argument when Belgium, Holland and Switzerland, which, with Germany, form the hard core of the D-mark bloc, reduced key interest rates, along with Denmark and Sweden

But, as usual, there are contradictory factors in the equation. For example

□ Otmar Issing, Bundesbank chief economist and member of the council, said German inflationary *expectations* were falling,

□ Johann Wilhelm Gaddum, also of the Council, warned against rapid cheapening of money, while underlying inflationary pressures remain (service sector prices are rising by 5,2% a year and the January increase in VAT will jolt the CPI) — even if the central bank is taking a relaxed view of the monetary growth overshoot;

□ UK Chancellor Norman Lamont, faced his parliamentary inquisitors about the collapse of sterling and economic policy, adding little to anyone's knowledge apart from the strong hint that, following the one-point cut to 9% in base rate, Britain will not be rushed into opening the monetary taps too soon; and

□ Federal Reserve chairman Alan Greenspan rebutted speculation about political influences. The Fed would do what was necessary, when it was necessary "It would be irresponsible to delay a needed cut in interest rates until after the election," he said

What was overlooked by those who nailed the D-mark as the next selling target was the amount of Bundesbank intervention which is due to be unwound. The Bundesbank laid out DM90bn (US$60bn) in intervention during the September crisis of the European Monetary System

Almost all of it was in the form of loans which will be repaid before the end of this year

Even controlled, this buying of D-marks will bolster the German currency

One wild card in the hand, however, is the extraordinary EC summit in Birmingham this weekend. Top of the agenda is the Maastricht Treaty and how it can be semantically mangled into a shape acceptable to the Danish electorate at a new referendum, as well as Eurosceptics in the UK, Germany and France

But given the role of the Bundesbank in shaping European monetary policy, the Birmingham gathering will be milked for clues about what the next move in Frankfurt will be and, more important, its timing Last week, with three months D-marks priced at 8,3% in the Euromarkets, the Bundesbank had ample scope for a half-point cut in the Lombard rate of 9,5%.

On Tuesday, however, the three-month Eurocurrency rate was up to 8,8% with fewer people now betting on Bundesbank action before the end of the year — barring yet another realignment of ERM parities to accommodate the pressures remaining in the system ■

FORECASTS FM 16/10/92

Way off target 232

How good are stockbrokers' reports advising investors which shares to buy or sell? It may be an unfair example but a survey of their research into De Beers shows six out of eight analysts predicted the share's price badly and only two got it consistently right

The doyen of JSE research firms, Martin & Co, the broker whose analysts run away with nearly all the top awards in the annual *FM* survey, said in a June report that, with the price of De Beers at R88,75, they should "buy for a recovery" Two months later, after the announcement of De Beers' interim results, Martin told clients that, with the price at R68,50, the stock was a "short-term sell"

The truth is that the diamond market and international economic conditions had been almost universally misread Martin excused itself by saying "Even more of a shock is De Beers' backtracking on diamond sales made only six weeks ago by group chairman Julian Ogilvie Thompson and CSO chairman Nicky Oppenheimer. It was on the basis of these forecasts that market expectations were revised upwards" Which shows analysts should do their own research rather than rely on one, supposedly impeccable, source

Not that Martin was alone. In September last year, with De Beers' price at R91,50, broker Anderson Wilson's analyst recommended the share should be bought "De Beers is firmly in control of the diamond market with over 90% of the world's supply of gem diamonds marketed by the CSO"

Not according to a gloomy Ogilvie Thompson Months after the Anderson Wilson report, he said a "sudden and unprecedented explosion" in the supply of illicit diamonds from Angola, reaching world markets, was a major factor contributing to the malaise in diamond sales by De Beers' CSO, and to De Beers' warning that it might be necessary to reduce its final dividend

In August 1991, with the share price at R90, brokers Davis Borkum Hare recommended clients "should continue to accumulate" But that's hardly surprising since DBH is De Beers' house broker and hosted the major presentation given by De Beers to investors in Johannesburg in May

Frankel Max Pollak Vinderine's analyst was caught up in the general euphoria In a report late in March he said "We believe the share can be accumulated to take advantage of the recovery in the world diamond market expected later this year or early in 1993"

FM 16/10/92 232

Nor are SA brokers the only ones to get it wrong In April London brokers S G Warburg told investors they should add De Beers' stock to their portfolios Smith New Court, a London broker specialising in SA stocks, issued a report in May titled "The Sparkle is Returning," in which it said "Our recommendation remains (that De Beers is) a Buy on a two-year view"

Smith New Court's analyst Steve Oke says "We were worried about sales in the US and Japan But after the first-half CSO figures, we felt Julian Ogilvie Thompson knew better, as they were almost exactly in line with his 15% forecast."

Institutional fund managers have mixed feelings UAL's Bill Bellovay says "We were led up the garden path by all brokers but especially by those we consider the leading research specialists" Southern's Paul Beachy Head believes the underlying fundamentals for the world diamond market changed rapidly over a short period "I do have a certain sympathy for the analysts After all, they can work only with the facts available at the time"

Another institutional fund manager blames De Beers' management "The information released is so sparse, veiled and selective that it's become virtually impossible to analyse the company's prospects The diligence of the research work isn't something we question But we do think brokers should develop sources for market intelligence outside of De Beers"

Two researchers from the random sample got it right Broker Senekal Mouton & Kitshoff's Hilton Ashton told investors in September last year to sell De Beers down to R70 He repeated that recommendation in early June

But it was James Picton, widely regarded as the international community's most sophisticated De Beers watcher, who identified the problem He said "My view is that De Beers is taking an enormous gamble on world economic recovery, particularly in the US and Japan, the latter now the largest diamond buyer for value. The CSO has increased special deals, which means that certain sightholders volunteer (army style) to take more diamonds than they want, doubtless with a sweetener" (*Fox* May 29).

That, added Picton, enabled De Beers to wrong-foot analysts who hear only part of the story from previously reliable sources He said later· "The interim dividend should be about maintained but, if the world recovery is delayed any further, I think they (De Beers) will seriously have to consider cutting the final dividend" (*Fox* July 10)

Brokers and their research analysts don't claim infallibilty They are acutely aware of the dangers inherent in their business, which is why most of their reports invariably contain, in fine print, a caveat denying accuracy, completeness or correctness and advising clients not to rely upon them In other words, there is no substitute for an investor's own research and no surrogate for the investment decisions made Be warned! ■

All gold index plunges 32 points

JSE reels in the wake of major sell-off

(232)

B/DAY 16/10/92.

PETER GALLI

THE JSE yesterday reeled under poor sentiment, a weak gold price and a surging finrand which saw a major sell-off across the board.

Share prices plummeted as the overall index fell 64 points or 2,1% to 2 926, the all gold index plunged 32 points or 3,9% to 782 and the industrial index eased 59 points or 1,5% to 3 946

Increased bearish sentiment gripped the market as 114 shares reflected price losses, compared with only 21 share price gains.

In London, gold closed down at $342,10 from a previous $343,95 close after sinking to a $340 low The finrand firmed to R4,28 to the dollar from its previous R4,3950 close following reports that Royal would finance a major portion of its Del Monte Europe acquisition with a huge foreign loan

Dealers said market sentiment was bearish and share prices were expected to fall even further. This negativity was reflected in sharp falls among blue chips with De Beers heading the pack, slumping 300c or 6,3% to R44,60 as 143 094 shares worth R6,5m traded in 128 deals

The share has fallen R8,05 or 15,29% this month Anamint followed suit, plummeting 325c to R49 and Anglos slid 140c to R74,60

Industrial blue chip Barlows fell 200c or 4,3% to R43,75, reflecting a 13,79% loss so far this month

"The weaker gold price and firmer finrand saw the market fall into a hole and all it needs is for the sand to be shovelled over it and we will have a grave," a dealer said.

Frankel, Max Pollak, Vinderine MD David Shapiro said· "We are experiencing a sell-off of shares and the market is extremely nervous This is not a nice pattern and there is little chance of a recovery until we get some positive economic news or investors realise there is value in the market at these levels"

However, a quick sell-off was preferable to a slow decline, which was being led by the mining boards as prospects of an improvement in commodity markets seemed unlikely for some time, he said.

Another broker said many shares had hit new annual lows and the institutions saw further downside potential Consequently they were taking precautionary action, with several smaller institutions reshuffling their portfolios and offloading stock

Another dealer said there was concern that international markets were set for a slump

On the London Stock Exchange, economic and political uncertainties combined with industrial unrest to lower leading share prices. Sentiment was also badly hit by the realisation that domestic interest rates were set to stay at their current levels for the time being

The FTSE-100 index ended 28,1 points down at 2 546,6 "The wave of protests over the coal pit closures, its political implications and a fall in sterling sent investors back to the sidelines," a dealer said

On Wall Street, US share prices opened lower with the Dow Jones industrial average dropping 13 points almost immediately to 3 182,48. Mid-morning saw the Dow down by 25 points. Shapiro said if Bill Clinton won the US presidential elections this could strengthen the US market as his policies would be regarded as inflationary

B/DAY 19/10/92.

SA chain makes good Zambian link

LUSAKA — A SA food chain has established a market in Zambia to supply a variety of foodstuffs to state institutions and wholesale outlets.

Nutritional Foods financial director Charles Akeroyd said state supermarkets in Lusaka and Ndola were some of the consumer outlets for his company's food products.

"The potential for business in Zambia is limitless. 232

"We have the goods that Zambians want — the business climate is very good," Akeroyd said. 220

Nutritional Foods is owned by JSE-listed Merhold.

It specialises in supplying soups, bredies and gravies, cold and hot drink powders, desserts and soya mince blends. — Sapa.

Disclosure of mergers proposed in document

BIDAY 19/10/92

PETER DELMAR

COMPETITION Board chairman Pierre Brooks yesterday allayed fears that companies could be compelled to make public disclosure of intended acquisitions and mergers.

Brooks has released a discussion document in which he proposes that involved parties should be required to notify the authorities of pending acquisitions if they were of a pre-determined magnitude or would lead to a particular level of concentration in a given market.

The proposal was one of several contained in a suggested wide-ranging review of existing competition policy which would include the creation of a tribunal to adjudicate competition matters. 232

Brooks said it was established procedure in other countries for parties to pending acquisitions to notify the authorities if the deal was of a certain size or would lead to a concentrated market share of, for instance 40% or more.

He said many companies in SA currently approached the board for "clearance" before proceeding.

If, as envisaged, companies were compelled under certain circumstances to inform the authorities of their deals, this information would be confidential until both parties agreed that the time was right to go public.

Standard rights issue tops up capital

(232) **SHARON WOOD** ([redacted])

THE Standard has taken the opportunity presented by its strong rating on the JSE to top up capital with a R650m rights issue

Group MD Eddie Theron said the rights issue would not significantly influence the group's earnings a share. Theoretically the SBIC share price could move down by R1 today This was based on the difference between the market share price of R71 at close on Friday and the R60 cost to shareholders of taking up the offer of 10 new shares for every 100 shares held

Theron said it was a precautionary measure and the funds were not earmarked for a specific project.

"Historically the group has always had surplus capital The setting up of Standard Bank London and various other activities have reduced SBIC's surplus capital there is some spare capital but we prefer to be comfortably cushioned," he said

Theron stressed the money would not be used to finance Standard London or the group's likely acquisitions in Africa

"SBIC believes it is now opportune to further strengthen its capital base

"The rights issue should enable the group to take advantage of any domestic and international growth opportunities

☐ To Page 2

Standard

Bloem 19/10/92 (232) ([redacted])

☐ From Page 1

which may arise."

The negotiations to acquire the Africa branch network of ANZ Grindlay's had reached an advanced stage and should be finalised in the next few weeks The deal was expected to cost the group between R160m and R170m and would be financed by the issue of new SBIC shares Theron said arrangements for the share placement had been made

He would not disclose with whom the shares would be placed

The group's major shareholders, Liberty Life (38,9%), Old Mutual (22%) and Goldfields (10%), holding up to 70% of the issued share capital, had already undertaken to take up their rights

The balance of the offer would be underwritten by Liberty Life.

The group's risk-weighted capital-to-asset ratio remains above 8%, which is in line with international banking standards and the final level SA banks will have to meet in 1995

Shock, fear and joy at punishment designed to deter the JSE cheats

B DAY 20/10/92.

(232)

MERVYN HARRIS

THE eight-year jail sentence imposed yesterday on stockbroker Greg Blank evoked mixed reaction in the broking community. Most were stunned at the severity of the sentence — and a few were elated that justice had been done.

Satisfaction was also evident among the prosecution and representatives of the Old Mutual, which bore the brunt of the share dealing irregularities.

Both the Blank case and that of former Ed Hern Rudolph stockbrokers Kenneth Fouché and André Coetzee became known as the "Old Mutual saga" despite the fact that four other institutions were more involved in the Fouché-Coetzee case.

Those in the broking community who expressed satisfaction with the sentence said justice would not have been served by the imposition of a fine, and said the sentence would act as a deterrent.

They said the sentence dispelled fears of a "plea bargain" designed to cover up evidence. There was also talk that Blank might now open up and "spill the beans" in an effort to have the sentence reduced — a possibility that was said to have evoked shudders among some dealers.

But most were stunned by the severity of the sentence, which was not expected after both prosecution and defence called for a fine and correctional supervision.

Old Mutual chief operating officer Gerhard van Niekerk said. "At the end of the day you cannot buy morality by paying a fine. We have had to take a lot of pain but we are happy at the successful outcome of the prosecution."

He added that all the money which left the country had been repatriated and he was confident all Old Mutual's losses would be recovered. A Press report had alerted Old Mutual investment managers David Schapiro and Marco Celotti, who were part of the scam, enabling them to flee the country.

"But in terms of English law, we were able to act against overseas institutions which had the money in their accounts. We stopped the money being withdrawn and it has been repatriated," Van Niekerk said.

Cape Attorney-General Frank Kahn, who led the investigation, said in a statement that too many public institutions concealed internal frauds to protect their image, but that society was indebted to the Old Mutual for placing a legal ethic above its self interest.

The JSE committee said in a statement it would continue its own internal investigation now that the Blank case was over, and where necessary institute appropriate disciplinary action.

It said its investigation into these and other related share dealing irregularities had been suspended at the request of Kahn to avoid the risk of the premature release of evidence material to the State's case

Action on job cuts

Teachers launch public sector front against restructuring

(232) ARG 20/10/92

SHARON SOROUR, Labour Reporter

HUNDREDS of disgruntled Cape teachers filled the City Hall to launch a public sector front to fight unilateral restructuring, which is expected to cost thousands of jobs

More than 500 members of at least six public sector associations attended the meeting to formulate a programme of "rolling mass action"

SA Democratic Teachers' Union spokesman Ms Vivienne Carelse said the state needed to be confronted by greater public sector unity.

A secret document in the union's possession had disclosed a plan to retrench thousands of teachers and indicated that the state hoped to save R70 million when temporary teachers were dismissed

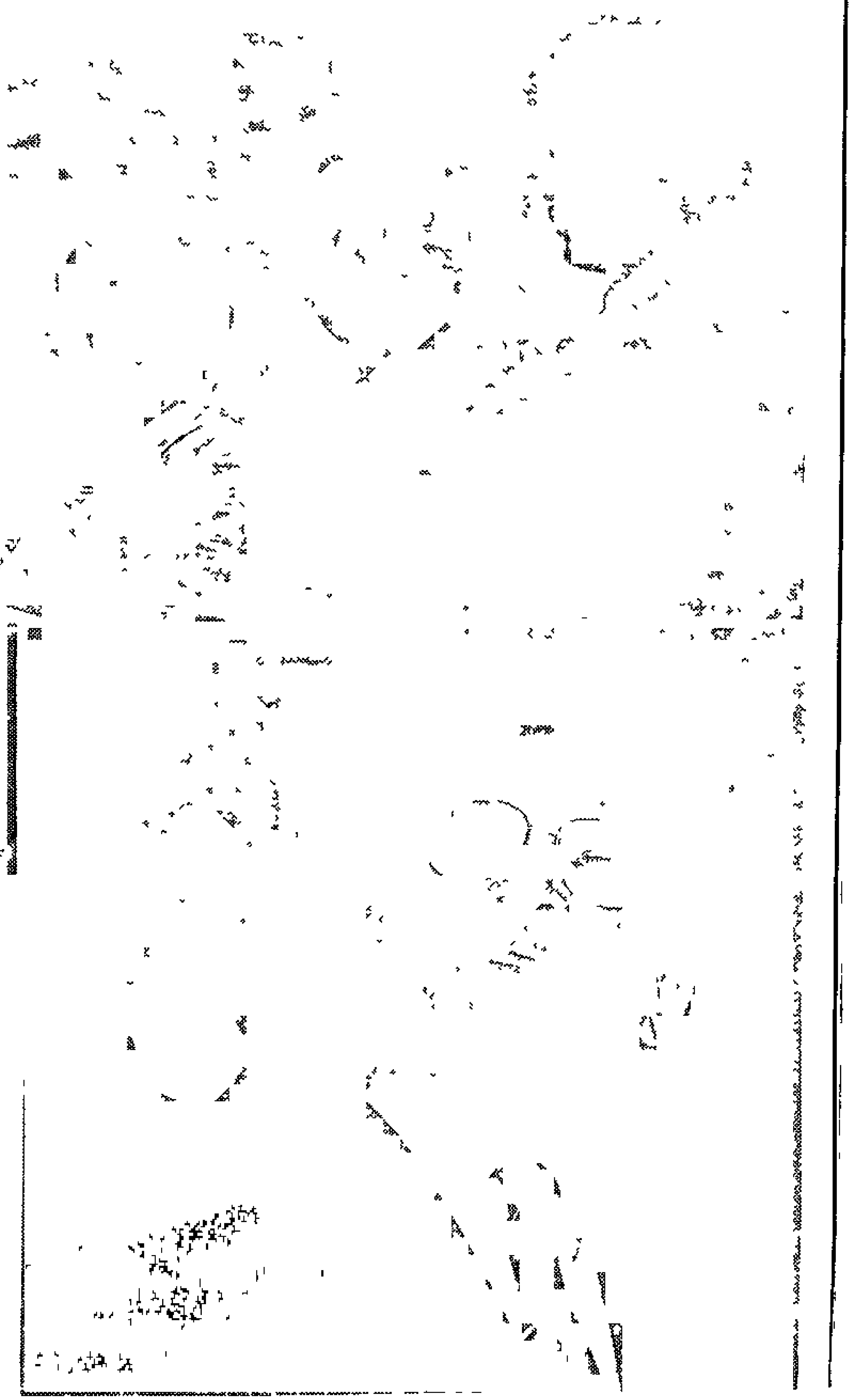
About 25 percent of teachers who would have to leave would be permanent teachers

Peninsula Technikon rector and ANC spokesman on technical and vocational eduction Mr Franklin Sonn said teachers were being told there was an "over-supply", but all surveys showed that in seven years' time there would be a shortage of 360 000 teachers

"Our education system was shattered in 1980 and we watched the future of our children go to pieces

"In 1985 undertakings were given to move away from gutter education to one education system and the equalisation of education but we are gathered here today because we are once again facing a gutter education"

The associations represented include the National Education, Health and Allied Workers' Union, the Health Workers' Union, the SA Democratic Teachers' Union, the Public Service League, the SA Health and Social Services Association and the United Teachers' Association of SA



UNITED FRONT: From left, Ms Vivien Carelse of the South African Democratic Teachers' Union, Mr Jan van Eck of the ANC, Mr Hassan Mohammed of the SA Social Services and Health Organisation, Peninsula Technikon rector Mr Franklin Sonn, and Mr Wilfred Alcock of the National Education Health and Allied Workers' Union at last night's meeting Right Mr Sonn addresses the meeting

Pictures DOUG PITHEY The Argus

JSE in dark over Abacor listing

MEREDITH JENSEN (232)

AN application to list parastatal abattoir corporation Abacor still had not been received by the JSE, sources said yesterday.

JSE GM, listings, Richard Connellan said reports in the Press had kept him informed of Abacor's intention to list. However, Abacor had not made a formal application to the JSE.

Chairman of the government-appointed steering committee investigating the privatisation of Abacor, Eugene van Rensburg, said the privatisation and listing had been delayed pending approval of a new meat scheme.

BDAY 21/10/92

He added that approval was a precondition to Abacor's privatisation.

Last month, Abacor MD Frans van der Vyver said the company planned to list on the JSE, offering as much as R60m of government's existing stake in Abacor to the private sector.

At the time, Van der Vyver outlined an allocation schedule that would see 45% of the total shares earmarked for producers, 30% for wholesalers and retailers, 5% for Abacor personnel and 20% for the public.

In addition, the Meat Board announced its intention to grant interest-free loans out of its stabilisation fund to selected producers and wholesalers so they could purchase Abacor shares.

Although plans for privatisation have been in the balance for the past few months, the company has undertaken an extensive TV campaign advertising its imminent privatisation.

Van Rensburg said internal work on a prospectus, and the preliminary structure for the listing, had been completed by Rand Merchant Bank (RMB). No one was available for comment at RMB yesterday.

Van Rensburg said he had the impression there had been informal discussions between RMB and the JSE.

He said the company had hoped to get into the marketplace before the year end. "However, we cannot approach the business community until it is clear how deregulation is going to work," he said.

COMPANIES

Picardi firms suffer slide in profitability

(232)

B/DAY 21/10/92

MARCIA KLEIN

THE profitability of the companies in the Cape-based Picardi group has declined for the year to end-June.

The market was expecting the group to announce details of a proposed acquisition by Powertech in conjunction with today's publication of results, thus making this the last time the group would report in its present form

But no announcement was made, other than that there were negotiations with third parties

However, it was believed shareholders in holding company Picardi Investments (Picbel) would be offered R9 a share, while shareholders in Picardi Holdings (Pichold) would be offered just more than R8

Sources close to the deal said the offers would be for shares or a cash alternative, and would result in Picbel and Pichold being delisted

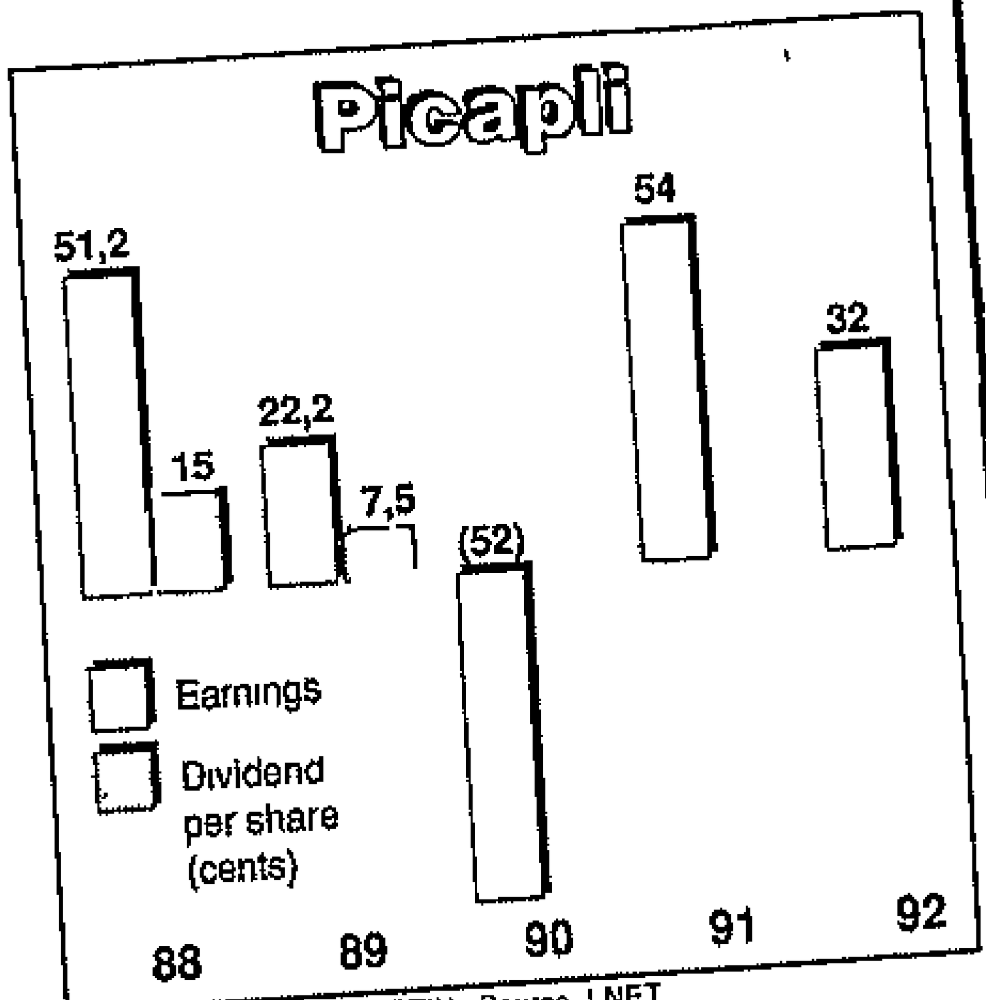
Major operating household and appliances subsidiary Picardi Appliances (Picapli) would remain listed, they said

Picapli's earnings dropped by 40,7% to 32c (54c) a share as disposable income and consumer confidence continued to slide

Turnover figures are not given, but operating income was reduced by 24% to R24,2m from R31,8m A lower interest bill was offset by a hike in taxation, resulting in a 41% drop in income after tax to R8,2m from R14m

No dividend was declared in view of the unacceptable level of gearing, chairman Jan Pickard said Gearing was in excess of 100% at year-end

Pickard said profitability was increased in the period to December 1991 But the decreased profitability for the full year was a result of "a severe decline in spending on durable goods in the second half of the financial year and a corresponding margin sacrifice to maintain market share"



Graphic RUBY-GAY MARTIN Source I NET

JSE rallies, but bears still lurking

MERVYN HARRIS (232)

DIAGONAL Street rallied strongly yesterday, with a technical rebound from an oversold position dominant in a combination of factors lifting the JSE overall index almost 2% and back to the 3 000 level

Renewed weakness in the finrand and positive reports on De Beers and Minorco encouraged demand for mining-related shares from overseas, with the improved sentiment filtering over to industrials

The 58-point rise in the overall index came as share advances outpaced declines by 93 to 27 with gold shares dominating the list of top 25 price gains on the market

The all gold index soared 6,2% or 50 points to 849 as gold firmed $1 to close in London at $343,65 on reports of long term investment demand from Europe Dealers said shares were also buoyed by a firmer rand gold price which was back above R1 000/oz

BDAY 21/10/92

A rise of more than R20 in the rand gold price this week came on the back of the weak commercial rand against the dollar

Platinum leaders made good gains as the metal rose nearly $3 to $361 on speculative buying after the Bundesbank signalled a softer policy on interest rates

The market upturn was led by a 4,3% (200c) surge of DE BEERS and associate ANGLOS jumping 6,4% (500c) to R82 while

☐ To Page 2

JSE

BDAY 21/10/92 (232)

☐ From Page 1

MINORCO gained 4,4% (225c) to a new year high of R53,95.

Analysts said there was a positive report on Minorco in the Wall Street Journal and there was more optimism on De Beers after the agreement between Russia and the Yakutia region providing for joint control over diamond reserves.

A dealer said. "It was a chain reaction. As people see prices going stronger, they come in and cover themselves. There has also been a shortage of scrip at the lower levels".

However, analysts cautioned that there had been no major change in fundamentals and sentiment remained bearish. Several bear sales among leading shares indicated that some investors saw prices coming down.

Amic appraises unbundling issue

BDM 23/10/92 (232)

MATTHEW CURTIN

ANGLO American Industrial Corporation has undertaken the most serious appraisal yet within the Anglo stable on the issue of unbundling, market sources said yesterday.

They noted that in the past three months Amic shares had suffered their biggest collapse since the 1987 share crash, but the stock remained overvalued. The group's dividend yield was at its highest level relative to the industrial index since it was listed in 1968.

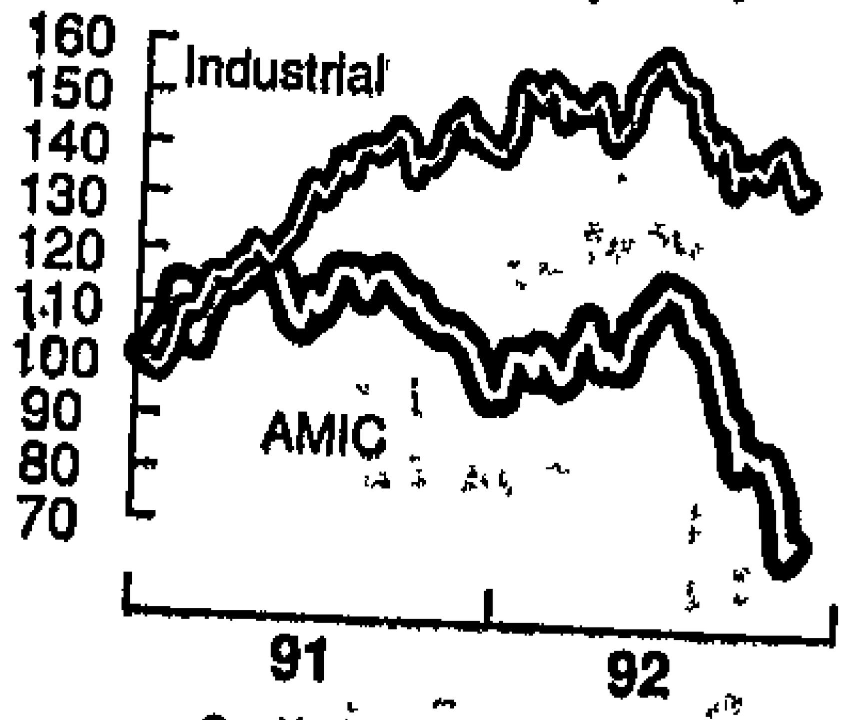
They said added impetus for change within Amic came from frustration that the corporation was unable to raise funds at its centre because of its structure.

However, they said Amic management had put off plans to "unlock shareholder value", reflecting the current influence of conservative elements within the group — to whom the idea was "anathema" — and general concern about the weakness of the stock market.

Amic shares closed yesterday at R54, equivalent to a significant discount to net asset value of R77 a share stated at December 31 1991.

An Amic official declined to comment on the issue yesterday. In the past, Anglo chairman Julian Ogilvie Thompson has said the group had looked at the issue of unbundling, first given high profile by former Gencor chairman Derek Keys, but had decided it was not in Anglo's best interests.

AMIC & industrial index
Weekly close
(Based to 100)



Graphic: LEE EMERTON Source: I-NET

One market source said Amic's biggest problem was that it had no significant cash-flow or tax-base of its own, made up as it was of self-contained public companies or associates.

"This has proved to be an extremely tax inefficient way of raising money to finance

☐ To Page 2

Amic

BDM 23/10/92 (232)

☐ From Page 1

new projects and stimulate growth within the Amic stable," he said, noting Amic's absence from the financing arrangements of associate Mondi's acquisitions in Europe, and the Del Monte/Royal deal.

"The latter would seem to fit in with Amic's stated aim of entering consumer markets, witnessed by the McCarthy/Prefcor Holdings deal, but the corporation did not have the means to take part."

Instead, such deals were being financed by parent Anglo, De Beers and cash-flush offshore arm Minorco.

Ed Hern Rudolph analyst Sid Vianello said Amic's market rating had never been lower, a sign of its position as "gross domestic fixed investment stock" tracking the fortunes of SA industry in general.

He said Amic had reviewed unbundling as a way to improve its image, simplify its "cumbersome and complex corporate structure" — releasing value obscured in unlisted companies like Scaw Metals and Boart — and enable a company like Mondi to raise money independently of its parent.

Despite Anglo's lack of enthusiasm for the unbundling concept, Amic might be a useful test case, because it was a holding company of large trading operations.

Amic shares have recovered from a year low of R51,50 earlier this week but are still a third lower than a peak near R90 a few months ago

TEA TIME . . . Two of the more than 50 DET principals, who yesterday occupied the offices of the DET director Dr J M Brand, making sandwiches last night. They had called for the resignation of Dr Brand as they had "no confidence" in him, a spokesman said. They have vowed not to leave his Foreshore offices until they have received a response. **INSET:** Director Dr Brand. 232 CT 22/10/92 Picture HAROLD KING

—COMPANIES

McCarthy remains confident

EDWARD WEST

THE merged McCarthy/Prefcor Holdings group was 10% behind budgeted profit in the first quarter of its financial year to end-June 1993, but chairman Brian McCarthy was confident forecasts would be met provided economic and political considerations did not deteriorate further.

He told the group's AGM in Durban yesterday that if both organisations met budgets which were in line with last year's profits, group earnings a share would rise to 70,2c from 50,9c the previous year.

National new car sales were 7% lower than the previous year and group sales were down by a similar margin. The Toyota strike also affected sales at the group's 25 Toyota dealerships.

Prefcor's July and September performance was satisfactory, but stayaways and mass action hurt business in August. Prefcor chairman Terry Rosenberg said turnover showed little growth in August but September turnover was up 19% over August and margins up 1%.

Prefcor featured on the JSE yesterday — a day after the merger was approved — in a special bargain deal of 690 800 shares worth nearly R2m at the ruling 300c.

McCarthy traded 5c higher at 345c, lower than its yearly high of 545c on December 7 1991, but higher than its yearly low of 300c on August 31 1992.

Analysts said the market had not reacted favourably to the merger, with part of the problem being the apparent lack of synergies to the merger and the fact that the motor and furniture industries were under recessionary pressure.

However, McCarthy said the merger was well received by its shareholders.

Synergies included the fact that both companies sold products that required financing and their combined turnover would ensure more creative and easier financing. The use of a single mainframe computer would also be a saving.

(232)

PENSIONS (233)

Breaking up

FM 23/10/92

Pension fund liquidations are becoming commonplace, says Sanlam senior GM Walter Scheffler, who adds that about 50 under his organisation's management were liquidated last year. "The situation often arises when a company is liquidated or when it can no longer fund contributions" The good news, Scheffler says, is that opportunities for small family concerns to raid employees' retirement funds have almost disappeared "It's unlikely it would escape the attention of the Financial Services Board"

Sanlam is one of the leading managers of both pension and provident funds When its results are announced next week they will show about 40% of the mutual assurer's premiums and benefits paid relate to retirement funds.

Scheffler says provident funds are now the fastest growing area of retirement planning and about 90% of Sanlam's new retirement funds come from this source "Basically, that is trade union business" In the past two years the assurer has successfully sought

FM 23/10/92

(232)

union business

It is also attracting business from other quarters "For smaller groups it is a more efficient form of funding than the traditional pension fund and has benefits for the employer as well as employee." ■

UNIT TRUSTS

Switching to cash

The swing from industrial shares towards liquidity, evident during the second quarter, continued to September This defensive stance is the result of political irresolution, whose effects are reflected in JSE performance Consequently the unit trust industry suffered its first contraction in two years, total assets shrinking by 1,6% to R12,7bn against R12,9bn at June 30

This aside, the inflow of new investment during the quarter was a record net R754m That almost R600m of this found its way into high-income funds reflects investors' perceptions of the direction the market is taking and expectations of lower interest rates About 57 000 new accounts were opened, bringing the total to 1,1m

Capital growth was more pedestrian during the quarter, hardly surprising given the All Share index fell 12%, with a total return of 0,6% in the 12 months to September

General equity funds faired best over the year Syfrets Growth made the highest one-year return of 14% (it is comfortably ahead over three and five years) followed by Southern Equity (13,8%) Lagging were Sanlam Index Trust with (0,4%) and Old Mutual Investors Fund (0,6%)

Pretoria University Graduate School of Management's Hugo Lamprechts says that if the last two are excluded, together with Community Growth Fund (which has yet to invest its funds), the other 17 general funds show a weighted average annual return of 9%

Liquidity of general funds (excluding CGF) averaged 17%, about 2,5% higher than the previous quarter While levels varied between funds — between 39% of Standard Mutual and Old Mutual Investors' 9% — defensive actions by fund managers have steadily reduced the equity content of portfolios to an average 80%, says Association of Unit Trusts chairman Clive Turner

The same, however, can't be said of specialist equity funds

The weighted average annual return on mining funds was a negative 9% for the quarter, compared with 5% and 12% in the year's first two quarters

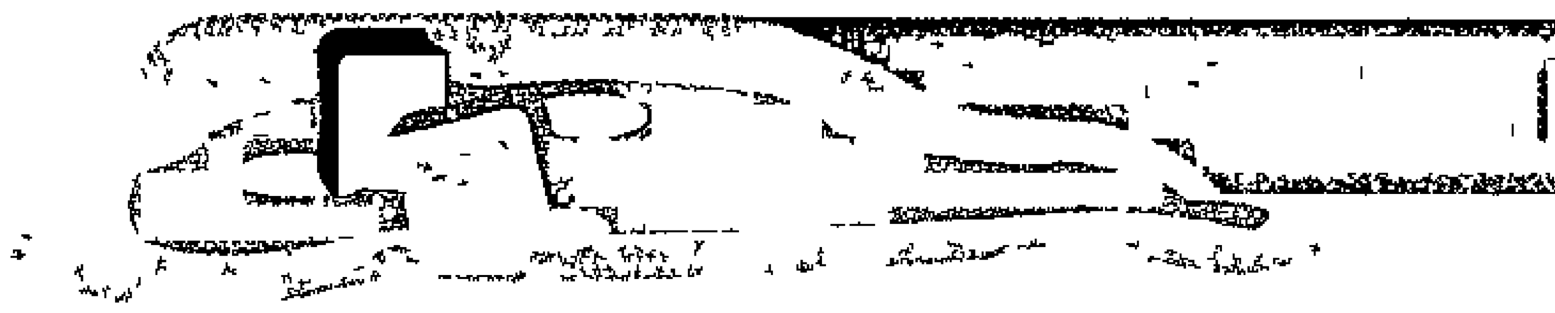
There was a negative return of 21% from Old Mutual Gold Fund, while the older Standard Gold Fund continues to prove a poor investment over the longer term, with a negative return of 10% over five years, even though it has kept a relatively large proportion of assets in cash

Lamprechts says it is important to note that poor five-year rates of return of equity funds largely reflect high share prices in September 1987, just before the market crashed in October Figures this quarter should therefore be much better

The quarter was one of the best ever for high-income funds, with an average annual return of 23% Total assets of the seven funds increased 61% to R1,8bn, exceeding specialist funds for the first time Turner says a large part of this can be attributed to switches from equity trusts

Limitations imposed on share prices by the economy, political uncertainty and a low gold price suggest that fund managers will keep liquidity high A further slide in performance cannot be ruled out But as continually stressed by the industry, unit trusts are essentially long-term investments While there will always be fluctuations short-term, few investments provide the long-term returns seen in equities

Marylou Greig



Liquidating their portfolios

Unit Trusts	% of Portfolio							Performance % Lump Sum Investment				Mark value (Rm)	
General Equity	Liquidity	Gold	Mining finance	Other mining	Financial	Industrial	Other Assets	1 yr to Jun 92	1 yr to Sep 92	3 yr to Sep 92	5 yr to Sep 92	Jun 92	Sep 92
Old Mutual	9	2	20	10	7	52	—	19	1	11	10	3 384	2 972
Sanlam Trust	17	6	15	7	7	48	—	15	3	14	9	615	593
Sanlam Index	17	7	15	10	4	47	—	13	0,4	11	10	936	877
Sanlam Dividend	31	3	11	6	6	43	—	17	5	15	7	86	93
Guardbank	17	3	12	5	22	30	11	17	10	15	14	1 517	1 437
Standard Mutual	39	2	11	3	17	28	—	19	12	16	14	596	574
UAL	36	—	14	9	16	25	—	21	8	13	11	657	618
Sygro	11	3	10	5	7	55	9	24	14	21	16	627	648
Syfrets Trustee	20	—	14	8	12	46	—	—	8	—	—	362	336
Community Growth	100	—	—	—	—	—	—	—	—	—	—	3	7
Sage	18	3	11	6	9	49	2	18	7	14	12	996	920
Momentum	25	9	9	—	—	48	—	13	6	15	—	57	54
Southern Equity	16	2	15	6	11	48	2	24	13	13	—	127	137
NBS Hallmark	24	—	15	3	9	40	9	14	9	12	—	42	43
Norwich Trust	13	2	17	10	43	10	5	15	9	7	—	23	21
Metfund	24	1	13	5	15	42	—	20	7	11	—	30	25
Absa	31	4	11	2	8	38	6	21	11	—	—	48	69
CU Growth	17	4	13	8	18	40	—	19	7	—	—	27	26
IGI	16	3	7	—	8	66	—	16	8	—	—	42	45
BOE Growth	12	2	8	8	8	50	12	21	12	—	—	69	66
Fedgro	15	2	18	4	13	37	11	20	10	—	—	34	35
Metlife	37	4	16	5	6	32	—	—	—	—	—	19	20
Specialist Equity													
Old Mutual Mining	10	12	40	33	—	6	—	(3)	(18)	(7)	(5)	111	88
Old Mutual Gold	9	69	22	—	—	—	—	(21)	(21)	—	—	47	42
Old Mutual Industrial	11	—	—	—	22	67	—	23	5	—	—	109	94
Old Mutual Top Comp	23	—	14	6	14	43	—	—	—	—	—	138	138
Sanlam Mining	15	22	33	26	—	4	—	2	(10)	(0,9)	(2)	97	79
Sanlam Industrial	20	—	2	—	7	71	—	20	9	21	13	221	230
Guardbank Resources	17	14	20	19	—	12	18	5	(3)	2	4	51	45
Guardbank Industrial	32	—	—	—	17	51	—	—	—	—	—	6	8
Standard Gold	25	46	29	—	—	—	—	(13)	(17)	(12)	(10)	199	166
Standard International	13	—	23	16	17	31	—	—	—	—	—	20	27
Standard Industrial	55	—	5	—	—	40	—	—	—	—	—	6	8
UAL M & R	19	7	40	31	—	3	—	12	(6)	(1)	(2)	228	187
UAL Select	21	2	3	5	6	63	—	16	3	13	8	121	108
Sage Resources	13	18	28	20	—	18	3	6	(9)	(3)	(1)	60	51
Southern Mining	11	21	33	31	—	4	—	4	(10)	(5)	—	24	20
Southern Pure	19	2	—	—	—	79	—	—	—	—	—	—	8
Absa Industrial	28	—	—	0	13	59	—	25	18	—	—	3	3

FM 23/10/92

TOLLGATE/HCI

(232)

Divorce pending

Rumours that Tollgate Holdings (TGH)'s asset sale programme will include the 2,6m shares held in insurance holding company Hosken Consolidated (HCI) have been confirmed by HCI chairman Michael Lewis

Lewis says it's intended that the block (18,4% of HCI's equity) will be bought by a consortium of the managements of HCI, Safrican Life (Saflife) and IGI Insurance (IGI) TGH chairman Julian Askin confirms discussions are in progress The deal will come as something of a gift from heaven for Askin, whose group is reported to be in straitened circumstances (*Fox* October 9)

Lewis says the price, on which "tentative agreement has been reached", is about R23m That equates to 885c/share compared with a market price of 620c — an unusually high premium, of over 40%

It's understood the deal will include the recent HCI dividend in specie, together with its normal half-year payment That will reduce the effective price by about R1 a share and the premium to about 27%

Even that's a lot Lewis says the arrangement "will cement the relationship between the managements of three closely interlinked companies" Probably more cogent is his throw-away line that "the deal will make the group inviolate to predation"

While the transaction isn't exactly a management buy-out, it comes close to one Lewis concedes he's anxious the block should find a secure, safe home and says it is the key to control of the group The intention is to raise the necessary funds through a share incentive and leveraged buy-out scheme. Lewis says discussions are taking place with merchant banks but won't identify them

Of course, this raises the issue of some form of unbundling within IGI It holds about 12m shares or 41% of associate Saflife, priced at 575c each or about R69m in all

But IGI itself is capitalised at only R83m, despite its 33% of Amity (the Luxembourg listed company which holds HCI's non-SA insurance business) valued at R10m, 8,2% of Crendell Investment (R3,5m), as well as the underlying insurance business

Lewis complains that the market has valued IGI on the basis only of its various holdings "It imputes no value to the underlying business," he says

One way of realising value may be to distribute IGI's Saflife stake as a dividend in specie The effect would be a significant dip in IGI's capital base and the market would then have to re-value IGI *David Gleason*

Germans fail to broker SA talks

B/DAY 23/10/92.

BILLY PADDOCK

THE German government's efforts to speed up progress towards negotiations in SA have met with little success.

German Economic Co-operation Minister Carl-Dieter Spranger had talks with the three major political players during his visit, but was apparently unable to get them to budge from their positions.

A member of Spranger's delegation said there had been no success in persuading Inkatha leader Chief Mangosuthu Buthelezi to rejoin the negotiations process.

There had also been no indication from ANC president Nelson Mandela and President F W de Klerk that they were willing to compromise or shift their stances to accomodate Buthelezi's rejection of the record of understanding agreement between government and the ANC.

Spranger delivered letters from German Chancellor Helmut Kohl to the three leaders urging them to move quickly towards constitutional talks, so that investment could be channelled into the country.

Spranger met Mandela yesterday, following lengthy meetings with De Klerk and Buthelezi

The source said De Klerk had complained of Buthelezi's continual sniping and criticism, that government believed was unfounded. De Klerk had insisted Mandela and the Inkatha leader needed to get together to resolve their differences.

Mandela yesterday maintained he had done everything possible to get in touch with Buthelezi, who refused to take any of his 12 telephone calls. He insisted the ball was now in Buthelezi's court and that he should initiate any contact, the source said.

Buthelezi retained his position of remaining outside the process, despite being warned he was isolating himself in joining forces with discredited homelands leaders.

Spranger assured Mandela Germany was not disregarding SA in favour of the problems of the newly democratised European countries, saying Germany had increased its budget by making DM165m available through non-governmental aid for development projects.

Indemnity Bill before council

Political Staff 232

CAPE TOWN — The NP-dominated President's Council was considering the Further Indemnity Bill yesterday after its rejection by all but one of the parties in Parliament.

President's Council secretary Johan Weilbach said the deadlock-breaking body would hold a plenary session "in about 10 days time" and then hand its decision to President F W de Klerk.

A decision by the President's Council to support the passage of the measure into law is seen as a formality. B/DAY

Meanwhile, the ANC yesterday dismissed assertions by De Klerk that implementation of his prisoner-release agreement with Nelson Mandela was dependent on the indemnity legislation being passed into law. 23/10/92

The organisation said in a statement there was "no relation" between the Bill and the Record of Understanding reached at the September 26 summit between the government and the ANC.

The accord makes provision for a joint ANC-government committee to consider the possible release of hundreds of political prisoners by November 15.

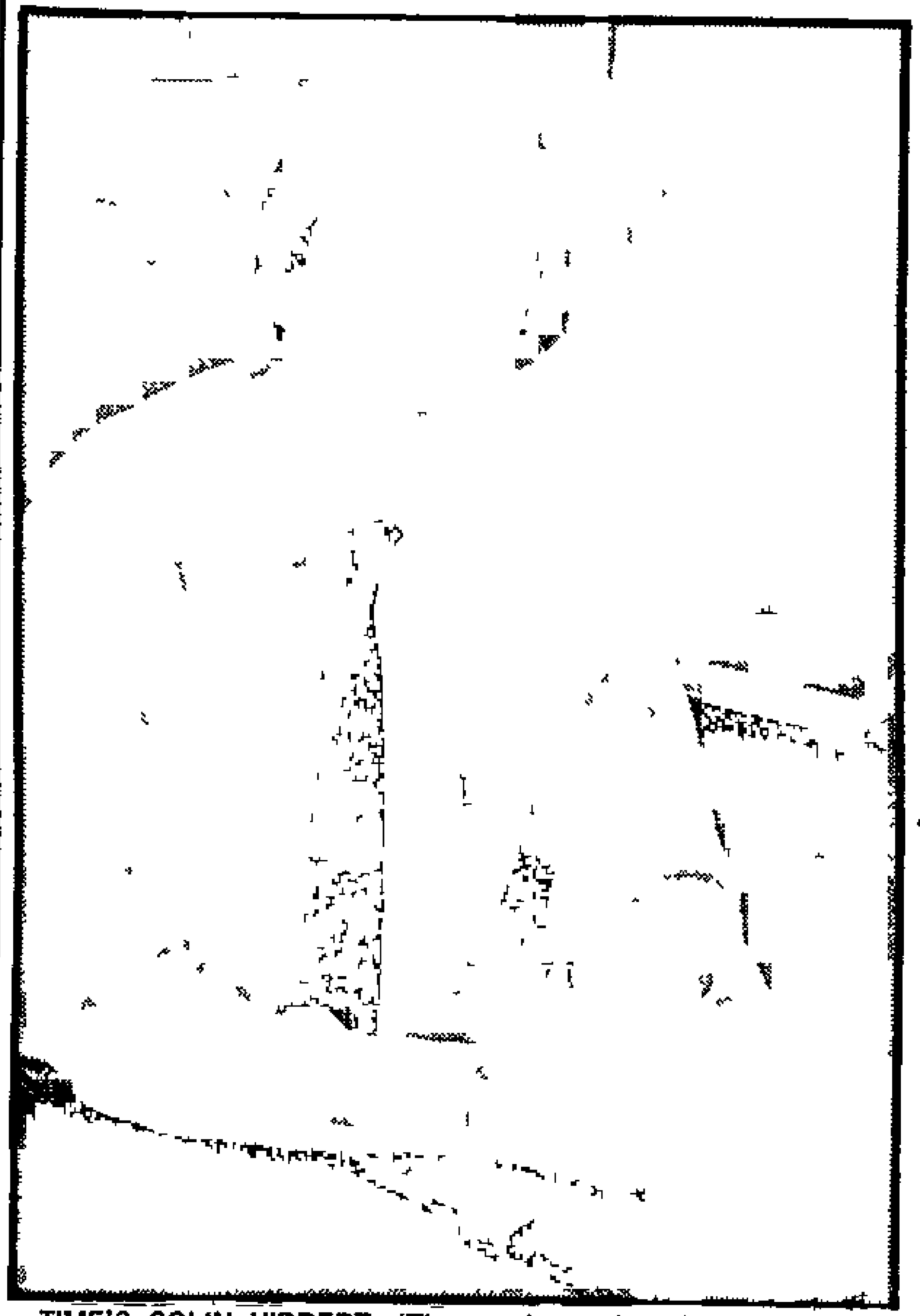
Time heals its housing hurts

S Times (BUSS) 25/10/92.

232

DIAGONAL STREET

by JULIE WALKER



TIME'S COLIN HIBBERT, 'The medicine has been taken'

ELSEWHERE in the world, the housing industry goes in cycles. But in South Africa it collapsed into a coma in 1989 and put Time Holdings into a poor state of health

Chairman Colin Hibbert describes Time's predicament as inelegant

It had been building 5 000 units a year for the middle-income black housing market

Bonds were available, payments received by the lenders — in short, a business started in 1983 was right on track until bond boycotts led to the beginning of the end.

Without repayments there are no lenders and no industry Yet Time had made major investments in land and infrastructure from which there was to be no more return

"We decided to sell the operating companies of that business to their respective managements at the start of this year," says Hibbert

"The other divisions — Botswana, property development and management, and our insurance company, Time Life — are doing well, but their performances have been masked by the housing losses"

Ruthless writeoffs led to a loss of R13-million for the year to December 1991 At the 1992 interim, Time was breaking even, a level Hibbert expects will be maintained this year

Recapitalisation of the group was inevitable, and Concor has come on board as a non-managing investor The relationship with Concor has developed in recent years

"Concor was winning a lot of our contracting business on tenders and we got to know each other," says Hibbert

"The strongly capitalised group was looking to broaden its business and there is a strategic fit with Time's restructured group"

Concor has invested R6,6-million for 50% of the unlisted top company of Time — Timecon — and together with third parties will subscribe for R11-million of redeemable prefs

And in a rights issue with a difference, holders of Time shares have been offered the opportunity to subscribe for eight Timelife shares at R2,80 for 100 Time held

Timelife will not be listed immediately, but the letters of allocation can be traded on the JSE for three weeks

Hibbert expects Timelife to be listed in 1995 or so This way, Time gets a cash boost of R9,4-million

The life company started five years ago as a natural progression — offering insurance cover to mortgage holders

In SA the reverse has been the usual path — the insurer comes first and property expertise develops later. Timelife has been moved sideways in this move, and will probably go on top sooner or later

Hibbert is satisfied with the way things have turned out

"The link between the property groups and the life company has been maintained, while at the same time repositioning Time Life more correctly within the overall structure"

He has forefeited half his control, but is still at the helm

Shareholders should follow their rights to the life offer and stay aboard Time Timelife has been pitched at discount to the value arrived at by independent actuaries because it will not be quoted for several years

Time itself is 30c a share — below net asset value, whe[illegible] services com[illegible] [illegible]ally trade at a premium

Time's shareholders were faced with an unavoidable rights issue to repair the Time Holdings balance sheet The current restructuring will offer shareholders who follow their rights an improved group structure and a direct investment into the fast-growing Timelife

"The medicine has been taken," says Hibbert

"It is still tough, but from 1993 the income statement should start to improve"

Old Mutual's comic approach

SI Times (Buss) 25/10/92. (232)

IN A joint venture with Syfrets, Old Mutual is preparing a comic-based onslaught on the South African public to explain the workings and the benefits of unit trusts.

Although unit trusts have been with us since the 60s, there are apparently many potential investors who still have not fully grasped the principle under which they work.

Then, too, through South Africa's new dispensation there are many who are only now discovering the pleasure of having disposable income to invest.

Due to hit the streets at the end of this month, the comic — entitled "Unit Trusts — An Investment In Your Future" — will use traditional comic-book styling to portray real-life situations in which problems are posed to which investment in unit trusts is the most effective answer.

Says Peter de Beyer, Old Mutual's unit trust manager: "The unit trust market is still growing at a very healthy rate in spite of the recession.

"We have some 400 000 accounts today, which is double what we had three years ago. So obviously there are many investors who know all about unit trusts and are willing to invest in them.

"At the same time, there is still an enormous number of people out there who just don't understand the principle of unit trusts. We researched the market and finally decided that the most effective means of communication to the greatest number of potential investors was through popular literature. In other words — comics."

Chris Newell, assistant general manager, employee benefits, with the Old Mutual, has also hit the comic trail.

"So many companies still do not appreciate the value and importance of good communications," he says. "They spend a lot of money setting up a good employee benefit plan — and they can be costly — but don't bother to explain clearly to the workers exactly what they're being given.

"Surely it makes sense to spend a little more and give each employee a clearly understandable explanation of the benefits they will receive? The communication should be simple and it should be clear. That means comics."

Cut-price tips on unit trusts

(232)

S/Times (Buss) 25/10/92

MICHAEL BELLING, senior manager, marketing, at Sage Life, suggests that, whereas in the past an investor could only obtain unit trusts by direct investment, today there is a better way

He points out that by investing in unit trusts via a Sage Life retirement annuity linked to either the Sagelink or Multitrust investment portfolios, one can effectively buy unit trusts at half price.

Because of tax savings of up to 43% and the savings in initial charges, the insurer receives as a bulk buyer and passes on to the investor almost double the amount that can be invested in an RA than could be invested in a direct unit trust plan for the same cost

There are other advantages, too No tax on income distributions and tax concessions at the end of the period

Endowment policies, even with their poor early cash values, offer good potential Endowment policy holders are much less likely to cash in their assurance plans than their unit trusts

Plan completion is more certain with an endowment so that money is far more likely to be there when you really need it. Other advantages. low-cost life cover providing guarantees on death and no problem investing a lump sum, avoiding the nightmare of finding the right time to invest.

Lump sum investment in unit trusts through a life assurance policy is spread over 10 years, giving all the advantages of rand-cost averaging while providing a high guaranteed return on the balance

Liquidated KPL-Etsa to sue De Beers

S Times 25/10/92. (232) BUSS

By ZILLA EFRAT

BRITISH-held electrical and instrumentation group KPL-Etsa has been placed in provisional liquidation after its liabilities exceeded its assets by R45-million

It has already lodged a R19-million claim against De Beers to recover some of its losses, and other major groups may also face legal action

KPL-Esta was controlled by British group BICC and its subsidiary Balfour Beatty via the Riverbank Trust in Guernsey, Channel Islands

The British parent disinvested its direct interests at the end of 1987 for political reasons, but still made KPL's top management appointments

Over the past few years, KPL-Etsa's turnover averaged around R100-million a year Up until January this year, it employed close to 1 000 people, but by the end of September it had just 284 staff members

According to provisional liquidator Philip Reynolds, a director at Ernst & Young, KPL's auditors Arthur Andersen wrote a letter to its directors regarding a material irregularity in April this year when the losses, which rendered the company insolvent, were discovered

The directors made an arrangement with First National Bank, the largest creditor (owed R22-million), and its British shareholders (owed R2-million), to capitalise about R17,5-million of their claims

This arrangement apparently satisfied the auditors with regard to restoring KPL-Etsa's solvency.

Certain irate creditors are, however, not satisfied. They have advised Business Times they intend suing FNB for their losses They have instructed Reynolds to inquire into both the bank's and the auditors' possible negligence in this regard

KPL-Etsa's claim against De Beers results from losses suffered on a contract at the Venetia Mine The company quoted R11,7-million to do the job, but completed it at a cost of R31-million

KPL-Etsa's financial director, who did not wish to be named, says the group faced a six-month delay because other principal contractors failed to complete their work before specified deadlines, and because of escalating costs

The liquidators are also taking legal advice to decide on action against Eskom and Anglo American Properties Both unilaterally cancelled KPL-Etsa's contracts after it was provisionally liquidated on September 30

Cancelled

One electrical project at Eskom's Kendal power station had about a year left to run and would have brought in a further R7-million

Three smaller air-conditioning contracts at Kendal, were also cancelled.

LTA initially showed signs of wanting to buy all interests of the company, but is now believed to be interested only in the overhead transmission line subsidiary

A creditors' committee has been formed and a detailed report will be sent to KPL-Etsa's 900 creditors this week

Eddies takeover follows warning

(232)

VEKTRA's warning to shareholders is believed to herald the takeover of motor spares group Eddies after months of talks

SI Times (Buss) 25/10/92.

British-registered Vektra, 75% held by W&A, announced on Wednesday that negotiations were under way. The share price rose 15c to 270c.

Eddies, which has one shop in Pretoria, is capitalised at R12-million on the JSE Its shares last traded at 42c. Vektra is SA's largest distributor of Delta motor vehicles through Williams Hunt, and also owns spares companies Femo and V&R.

Appeal Court ruling could cripple many SA companies

S Times 25/10/92

(Buss)

232

HUNDREDS of South African companies, especially small ones, could be rendered insolvent if a ruling on subordinated debt is upheld in the Appeal Court next month. So say Ernst & Young director Philip Reynolds and SA Institute of Chartered Accountants (SAICA) director Adrian Dadd.

Company directors may also find themselves exposed to charges of reckless trading, which would make them personally liable for the debts of the business, they add.

By ZILLA EFRAT

Subordinated debt has been considered to be a form of capital advanced by shareholders or creditors to a company by way of loan.

Seeking to protect other creditors, they agree not to claim repayment until all other creditors have been paid in full or until the assets of the company exceed its liabilities.

This type of debt is often used by developmental companies which incur large costs before they start earning income. It allows the business to continue trading, even though their total liabilities exceed their assets.

Subordinated debt has been accepted by SAICA and considered as a normal business practice for years.

Conflict

The position, however, changed after a judgment made by Mr Justice Stegmann in the Witwatersrand Supreme Court in October last year in the case of Carbon Developments, an activated carbon manufacturer which was placed in liquidation.

Judge Stegmann held that subordination agreements were not enforceable and did nothing to improve the financial position of the company.

According to SAICA, the judgment is in direct conflict with opinion obtained from senior counsel and with judgments delivered in other cases.

Dadd says the shortcomings of subordination agreements have always been recognised. Nethertheless, many accountants believe that, when properly used by honest men and monitored, these agreements do serve a purpose.

Reynolds says the judgment does nothing to improve the integrity of dishonest businessmen, but merely hinders normal reasonable practice.

Many fear major disruptions if the ruling is upheld in Bloemfontein's Appeal Court on November 2.

Reynolds says hundreds of companies could be reported to the Public Accountants' and Auditors' Board for material irregularities. This is because the judgment implies that directors are reckless if they allow it to trade while liabilities exceed assets.

To avoid falling foul of reckless trading, company directors will have to recapitalise their companies by changing their loan account into share capital.

Dadd says loan accounts can be paid back at any time, but a change in share capital requires special permission from the courts and can be costly. Those companies which cannot recapitalise will go insolvent.

He says the changes may cause directors to lose control of their companies and could create a dilemma for creditors which do not want to become shareholders in companies to which they have issued subordinated debt.

Reynolds says large groups will also have the inconvenience of having to issue share capital every time one of their subsidiary companies is technically insolvent.

The change from loan account to share capital will also have tax implications, because tax-deductible interest is levied on loans while non-deductible dividends are paid to shareholders.

The Association of Insolvency Practioners in SA has raised funds from its members to get the matter heard on appeal. In the meanwhile, the judgment is only binding in the Transvaal.

Shares slide as gold hits 10-week low

~~34/79~~ MERVYN HARRIS 232

GOLD was fixed in London ~~yesterday~~ afternoon at a 10-week low of $338,25 to send shares broadly lower on Diagonal Street, with turnover extending its dramatic slide of the past week.

The metal touched a session low of $336,50 before edging back to close at $338,25 as support emerged at the lower levels The fall was ascribed to Middle East sales, modest producer selling, dollar strength and jitters ahead of the US presidential election which was keeping the market on the defensive.

Edey, Rogers & Co analyst Keith Bright said the severity of gold's decline surprised the market. BDM 28/10/92

Gold shares tumbled in the wake of the falling price of the metal with the 4% drop in the all gold index to 822 points dampening sentiment on the rest of the market.

Dealers said institutions remained on the sidelines apart from several bookover deals of large lines of quality shares which helped boost market turnover yesterday.

Against the R100m generally needed for brokers to break even, turnovers declined to R65,3m on Thursday, R50,6m on Friday and R48,4m on Monday.

Financial institutions are said to be reserving cash to fund the proposed R6,3bn Alusaf aluminium smelter project, the R2,4bn Royal acquisition of Del Monte Foods International and the R600m Stanbic rights offer.

Analysts said more rights issues could be on the cards, and further down the line funding would be needed for the R3,1bn Columbus stainless steel venture.

They also cautioned that the sluggish world economic recovery and escalating violence in SA could delay even further a domestic uptick and put more pressure on corporate earnings and dividends.

This could prompt a re-evaluation by institutions of investing in leading shares relative to returns obtainable on alternative avenues of investment

"The weight of institutional funds theory, which would continue to support shares, works when times are good but not when shares no longer produce value," an analyst warned.

FM 30/10/92 FOX

MALBAK (232)

Change of emphasis

Malbak's coming financial year will put to the test a strategic decision, taken just over a year ago, to move more fully towards consumer based markets and JSE sectors which have higher p·e ratios. FM 30/10/92

Chairman Grant Thomas indicated this in the 1991 annual report, saying the group was convinced of the importance of what was then two of its smaller components, food and healthcare. Both divisions have shown considerable growth over the past financial year, food increasing its contribution from 11% to 19% of attributable earnings, healthcare from 7% to 13%

This was, of course, boosted by last year's merger of acquisition Fedfood with Kanhym to form Foodcorp and the purchase of SA Druggists, to which was added Malbak's existing healthcare businesses

With the sale of other interests and proposed delisting of loss-making Tedelex, Malbak has undergone its biggest restructuring since it absorbed Gencor's industrial interests in 1987.

That was followed by two years of solid growth, as the operating margin widened from 8,2% in 1987 to 9,3% in 1989, with EPS over the period increasing from 65c to 136c. This time the holding company faces a tougher task, focusing on consumer markets which are suffering the full force of recession That's reflected in an operating margin of 7,7%, lowest in at least eight years

But the group is taking a long view of its shift in focus. It does not expect to do more than maintain earnings in the coming year, after EPS dropped during 1992 due to nearly 100m additional shares in issue from acquisitions and Malbak's R400m rights issue.

HEALTHIER DIET

Year to August 31	1991	1992
Turnover (Rbn)	8,44	10,99
Operating income (Rm)	720	851
Attributable (Rm)	256	329
Earnings (c)	124,1	113,5
Dividends (c)	32,5	33,5

Malbak's Thomas .. *more exposed to consumer markets* (232)

The problem is trying to get a clear view of prospects for the food and healthcare divisions. Both have been subjected to Malbak's usual balance sheet clean-up, resulting in significant one-off extraordinary write-offs Financial director Dave Kennealy says off-balance sheet debt for SA Druggists totalled about R70m, for Fedfood about R90m

In addition, bringing the merged groups in line with Malbak's August year-end means it will only be at the end of the 1993 financial year that a meaningful comparison of figures will be possible.

But under what seems to be a changing conglomerate philosophy, Malbak — seeming to be too widely diversified — is simplifying its business into fewer, bigger divisions Some questions might be asked about the move towards consumer markets, attempted earlier by Fedvolks with little success

Kennealy says after appropriate structural and management changes — and cost cutting — Malbak considers its acquisitions to be "inherently very good businesses"

Malbak's packaging & paper division is roughly maintaining its performance on a diluted interest in Holdains, while branded consumer products have taken a hard knock, mainly through Tedelex

Most pleasant surprise comes from the international division, where after years of losses offshore, investment MY Holdings is now profitable. Proceeds from the Malbak rights issue contributed 19% to attributable earnings, while investments in Haggie, Standard Engineering and ICL contributed 15%.

While the new structure and focus will make performance in the year ahead difficult to predict, shareholders can draw comfort from Malbak's strengthened balance sheet Gearing has dropped to 29% from last year's 35% and after offsetting the R709m cash it falls below 6%

On a yield of 2,9% — lower than Barlows and Amic — Malbak's share price of R11,50 trades at a 48% premium to net worth But it does not look expensive relative to the industrial market.

Shaun Harris

STOCK MARKETS FM 30/10/92

FM 30/10/92 232

A Crash remembered

232

This year October 19 came, ghostlike, and went as silently Across the bourses of the world, the date caused hardly a flicker — if it was remembered at all It was all rather different five years ago

On Friday October 16 1987 New York received the first hint of an uneasy wobble in the market Dealers and brokers left for the weekend in an uncertain mood As though to presage the coming market storm, winds of hurricane strength struck London on Sunday with a force that destroyed large parts of Hyde Park

When the markets opened on Monday October 19, first in London and later in New York, investment winds of hurricane force struck both exchanges Shares were sold in a pandemonium of activity Billions in value were knocked off even the most prestigious stocks

Across the London trading rooms, only then recently converted to computerised dealing, the screens turned uniformly red as one stock after another registered huge falls in price. A prominent dealer, with 30 years' experience on the exchange, burst into uncontrollable tears.

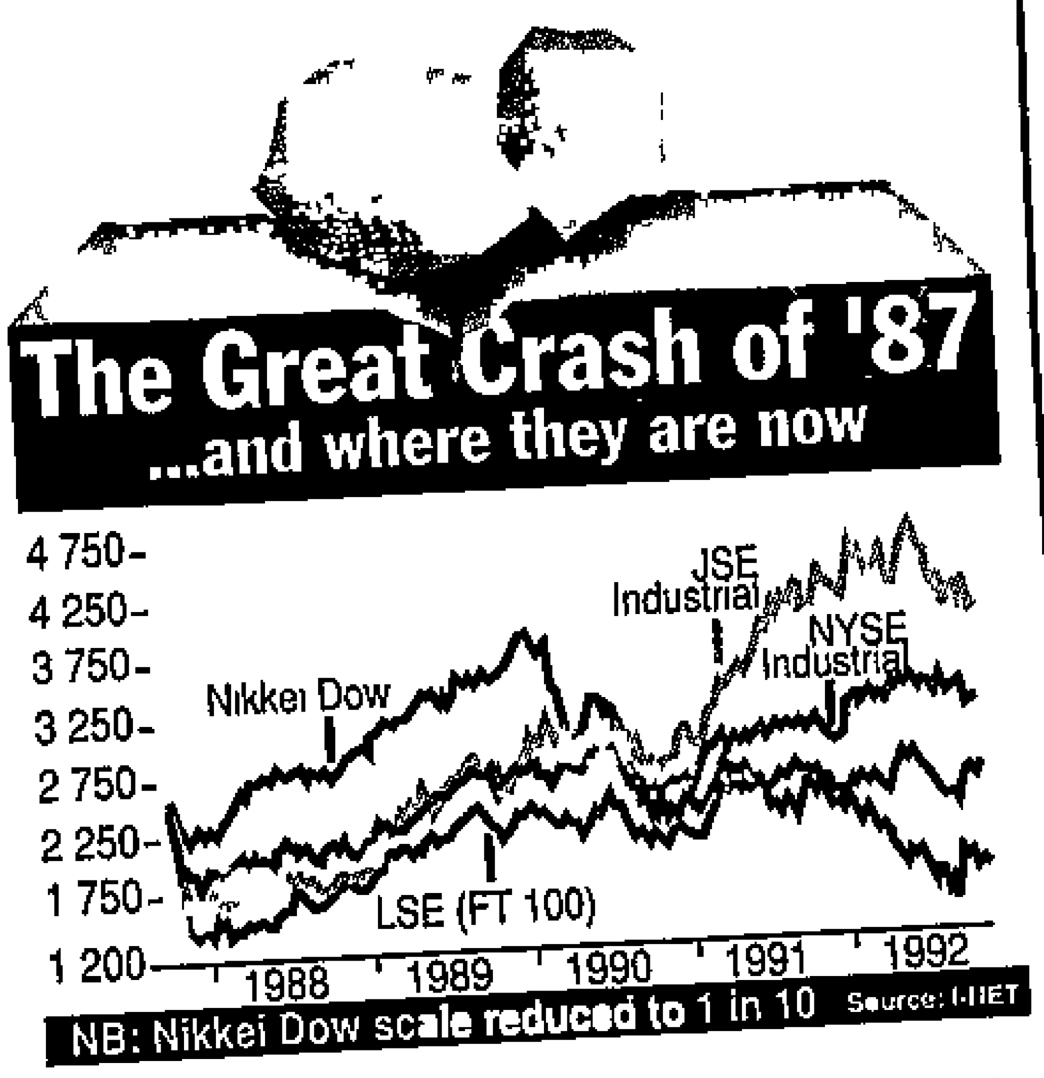
What has happened since then? The graph relates the story well enough. over a long period — and portfolio managers are always telling their clients they should have a five-year horizon — it is almost as though the Crash of 1987 was no more than a temporary aberration.

At the time it was seen in terms of deepest gloom "The foundations of share markets around the world have shaken in the aftermath of the Wall Street crash," wrote one cheerful reporter There was a "Black Monday" followed immediately by "Black Tuesday" By October 30, analysts calculated that about £800bn had been wiped off the value of shares worldwide The *FM* told its readers "The final fact is that nobody knows what the hell is going on or why"

Yet the stock exchanges recovered swiftly, with the Nikkei Dow index leading the field, at least until mid-1989 when it began a slide from which it has yet to recover The JSE Industrial index has been the best performer of the four selected for the graph — at least until recently The NYSE Industrial index and the LSE's FTSE 100 performed rather ordinarily

What is likely to happen over the next year? Broker Frankel Max Pollak Vinderine research head Peter Davey says he believes the worst has been seen for the Nikkei "There may be further small falls, but I think the trend will be upward in the longer term" The course of the Dow will be dictated, Davey believes, by the outcome of the US presidential election "Everyone's playing guessing games until the result is known After the election, we think US interest rates will be lowered even further and that should benefit the stock market"

London is likely to see interest rates falling sharply over the next few months, says Davey "That will be positive for the FTSE and there have already been good gains in individual stocks" The JSE is more problematic Davey believes the stagnation and general lack of interest will continue until there's evidence of economic recovery "and that is translated into an improvement in corporate earnings"



These views are not supported by at least one international analyst Geneva investment manager Jean-Antoine Cramer, a speaker at this week's *FM* investment conference, says that "on a general level I'm expecting world stock markets to strengthen a little over the (northern) spring but thereafter I believe they will retreat again and overall I think they will be lower this time next year"

On the Nikkei, Cramer is particularly gloomy "The Nikkei Dow ultimately could find a level as low as 10 000 or a little less (it is now at 17 011), and it could easily run down to that over the next year"

In summary, the short-term prospects for another crash with the explosiveness of the 1987 event seem remote But, given the state of world economies, nobody is expecting stock exchanges to perform particularly well over the next 12 months

There is a footnote A few weeks after the 1987 Crash, a JSE broker addressed the *FM* conference on the outlook for industrial shares Against a background of gloom and disaster, he predicted that stocks on the JSE over the succeeding 12 months would prove to be a minefield, though he conceded there would be some opportunities for punters

Now, don't all laugh at once but the broker was your correspondent *David Gleason*

08
186
192

CLUB MYKONOS (232)
FM 30/10/92

Only one meeting now

The fate of Masterbond's most ambitious project, Club Mykonos, on the Cape west coast, could be determined on Wednesday in Cape Town where creditors will be asked to chose between two schemes aimed at saving the development from liquidation

One has been put forward by a syndicate of architects, engineers and property developers and the other by the Club Mykonos Home Owners' Association (*Property* August 21) Creditors have about R321m tied up in Club Mykonos, of which about

FM 30/10/92 (232)

R258m is due to investors, homeowners and others with residential rights

An earlier plan by the Masterbond curators, to put the schemes to creditors at a series of meetings around the country, was scrapped in favour of next week's gathering in the Good Hope Centre Creditors who can't attend may vote by proxy

The curators will report back to the Supreme Court and probably recommend a course of action However, they are not bound to accept either scheme ■

FANCOURT LIQUIDATION (232)

Further postponed

FM 30/10/92

Directors of the Masterbond-linked Fancourt hotel and country club development at George are confident they will defeat next month's attempt to have the company liquidated They also accuse the Masterbond curators of causing R200 000 to be wasted on legal fees

An application for Fancourt's liquidation, due to be heard in the Cape Town Supreme Court last week, was postponed to November 17 to give the curators time to respond to an answering affidavit from Fancourt

Their row centres on how best to serve the interests of Masterbond investors who have about R90m in debentures tied up in the project Fancourt directors believe an injection of additional capital and a JSE listing is the best way to secure repayment of debenture funds The curators argue that the plan won't work (*Property* October 16)

A statement from the Fancourt board says the development has never been a Masterbond company Masterbond merely provided finance Fancourt's difficulties relate to Masterbond's inability to meet its obligations

The statement adds that a consortium, including Group Five, Standard Merchant Bank, Orient Express Hotels and Fancourt shareholders, made an offer to the curators and was under the impression they had agreed to the main terms

However, the curators later rejected some technical details of the offer and, "while negotiations were continuing," applied for liquidation Fancourt directors say the main terms of the consortium's offer include·

- ☐ A cash payment of R8m to Masterbond investors,
- ☐ The issue of debentures, part of which would be secured effectively by joint participation in a first mortgage bond over the assets of Fancourt;
- ☐ Listing of the debentures on the JSE,
- ☐ A R30m cash injection to complete the

continue →

FM 30/10/92 (232)

project according to plan, and

- ☐ A reconstituted board to include members of the consortium and Masterbond investors

The statement says the liquidation application has caused the consortium members to reconsider their position The curators have declined to comment ■

Barlow arms in good nick

232

S Times (BUSS) 1/11/92.

By JULIE WALKER

EARLY results from Barlows companies for the year to September were mostly positive

Adcock Ingram, Oceana Fishing, Romatex and Persetech all produced growth well ahead of inflation, Nampak's increase was diluted at the per-share level to an 8% climb and Rand Mines Props' earnings shed a third

Worse

Only one of the 19 companies reporting preliminaries this week incurred a loss — small-fry Norvic.

Of the balance, only Gencor fared worse than previously. Every other company showed nominal if not real earnings growth

Three banking groups had varied fortunes Fidelity Bank returned an impressive 1,94% on assets in the year to September Its earnings a share jumped 22% to 93,7c At 525c it is on fewer than six times earnings in spite of a spotless record

In the same time, First National continued its strong growth and Board of Executors lifted earnings 4% from a 14% improvement in attributable profit because of dilution due to converted loan stock

Gases, welding and healthcare group Afrox — one of the few companies to take the effects of inflation into its financial statements — achieved real earnings-a-share growth of 12% to 311c on a 7% climb in turnover to R1,1-billion in the year to September

The group expects to maintain its real growth trend in the current year

Three linked companies — Abbey, Fenix and Propcor — and Cargo and Boltons incurred interim losses out of the 22 firms reporting

Under new management at Pepkor, Tradehold returned R35-million to the black in the six months to August and Pepkor itself lifted earnings a share by 16% to 27,7c

Edgars sales grew 9% to R1,4-billion in the six months to September and earnings 5%. Even the credit chains are feeling the recessionary pinch

Boymans and Arthur Kaplan also suffered sharp declines in profitability

Other companies to improve at the interim include Martin Jonker, Datakor and Uniserv

THE JSE WEEK

Gilts in a flurry

By JULIE WALKER

GILT rates shot up more than half a percentage point to 14,46% before easing on unsubstantiated rumours that SA troops had gone back into Angola.

Delays in the announcement of a cut in the Bank rate was another reason behind the hardening.

The rand lost ground steadily against the dollar, down to 296c. The finrand was stable about 432c.

Gold dropped below $340 in a wait-and-see week ahead of American presidential election result.

The JSE continued nervous in the wake of Greg Blank's looming spell "between the chains". Talk of further arrests prevailed.

The Royal group of companies relisted initially at the prices to be paid by Anglo American for control of the group after its £360-million acquisition of Del Monte. But the shares eased, reflecting reluctance by the market to accept that the deal is a bargain.

Platinum came under pressure and there was heavy selling of Rustenburg, reportedly because of a portfolio liquidation.

The investments of Dab are being sold. Net asset value was estimated at R13,86 at last week's shareholders' meeting But it is probably not the culprit because of JCI links and no big deals in its main holding CMI.

Afrox continued to deserve its premium rating. A buyer was prepared to pay R4 above the market price for a rare line of the stock on Thursday. The price retreated R2 to R95 on Friday — 31 times inflation-adjusted earnings But NEI Africa gave up half its value to 350c

Score Supermarkets warned of negotiations. A management buy-out is likely. It added 8c to 33c, having been 18c in May.

Barlows has shed 10% in a fortnight to R44,15.

Forum to pave the way

S Times (BUSS) 1/11/92

SUSTAINABLE economic growth coupled with social and development upliftment is essential if the wider process of political transformation is to succeed.

With this broad theme, the long-awaited National Economic Forum was signed into existence on Thursday

Its members come from organised labour, business and the Government. It will operate as a consensus body

Requiring particular attention will be the distortions caused by large-scale unemployment, inequality in incomes, skills and economic power

The aims of the NEF will be the generation of high and sustainable economic growth, an improvement in the use of human and capital resources and the participation of everyone in economic decision making

Sanlam wary about shares

S/Times (Buss) 1/11/92

(232)

SANLAM's performance record has been consistent enough to win it an extra 42% of premium income in the group benefits division in the year to September

Sanlam's assets have grown at a compound annual rate of 28% in the past 10 years In the past year assets appreciated by 18% to top R60-billion That is good going for a group with half of its assets in equity in a year when the JSE All-share index fell by 3%

General manager of investments Ronnie Masson says that R7-billion was invested A total of R3,5-billion went into the equity market in the last quarter of the year — a time when share prices dropped from their June highs

Property investments accounted for R600-million and the rest went into cash or near-cash instruments

RONNIE MASSON. The outlook's still uncertain

Mr Masson says "We invested in the gilt market at the start of the financial year, but disinvested towards the end when the returns exceeded 30% There was a zero net investment. We do not believe there is much more downside on rates

"Government spending is destined to grow. This will mean inflation and higher interest rates"

He says the equity market has historically given the best inflation-beating returns But at present, global share markets look vulnerable

Drought and political instability in SA compound the recessionary climate and foreign economies are reluctant to recover An upturn will not show up in company performances for perhaps 15 months.

"At best, the JSE can come off another 5% or 10% in the next three to six months At the start of the year, we hoped there would be a recovery in commodities, but unfortunately it did not materialise," says Mr Masson

"The major obstacle is political If we can get back on track for a settlement or an interim government things will start to look better Couple that with good rains and everything brightens up Shares will move up ahead of improved results under those circumstances"

Other factors include the American presidential election and its effect on the Dow Jones index If Wall Street sneezes then the gold price might run

Ten shares represent a quarter of all Sanlam's investments They are Gencor, SA Breweries, Anglo American, Malbak, Richemont, Rembrandt, Murray & Roberts, Sasol, Absa and De Beers — "a very big disappointment to us"

They are all highly liquid — a mixed blessing In boom times they go up faster, yet tend to fall quicker in bad times

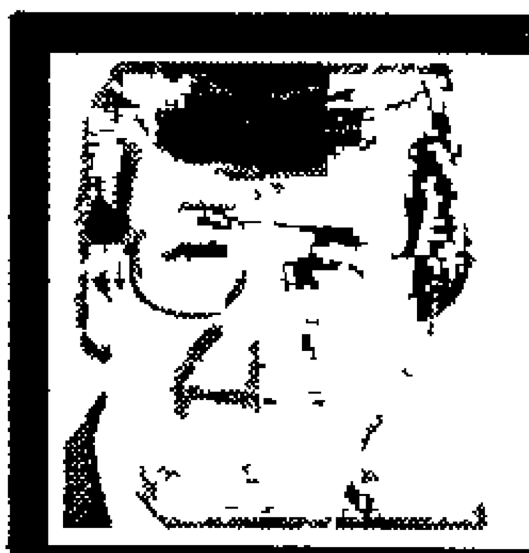
Except for De Beers and Anglo American, the companies feature in the Business Times Top 100 companies table based on share-price appreciation over the five years to September 30 But the best of them was only 30th and the next best 59th.

The Top 100 companies will be published later this year

Mr Masson says "I've been in the investment game for more than 20 years Most of that time the Government was at least predictable, even though it was often wrong Even then, every year I used to say that the outlook had never been more uncertain I'm still saying it"

Growth at all costs a danger

S Times (Buss) 1/11/92 232



Andy Andrews ON BUSINESS

MOST of the strategic plans I am exposed to as a consultant reflect "growth in market share" as the prime objective

Growth is an important part of most business cultures Japanese firms are often mentioned as prime examples of growth being more important than profitability

Sony, the electronics giant, pursued growth through innovation

Japanese car manufacturers are also following a market-share growth strategy in the US and destroying the bottom line of the major American auto-makers — GM, Ford and Chrysler lost a combined $7,5-billion last year

Similar

The three major Japanese manufacturers — Toyota, Nissan and Honda — made a combined profit of $4,02-billion They are increasing market share and accepting reduced profits

The Germans — Daimler-Benz, VW and BMW, which made $2,25-billion last year — appear to be following similar strategies

Of course, growth is important I have had many discussions with managers about growth and financial strategy There is a real danger that marketing strategy does not "fit" with financial strategy and capability

Too often, marketing executives focus on growth and market share They ignore the impact of marketing decisions on working capital, inventory levels, financing costs, dividend policy, debt and, ultimately, shareholder value

If you don't integrate these decisions you can get into real trouble

We have found that most companies do not have a good "fix" on what their sustainable growth rate is, or could be, if they changed the key variables We have modelled their capacity to finance expansion and growth to test the appropriateness of their strategic aspirations

Many have been surprised at the findings Generally, these companies have fallen into three broad groups

- **The early front runners.** These companies rush out, take the lead, but soon slow down and do not finish the race If these firms achieved their plans they would find that they would be forced to raise external funding from debt and/or equity or slow down and harvest gains because they run out of funding Often these firms cannot obtain funds and collapse

They should be more conservative in their marketing and explore more balanced or less risky expansion strategies For example, different debt policies or a reduced dividend policy would alter the sustainable growth rate and make the firm viable

- **The underperformers:** They could be at the front of the pack They could grow faster, be more aggressive by reducing prices and increasing marketing effort and improve both market share and value But they have also not tested the different strategies available and do not reach full potential They can also collapse because they fail to obtain a sufficient market position, caused by their lack of strategic drive
- **The gold medallists:** They use sophisticated modelling software and optimise their marketing, investment and financing strategies to ensure long-term leadership By balancing their marketing and financial strategies, growth and expansion are synchronised
- **The growth firm:** High inflation means that your working capital needs to increase each year So whether you like it or not, your firm is already growing at a reasonable rate If you intend improving your market penetration, growth will be even higher The question to ask is Can I manage real and inflation-induced growth rates?

Inflation

If you are seeking real growth of 10% and inflation is 15%, the growth rate of the firm is 26,5% This is a very rapid rate of growth from a financial point of view and will have major cash-flow implications.

How does growth drain cash?

We know that growth is attractive, but while we are easily seduced to concentrate on sales, we ignore the financial implications at our peril

In tough times we concentrate on sales, but if the impact on the balance sheet is misjudged the result could be disaster When the business concentrates on growth, problems stem from

A Reduced margins to get the business

B Credit terms are extended so debtor days go out.

C. Credit is given to higher risk customers

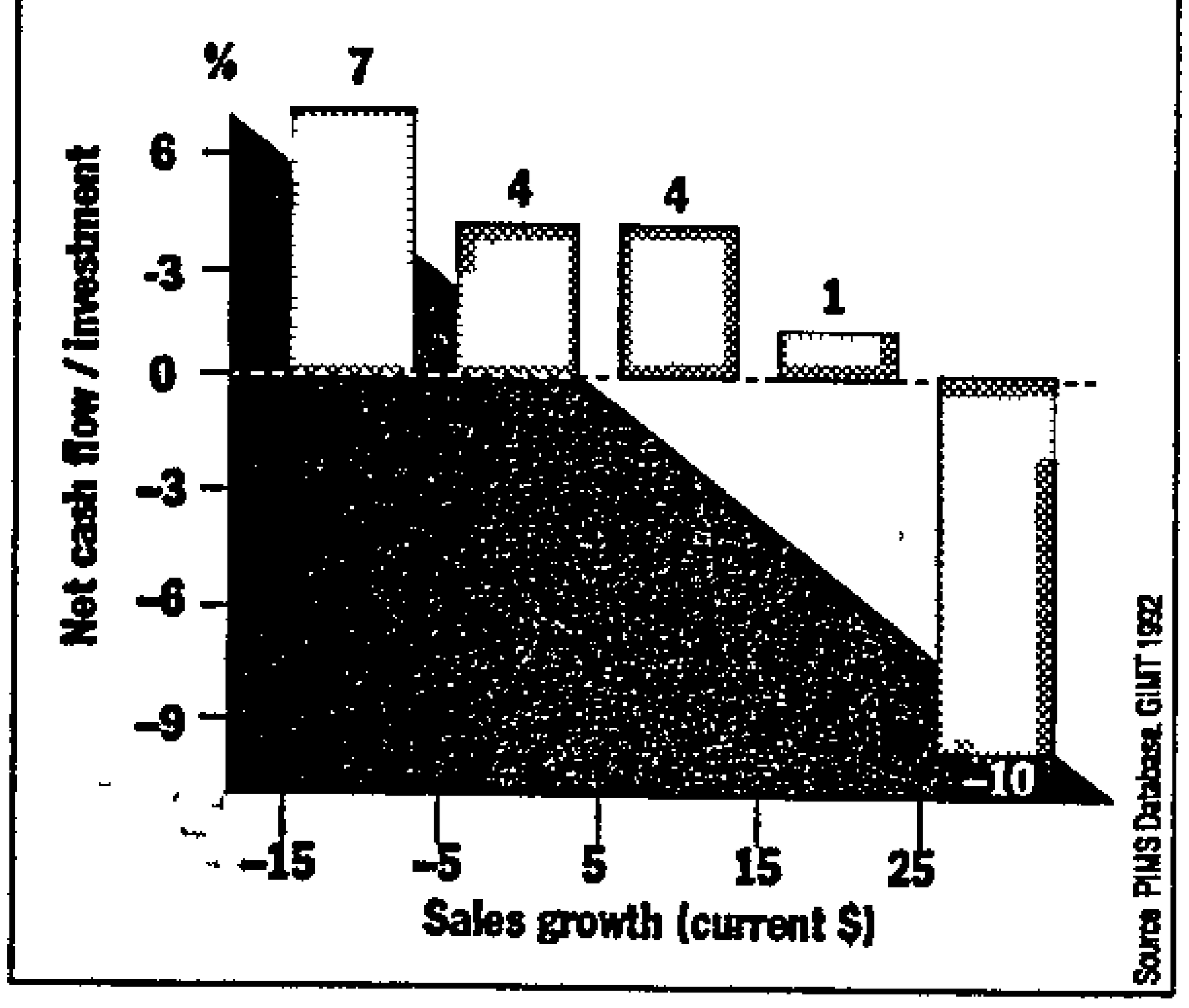
D Stock builds up as sales slow and the supply pipeline is difficult to turn off

E Expenses rise because of desperate marketing and sales drives, further reducing margins

Even in buoyant conditions, high growth has a serious impact on the cash position The faster you grow, the greater the cash drain as shown in graph 1

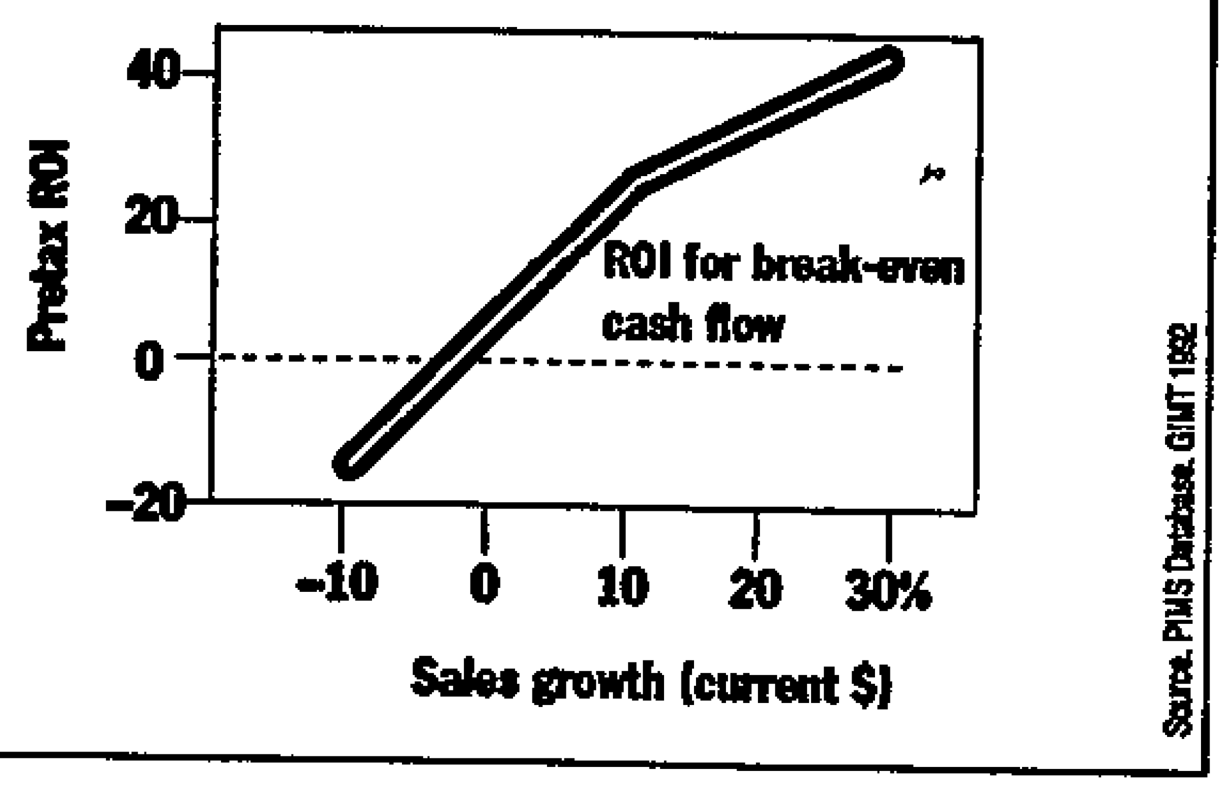
The exhibit shows that high growth drains cash The data are drawn from an analysis of more than 3 000 businesses and is averaged over five years This confirms that high-growth firms are most vulnerable It is due to their aggressive expansion in both marketing effort and investment in assets required to support that growth

Rapid growth drains cash



Required ROI for cash break even

The ROI necessary for cash to break even depends on the growth rate of the business



As you grow, whether the growth is driven by inflation or real growth, or both, you must ensure that your returns are high enough to sustain your working and fixed capital growth Clearly, the higher the growth rate, the higher the required ROI

Graph 2, which assumes a constant ratio of net investment to sales, shows this relationship

Management must understand the effects of both inflationary-induced growth and real growth caused by market growth and changes in market share

Each business, discussion, product line and product should be analysed to ensure that returns and cash flows are sufficient to fund the investment necessary to sustain the business Dividend policy, for example, can exacerbate a precarious position

Professor Andy Andrews is director of the Graduate Institute of Management & Technology

Fewer going broke

By TERRY BETTY

FEWER companies are going to the wall as the benefits of lower interest rates filter through. (232)

Kreditinform managing director Ivor Jones says Central Statistical Service (CSS) figures show company liquidations dropped to 160 in July, 41% off the March peak of 275. S/Times (Buss)

Insolvencies for individuals and companies have dropped by 18% to 360 in July from 440 in March. 1/11/92

Mr Jones says "Companies are generally highly geared and the lower interest rate improves their cash flow and bottom line."

However, benefits have not reached individuals

Mr Jones says "Retrenchments have outweighed the benefits of an interest-rate cut because a family with no income cannot repay its bond and hire-purchase debt no matter what the rate is"

The benefit to individuals is indirect because fewer companies going under means fewer retrenchments

Econometrix economist Azar Jammine says "The number of insolvencies should continue to decline More interest-rate cuts are expected"

September's 13,5% infla-

● To Page 3

● From Page 1

tion rate, together with the drop in money supply to 8,88% from 8,99% in August, has fuelled expectations of a 1% cut in bank rate

Dr Jammine says insolvencies are proportional to interest-rate swings

"But the drop in insolvencies has not been dramatic It was only a 3% fall in interest rates and other factors, such as the political turmoil, have intervened."

Insolvencies on the way down (232)

Dr Jammine says: "Even though the insolvency rate is falling and could continue to do so, we are not out of the woods." S/Times (Buss)

In spite of the drop, July's year-on-year liquidations were still 20% higher than last year's 1/11/92

Dr Jammine says it is a good sign that few big businesses are being liquidated

"However, it is uncertain for how long they can endure the economic battering It is possible we could have a second wave of liquidations"

He says little else in the economy has reflected the lower interest rates

"Money is not being spent on capital projects or being invested in property People are stashing it under their mattresses and sitting tight.

"Individuals and companies are using the opportunity to reduce debt."

But Absa's quarterly economic monitor says the economy is showing signs that usually herald an upswing in the business cycle.

For example, SA's gold and foreign-currency reserves have increased, money supply is rising at a slower rate, inventories are low and the external value of the rand is fairly stable

Afrikaanse Handelsinstituut economist Nic Barnardt is not as optimistic. He says declining insolvencies are little reason for joy because the worst is still to come

He says insolvencies lag the economy by about six months The economy is expected to decline until the middle of next year, so insolvencies should increase at least until the end of 1993

COMPANIES

RMB Holdings to list on JSE

SHARON WOOD

RAND Merchant Bank Holdings announced yesterday it would be listed on the JSE's insurance sector on November 25.

MD Paul Harris said the rationale for the move was to make shares available for the broader investment community and provide an avenue for funding should any future investment opportunities arise.

RMBH would not need to raise capital until 1995, he added.

When asked why the group would be listed in the insurance, and not banking, sector, Harris said 70% of RMBH's assets were insurance-related. Another reason could be that insurance shares are better rated by the market than banking shares.

The group had decided to go ahead with the listing despite the current political and economic environment because it was already effectively listed through Momentum Life. "We are already at the mercy of the market," Harris said.

The JSE had granted a listing for 55,08-million shares in RMBH and as no shares were being offered to new investors, the price at which the share would be traded would be set on listing.

RMBH shares had previously been traded in the secondary market, with buyers and sellers agreeing on prices between them. Trade in the shares had increased significantly following the Momentum Life acquisition. The last price the share had been traded at in the secondary market had been 850c. (232)

Jannie Mouton, analyst at sponsoring broker Senekal, Mouton and Kitshoff, said he would not be surprised to see the RMBH share price reach R10 on the first day of trade. B/DAY 4/11/92

"There has been good demand for the share even on the secondary market, and the fact that RMBH management is highly regarded in the market suggests a good rating for the RMBH share."

The RMBH shares are currently held 46,3% by directors and management, 26,2% by Sage group, 13,1% by Absa and 14,4% by other institutions and individuals.

During the last five years, RMBH's attributable income rose to R37m in 1992 from R17m in 1988, representing an annual compound growth of 21,5%.

Permanent capital rose to R272m from R87m during the same period and assets increased to R2,8bn from R600m policemen were deplorable. day, said he bore his assailant no grudges tical misfortunes, he said between a third or a quarter of the normal

10 companies go bust every working day

GERALD REILLY 232

PRETORIA — Ten registered companies or close corporations were liquidated every working day for the first eight months of the year, reports the Information Trust Corporation (ITC). BDM 4/11/92

ITC CEO Tony Leng said most were small organisations, but there were also large companies among the casualties.

This was obviously one of the root reasons for the country's continued and worsening unemployment situation.

Leng said so far this year 1 592 liquidations had occurred, an increase of 28% compared with last year.

There was little hope, he said, of an improvement in the distressing situation while interest rates and inflation remained at current levels.

In the first seven months of the year 2 627 individuals were sequestrated — the highest figure ever recorded and an increase of 21% over the same period last year.

Leng said most retailers were having a torrid time, with consumer confidence at an all time low.

Business bid to ease Natal crisis

WILSON ZWANE

BUSINESS had become involved in negotiations with the ANC and Inkatha in a desperate bid to find solutions to the deepening crisis in Natal, an ANC official said yesterday.

ANC southern Natal official Bheki Cele said ANC regional leaders, Inkatha and business representatives were engaged in low-profile negotiations aimed at removing obstacles to a meeting between ANC president Nelson Mandela and Inkatha leader Mangosuthu Buthelezi.

Cele said the ANC's three Natal regions were opposed to a Mandela-Buthelezi meeting until the resolution of certain problems, including the bar on ANC members using school buildings in KwaZulu-controlled areas for political meetings, and the withdrawal of Inkatha from several local dispute resolution committees.

Natal-KwaZulu regional dispute resolution committee chairman M C Pretorius refused to comment on the business/ANC/Inkatha negotiations. He said the talks were delicate and to comment could jeopardise the process.

Meanwhile, last night's meeting of the national peace committee's executive was postponed until tomorrowbecause ANC officials could not attend as they were travelling to Natal to work on defusing tensions

Our political staff reports that hundreds of Natal servicemen are being called up to help stem the violence ravaging the province.

• The army said yesterday Natal citizen force and commando units would have to be called up to supplement troops being transferred to the province from other areas.

President F W de Klerk promised last week that the number of troops deployed in the province in support of the SAP would be doubled by tomorrow.

Commenting on the decision to deploy more troops, ANC spokesman Carl Niehaus, said the ANC had "grave concerns ... in light of President de Klerk's statement that one of the specific duties would be to hunt down MK people."

Inkatha spokesman Kim Hodgson welcomed the move and said the organisation had called for this step several months ago.

Meanwhile, Sapa reports that Inkatha is to ask the Goldstone commission to investigate the role of the ANC armed wing in attacks on the mainly Zulu party.

Hodgson said Inkatha would also ask the commission to investigate MK arms caches. "We are convinced that such arms, ammunition and explosive devices are being used by the ANC in its military operations."

BDM 4/11/92

Strydom's actions do not 'defy parole conditions'

BDM 4/11/92

STEPHANE BOTHMA

"WIT Wolf" Barend Strydom's issuing of a list of political demands in Pretoria's Strijdom Square — where he gunned down seven people in 1989 — did not contravene his parole conditions, the Correctional Services Department said yesterday

Strydom said on Monday night that the "illegal" government should resign and meet him within 30 days or face "action".

A Correctional Services spokesman said the mass murderer's parole conditions did not prevent him making news statements.

The threat of "action" did not necessarily imply force or the commission of any crime, the spokesman said.

However, the ANC yesterday called on government to take the necessary legal steps to prevent Strydom from killing again.

Strydom issued a six-page document to journalists in Strijdom Square on Monday night, stating that the Wit Wolwe organisation expected a written reply to its demand to meet the "illegal government" to negotiate "the achievement of our demands"

The ANC said in a statement that it had been government's decision to accept that Strydom's "heinous crimes" were committed in defence of apartheid and fell within their definition of a legitimate political act.

"Having done so, the government will also have to accept full responsibility for any future atrocities Strydom might commit," the ANC said.

The DP said "This fiasco underscores the DP's opposition to random, and now secret, indemnification of persons guilty of heinous crimes, misrepresented as political acts"

Lion Match strikes it hot as earnings rise 17%

BIDAY 5/11/92. (232)

MARCIA KLEIN

LION Match, whose diversified operations are largely dependent on swings in consumer spending, achieved a 17% rise in attributable earnings to R6m (R5,1m) in the six months to end-September.

The SA Breweries subsidiary, whose interests include matches, packaging, shaving, home and garden products and appliances, showed this growth on a small increase in turnover.

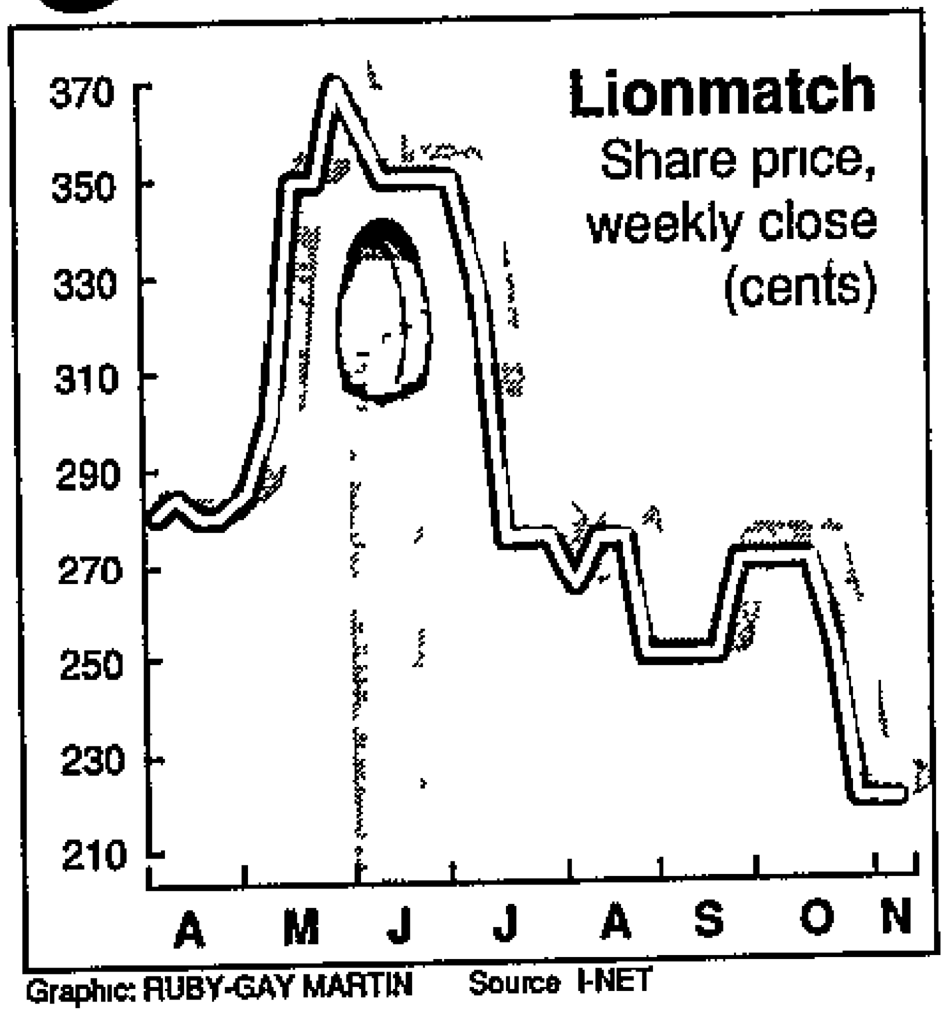
Directors said the decline in real private consumption expenditure had continued in the six-month period, and comparable turnover grew by only 7% to R138,5m.

Turnover excluded the earlier year's R35,4m contribution from the appliances division, which is now equity accounted. The division, Amalgamated Appliances, was equally held by Lion and Tedelex following a joint venture which combined Lion Appliance Enterprises with those of Haz and the Tedelex Housewares division.

Directors said the 8% rise in trading profit to R17,1m (R15,8m) reflected "an improved contribution from the packaging division and the elimination of losses within the previously consolidated appliances operations"

Finance costs dropped significantly to R3,7m (R6,5m) as a result of lower borrowings, and profit after tax rose by 35% to R6,9m in the previous year.

A R913 000 equity accounted loss reflected the loss recorded by Amalgamated Appliances, but directors said the rationalisation benefits of the joint venture were generating profits at the trading level



Graphic: RUBY-GAY MARTIN Source I-NET

Earnings were up 17% to 13,25c (11,29c) a share. Lion declared an interim dividend of 5,25c (4,5c) a share.

Directors said cashflow from operations rose by R6,5m, and gearing was reduced from 55% to 27% (31% at the March year-end), placing it in a good position to finance capex of R6,6m in the next six months.

They expected consumer demand to remain inhibited for the rest of the year. But the group's sound financial position, cost controls and improved manufacturing efficiencies in Amalgamated Appliances should enable it to show a similar increase in earnings and dividends for the full year as those achieved in the first half.

Autonomy a boon for Rotek

BIDAY 6/11/92. (232)

HILARY GUSH

INDEPENDENCE in almost every sphere of operation was the key to the success of the commercialisation of Eskom's Central Maintenance Services into Rotek Industries, group CE Bruno Penzhorn said yesterday

Speaking at the Project New Generation Economy conference in Midrand, Penzhorn said the strongest impetus for improved performance was achieved with the restructure of the organisation into four operating divisions.

"To provide better measurement and control, and above all to promote ownership, all operations were given full autonomy with a unit manager in charge. Overlaps of responsibility were removed wherever possible to take away excuses for non-performance"

He said the commercialisation process was broken down into three stages: loss reduction, profit improvement and optimisation for long-term survival with new product lines, export orders and technology agreements with overseas companies.

Performance targets of the organisation were shifted from technical to commercial excellence. "It was also made clear from the outset that we would have to move from a security related remuneration package with many entrenched fringe benefits to a performance-related system of pay."

Penzhorn suggested three strategies to facilitate easy transition to a commercialised business First, flat and uncomplicated management structures should be created to allow for immediate and effective communication with employees and trade unions.

Entrepreneurship should be developed to "unleash the dormant energy of the workforce" and to allow freedom of action as well as autonomy and accountability.

He said the umbrella of total unit control was in each case pushed down as low as possible into the organisation.

"Our managers, at all levels, took the bait and started enjoying the process. I firmly believe that our recovery is the sum total of these newly created initiatives and mercenary trends of our individual entrepreneurs"

As motivation of the workforce was the responsibility of top management, an open display of confidence in the company by leadership and the setting of simple targets were needed.

Finding the "correct democratic structures for co-determination at the workplace" in close consultation with employees was suggested

"This coincides with the needs experienced by all organisations today to address the high expectations of things to come in the future SA, as seen by all population groups in our country."

Training programmes, worker empowerment and possibly equity participation for all employees was seen as crucial in realising the full potential of the workforce.

However, he said a "hard lesson we learnt in the commercialisation process was that, in spite of all our efforts, unit managers were unable to raise their gross margins to such levels that progress could be made on loss reduction towards true profit performance".

This necessitated a process of "rightsizing" so as to survive, he said.

'People involvement essential in mergers'

(232)

HILARY GUSH

PARTICIPATIVE management and broad employee involvement was the key to success in a merger, Samcor chairman Spencer Sterling said yesterday.

Speaking on Samcor's merger experience at the Project New Generation Economy conference in Midrand, Sterling said: "Provided sufficient synergy and opportunity exists for a real rationalisation and complementarity of facilities, products and labour, and provided human issues are clearly recognised and carefully managed, a merger can be very rewarding."

Sterling warned, however, that few mergers were successful and most were plagued with problems.

It was dangerous to underestimate the complexities of computer systems activity, and key systems personnel should be involved in the merger plans.

So as to prevent any market speculation and rumour when planning a merger between two highly visible, consumer orientated companies, a multimedia public relations effort was required to disseminate information on the merger's development, Sterling said. BDAY 6/11/92.

"The problem common to all mergers, however, is people-related. As all established companies have their own individual culture, a merger represents a traumatic culture shock to all involved in it."

Existing corporate cultures would have to be relinquished and a new corporate identity and culture established. Participation by employees in formulating an action plan was suggested.

As the attrition rate in a merger was inevitably high, staff should be convinced of the security of their tenure. "People are the key to the relative success or failure of a merger, and their active participation is crucial," he said.

 FM 6/11/92 (232)

Is it time to start buying again?

Despite the uncertainties, bargains can be found in some sectors

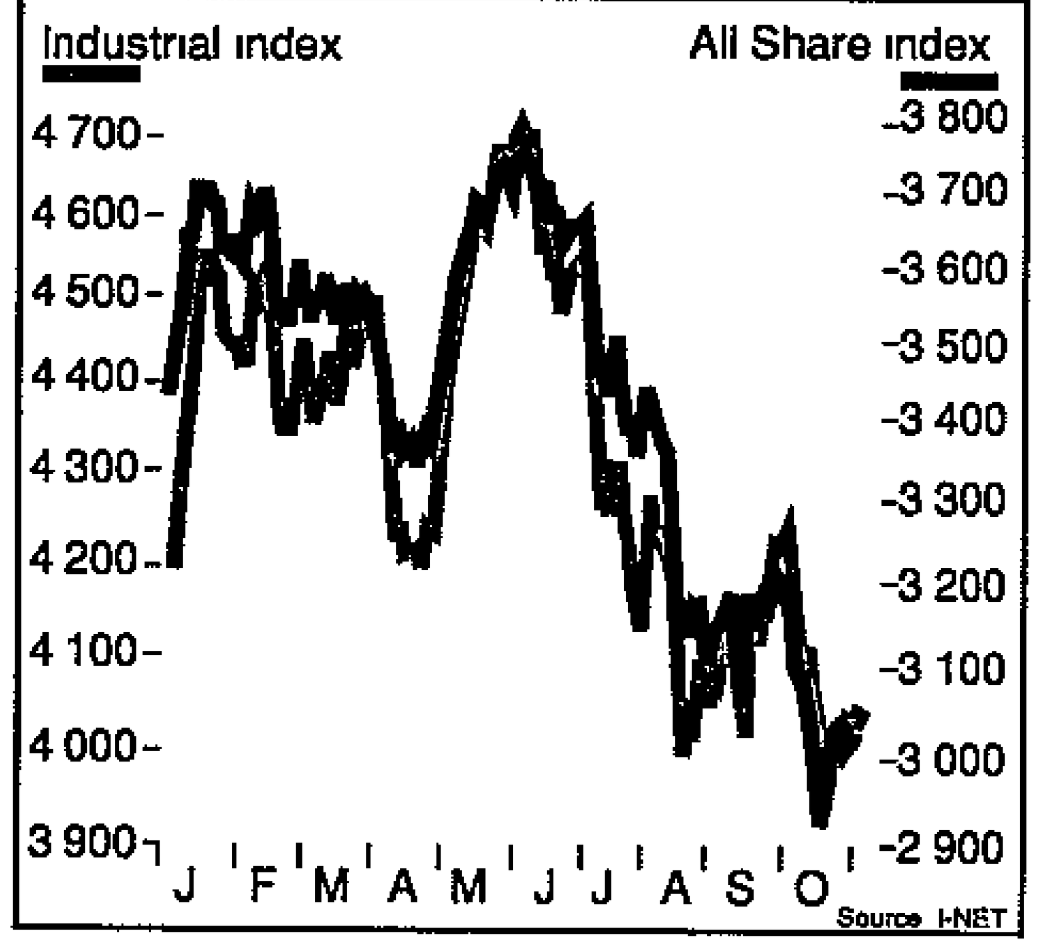
Months after the leading JSE indices began declining from the peaks of the first quarter, talk of equities still tends to provoke a pessimistic response on Diagonal Street General sentiment indicates a belief that market conditions are likely to get worse before they get better But equities now offer opportunities that should not be ignored

Coming months could be an exceptionally good time to scour the market for bargains, even though the risks demand a prudent approach There is no pressing need to rush any pursuit, local politics and the international economy — two key factors that have derailed a recovery in the local economy — will remain obstacles in the way of a firm upswing and produce more disappointments

One immediate uncertainty is the implications of the US election, the result of which was not known when the *FM* went to press In the short term, it will likely be a damp squib for markets, which seem to have thoroughly discounted a Democratic victory But in coming months shifts in US economic policy may influence a currently jittery Wall Street

Speaking at the *FM* Investment Conference (see page 32), Simpson McKie director Peter Trengove Jones concluded that the JSE Industrial index — a major component of the All Share index — still offers insufficient value to attract buyers Essentially, the fall of about 13% from the high seen around mid-year has not been enough to move the index out of expensive territory, especially as corporate earnings have yet to recover

Long way down



Diagonal Street remains overwhelmingly an institutional market, whose buoyancy must be influenced by the cash flows and investment decisions of large fund managers This will play a part in determining the bottom of the market and when it will turn, but it should not be overemphasised

Leaving aside the other investments fund managers may now consider more attractive, such as gilts and money market, large sums have been drawn out of the system by new equity issues — with more to come if current fund-raising exercises succeeed

Apart from big rights issues in 1991 and earlier this year, such as Gencor's R2bn in February and Sasol's R1bn as well as First National's R545m in March, Standard Bank Investment Corp is now raising R600m while Royal wants R2bn and Alusaf R1,3bn Some big companies — like SBIC and Foschini — continue to offer scrip dividends

Trengove Jones points out that there's been liberalisation of institutional cash flows with the scrapping of prescribed asset requirements in the late Eighties and there is now much uncertainty how contractual savings will be "encouraged" to address socio-economic backlogs in the future cont →

 FM 6/11/92 (232)

"Whatever happens," he says, "it seems probable the high point of the growth momentum of these cash flows and/or their capacity to increase their demand for equities as a proportion of those cash flows could lie in the past."

He also notes that the weight of institutional funds failed to prevent the Industrial index from making three significant if short-lived sorties into negative percentage change territory since 1980. Once there is more confidence in a resumption of earnings growth, though, institutional funds must strengthen prospects for a recovery in quality shares.

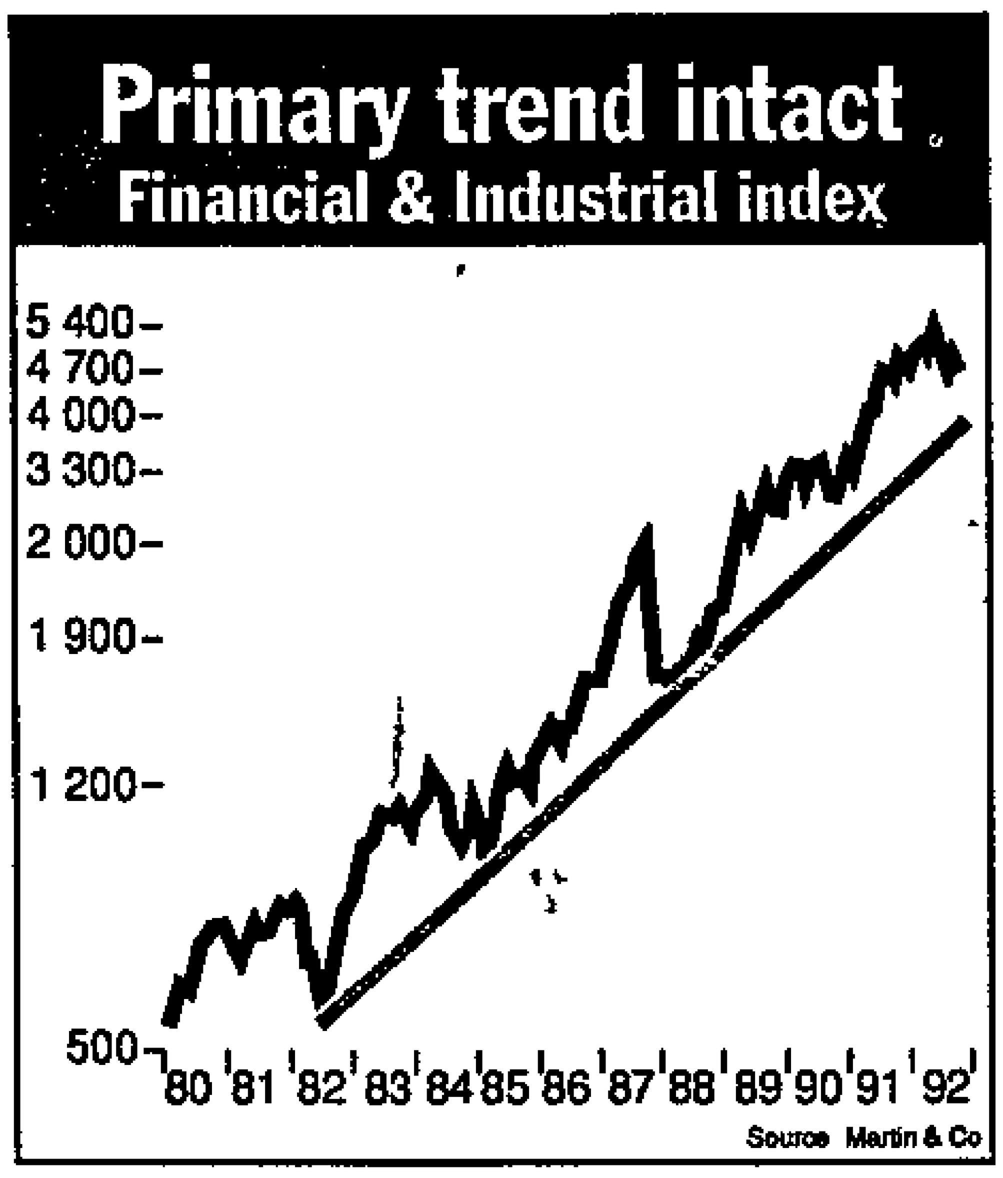
While the bull market in bonds is past its peak, it has not run out of steam. Further cuts in interest rates are assured in the next six months. Trengove Jones reckons the bottom of the long bond yield cycle is unlikely to be more than three to six months off. That, he believes, leaves scope for an improvement of about 15% in the dividend yield — or a similar retreat in the Industrial index — before attractive equity value reappears.

Martin & Co director Richard Jesse adds that the Financial & Industrial index was patently in expensive territory at the p e of about 15 before the crack. He believes a fall to around 11,5 or 12 was needed if any value was to be discerned on present earnings. The p e has now dropped to 13,3.

While accepting reservations about the leading indices, there are encouraging signs. Particularly important is that the primary long-term uptrend of the Financial & Industrial index has not been broken (see graph). It's now 4 605, and could fall 13% before breaking the trend line at 4 000. That trend, stretching back to the late Seventies, was not broken in the 1987 Crash. There was considerable room for rebound when the market recovered in the second half of 1988.

And, bearing in mind that it can be dangerous to move against even the short-term market trend, while a bear market can last anything from six months to two years with false dawns along the way, shares of many quality companies have been pushed down a great deal further than the indices.

Given conflicting macro indicators — for



example, while commodity prices are depressed, a softening rand-dollar exchange rate may not be enough to compensate — analysts are understandably divided on the types of share to consider (except that hardly anyone seems to be looking at golds).

Many believe the rand has entered a phase of renewed weakness against a strengthening dollar. If sustained, that should draw attention back to rand-sensitive stocks, including direct exporters and, particularly, some mining financials, the latter have been dismal performers this year. Fixed investment stocks may prove good buys eventually, for now, that category looks premature.

With product prices still depressed, commodity exporters won't produce any fireworks in profits next year, but many believe the bottom of the commodity cycle is when a patient investor should accumulate selected shares. At 69c, even Iscor, probably facing weakening profitability, has to be seriously considered as a long-term buy.

Trengove Jones cites an apparent anomaly in the wide disparity between the ratings of large, consumer-related stocks (food, beverage and related packaging and retail shares) and shares related to the primary and secondary sectors (notably manufacturers). He suggests the more highly rated consumer shares could still be vulnerable.

Some, on the other hand, believe the more solid earnings performance of consumer-related stocks like Edgars, Foschini, Adcock, Tiger, Premier and, perhaps, Malbak have justified the firmer ratings. These could be the ones to hold ahead of earnings recovery.

Any view on whether to be in the market must depend on the timing of that elusive recovery in corporate earnings. With modest economic growth of, say, 2% in GDP possible for 1993, earnings could be lifted by an improvement in demand and hence better volumes, as well as an easing in interest rates and inflation.

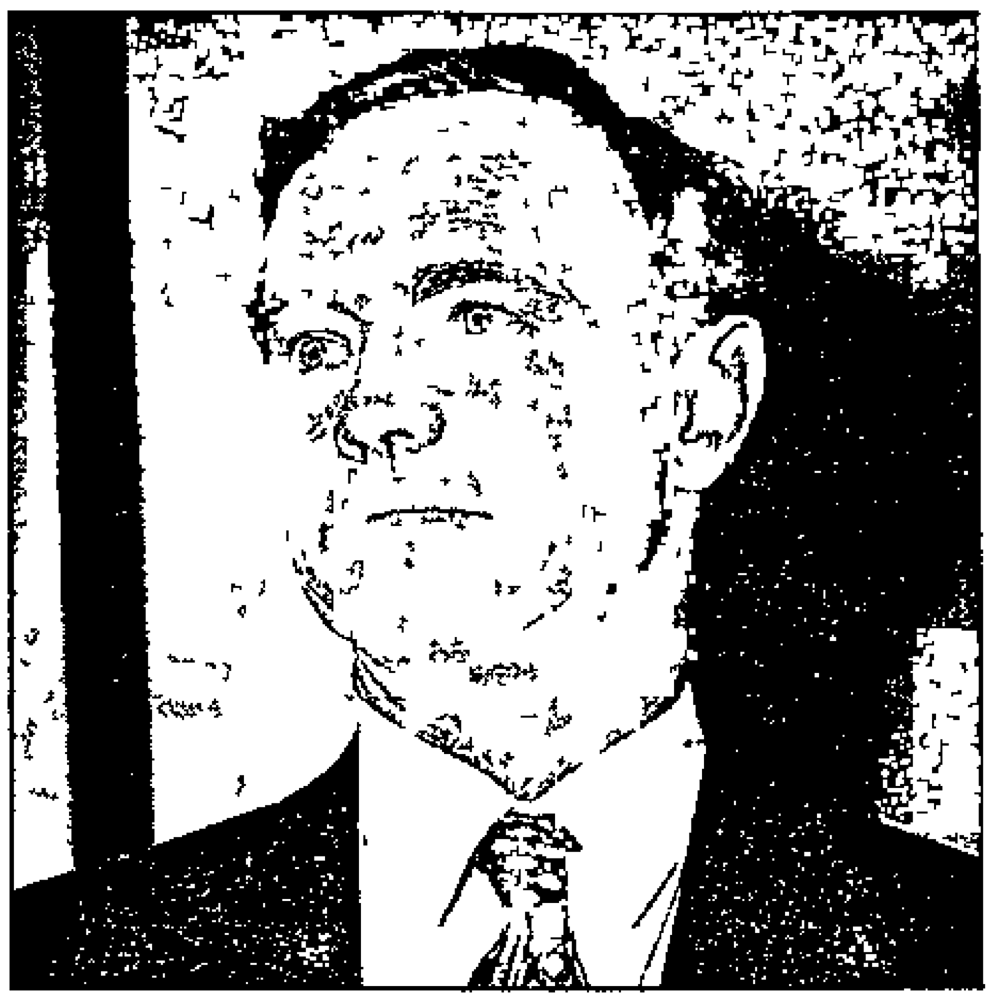
On this outlook the earnings pattern would turn upwards only around mid-year. Ferguson Bros Hall Stewart research director William Bowler estimates average growth in EPS on the Industrial index is now only about 2%-3%, and will stay at about this level until mid-1993. Alan McConnochie of Ed Hern Rudolph is looking for EPS growth on the Industrial index of no more than 5%-10% by the third quarter of next year.

Anticipation of a potentially much more full-blooded profit upswing in 1994 may draw fund managers further into the market in the first half of next year. The weeks after the Christmas holiday, when cash flows have built up, are often interesting.

Overlaying these fundamental aspects are local political developments and, to some extent, sentiment in world stock markets. Frankel Max Pollak Vinderine's Mike Brown has become "reasonably sanguine" on the market, largely because he thinks the chances of political settlement in the near future are increasingly favourable. Plainly, agreement on an interim government in the early months of next year could see sentiment towards equities change abruptly.

That sentiment could again be pricked by a tottering Wall Street. The mood in many world markets remains doggedly bleak. London technical analyst David Fuller says in his October newsletter: "I remain convinced that the overvalued, overhyped US stock-market is heading for a big fall — soon."

As was shown by Tokyo's slide, a hard enough crack in New York would pierce even SA's greenhouse market, particularly

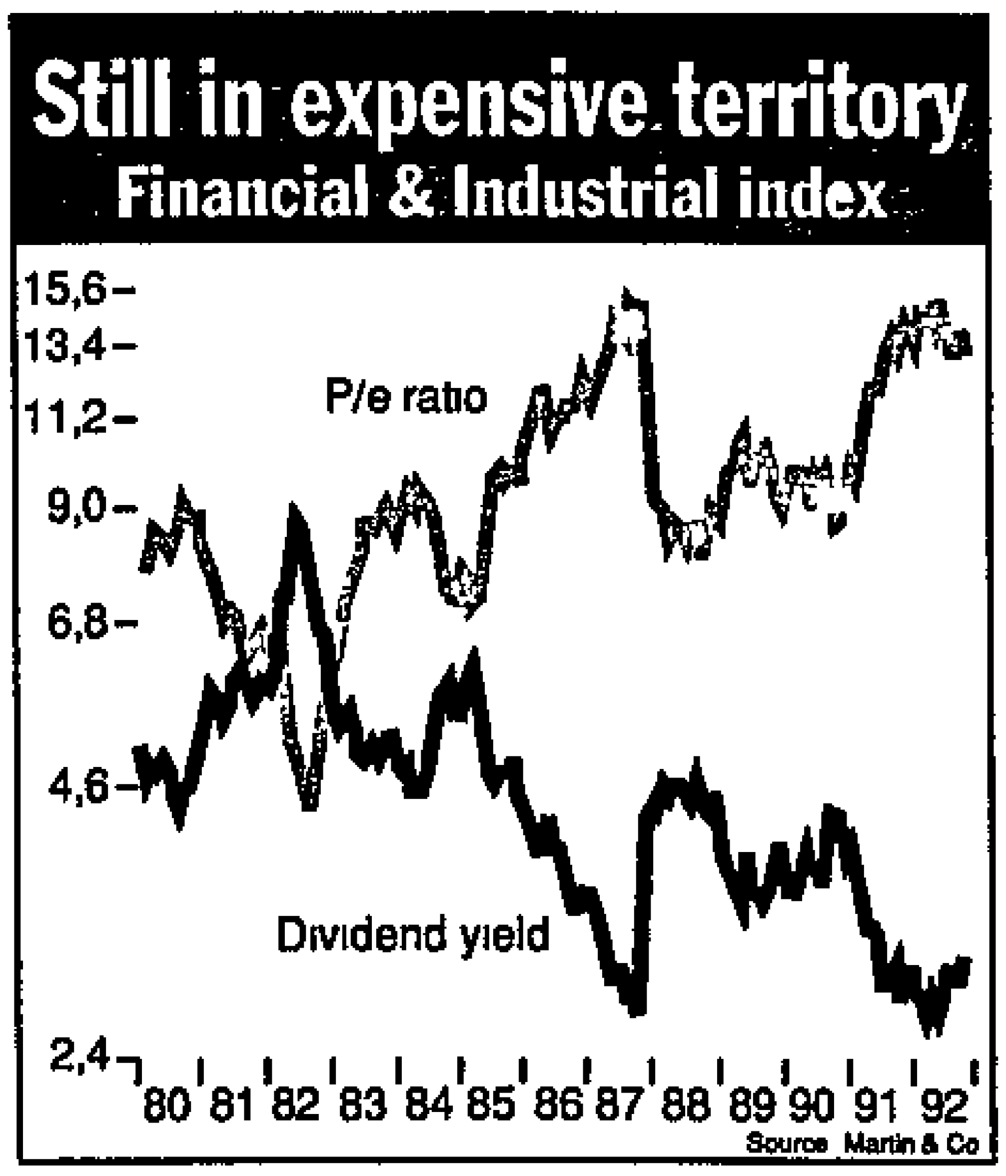


Jesse *index expensive before the crack*

when the economy is barely moving. But we have fewer options. Fuller contends hard currency bonds remain the best investments for safety and capital appreciation, local fund managers don't have that luxury.

For the long-term investor, bargains are undoubtedly available in the stock market. As Brown says, it's becoming easier to put together a comprehensive list of shares showing good value. However, a sharp drop in the Financial & Industrial index to around 4 000 must be seen as a danger signal.

A route likely to be followed by many prudent investors would be to use the expanding derivatives market, and buy options, say on March 1994, while keeping cash available should equities turn more bullish. That was not a serious alternative during the 1988 bear market. This time it is an attractive defensive measure. *Andrew McNulty*



Number of liquidations continues to rise

GERALD REILLY

PRETORIA — Liquidations of companies and close corporations in the third quarter this year increased 7,5% to 574 compared with the July-September period last year, Central Statistical Service figures released yesterday showed. BDAY 6/11/92

The number of casualties of the recession was 3,1% higher than in the previous three months.

During September, 195 liquidations were recorded. Of these, 92 were in the wholesale and retail trade and catering and accommodation services, 28 in financing insurance, real estate and business services, and 32 in manufacturing. (232)

Insolvencies among individuals and partnerships during the three months to end-August rose 7,5% to 1 190 compared with the year-earlier period, and 1,1% against the previous three months.

City Lodge likely to enjoy premium

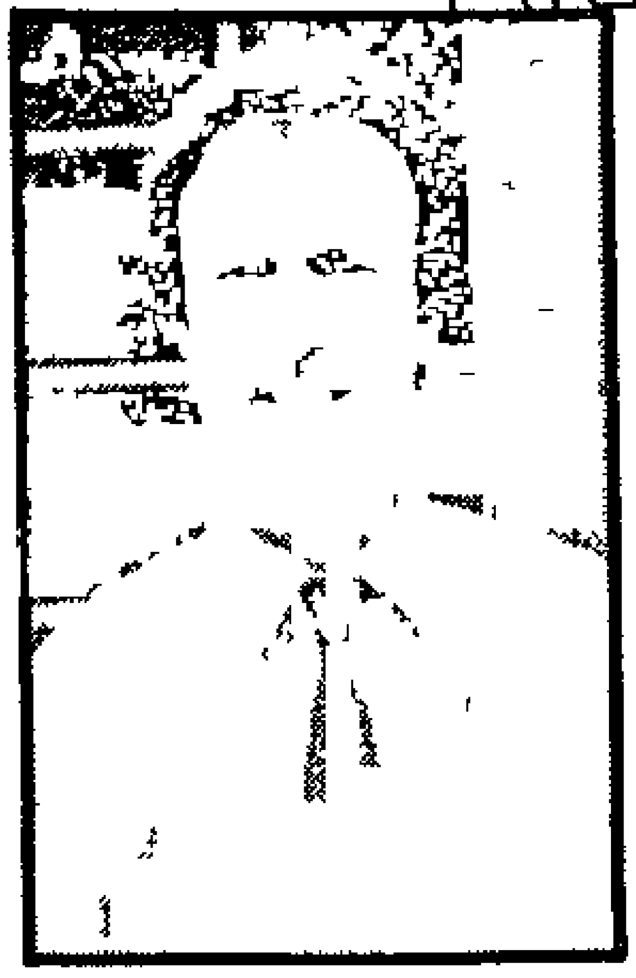
S Times (BUSS) 8/11/92 232

By CHERILYN IRETON

WHEN City Lodge makes its Diagonal Street entrance on November 18 it will be only the second South African hotel group on the JSE boards.

The listing follows the placing by the Mines Pension Funds of R51,5-million worth of shares and debentures in the eight-hotel chain

The shares, placed at R4,80 each, are expected to trade at a 10% to 15% above the issue price if the market holds its present levels



HANS ENDERLE In the bag

Karos

Based on early demand for the shares, some brokers suggest a trading price of about R5,50, which would give a market capitalisation of above R200-million

City Lodge joins Karos as the only two quoted SA hotel chains The rest of the JSE's hotel sector are Sun International subsidiaries operating in the homelands

The listing dilutes the Mines Pension Funds' shareholding to 42,8% from 63% However, the funds retain joint control with City Lodge founder and managing director Hans Enderle, who keeps his 26,2% stake

Mr Enderle says institutions have picked up 10,1% of the issued capital and the public 17,2% Executives and management now hold 3,7%

Among those to take up shares are Sanlam, Old Mutual, UAL, Syfrets, Norwich Life, Federated Life, Commercial Union, Metal Industries Fund and Iscor Pension Fund

The convertible debentures, with an 11% coupon, attracted the additional attention of Liberty Life and Rand Merchant Bank Asset Management, says Mr Enderle The Mines Pension Fund holds 8,6-million of the 13,6-million convertible notes, the institutions have picked up 3,4-million and the public 1,6-million

These notes, worth R27,5-million at the issue price of R5,50, will convert to ordinary shares — one for one basis — when City Lodge's dividend equals 60,5c a share

The dividend is expected to be 26c in 1993, yielding 5,4% on the issue price

The group plans to open three hotels at the start of 1993, boosting growth prospects These "no-frills projects" — in Sandton, the Victoria and Alfred Waterfront and at Jan Smuts Airport — have been funded by the Mines Pension Funds at an total cost of roughly R125 000 a room

Mr Enderle says the existing hotels have operated at occupancy levels above 80% for most of 1992 This compares with a trade average of about 50% The addition of another 460 rooms at the start of the year is expected to enhance City Lodge's profit propects

Focused

This view is supported by the joint sponsoring brokers for the listing A Davis, Borkum, Hare & Co report says investors can look to real earnings growth from this niche focused group

Martin & Co suggests that the listing will give access to a business with good prospects and in a substantial growth phase

Mr Enderle says City Lodge's 500 staff members have each been given 100 shares Many have taken up additional scrip, which was offered at the same terms available to the institutions

What Joan ... Linda

Shares for staff

(232) S1 Times (Buss) 8/11/92

ARGUS chief executive Doug Band has sold 5% of the Sowetan newspaper to its staff members.

Details of the deal, in which Argus is to sell 45% of the Sowetan to a trust fund, will be announced in a few weeks.

The fund, the Sowetan Trust, is claimed to represent the broad community served by the newspaper.

Argus owns 37% of Times Media. In the 1992 report, Argus chairman Murray Hofmeyr commented on the issue of Argus' role in the concentration of power in the mainstream press. Times Media managing director David Kovarsky believes he would have been told if the Argus stake in Times Media were under scrutiny

London gold

32 industrial firms face failure threat

S Times (Buss) 8/11/92 (232)

SLIGHTLY more than 10% of industrial companies listed on the JSE are candidates for financial failure.

By CHERILYN IRETON

The 32 companies in dire straits include the Frame group, Safety Technologies, Shoredits and Ovcon, according to a new corporate credit rating

Another 16% of the industrial board — 52 companies — are a high credit risk and are headed for, or already experiencing, liquidity problems Unless corrective action is taken, they are also likely to fail.

The Status Corporate Ratings are calculated and published by McGregors Online Information and Kredit-Inform using audited financial figures and a model designed to predict financial failure.

The ratings are updated annually after the publication of audited figures

The model has proved to be a reliable indicator of financial deterioration, says KreditInform managing director Ivor Jones Companies that showed up as a poor risk were Trimtex and Focus, which have since been placed in provisional liquidation, and Presto, which has been suspended.

The effect of the recession is evident in the ratings, most of the predicted failures operating in cyclical industries like engineering, building and construction. Retailers' ratings are also severely affected.

Of the firms analysed two building, two electronics and four engineering companies are in trouble. Seven retailers, two furniture firms and a restaurant chain are on the critical list along with a motor dealer, a transport company and a steelmaker.

Capital

Companies to receive an exemplary bill of health include one listed on the development capital market, Environmental Resources It is rated tops out of 15 similar companies in spite of the fact that its profitability deteriorated in the last review period. It should however be noted that the published results used are for October 1990

Main board companies to get an "excellent" credit rating include Masonite, Engen, Amshoe, Altech and Berzack.

Unit trust derivatives under review

LINDA ENSOR

CAPE TOWN — Controversial proposals to govern the use of derivatives by the unit trust industry have been circulated to management companies for comment 8/Oct-1

The suggestions were drawn up by a subcommittee of the Financial Services Board's (FSB) unit trusts advisory committee and chaired by FSB deputy registrar Gad Ariovich. The guidelines have not been formally adopted by the FSB 9/11/92

The suggested regulations are likely to stimulate intense debate, with some believing that the proposals would overregulate the use of futures and options to such an extent that their potential usefulness in hedging portfolios would be diminished

It has been proposed that the use of derivatives be limited to a maximum of 20% of the value of a fund with no allowance being given for netting off the difference between long and short positions to reach a 20% exposure

All future positions would have to be covered by cash or other assets In addition it has been suggested that there be a correlation between the fund and the index on which the futures positions were taken otherwise the exposure would have to be reduced accordingly. 232

FSB's Gerry Anderson confirmed that the draft proposals had been released but said they would not be made available to the media at this stage Association of Unit Trusts chairman Clive Turner said the association's executive committee had seen the proposals but he could not comment on them

Enabling legislation permitting unit trusts to use derivatives was passed by Parliament last year but its implementation has been delayed pending the formulation of the required guidelines by the FSB

Some industry sources believed the proposals were archaic and that the industry should be left to police itself in the same way as pension and provident funds.

Southern Life investments GM Carel de Ridder came out in support of a phased but quick introduction of the use of derivatives He said the proposals had attempted to be too comprehensive and the industry should be allowed to use futures, which did not need much control, with options being introduced later.

He added that the delay in promulgating the guidelines was causing frustration in the industry.

The use of derivatives by the unit trust industry is seen as both a hedging device and as a way to generate returns They are seen as being useful in reducing a fund's exposure to the market in situations where the trust is unwilling to sell a share it would otherwise have sold if there was not a shortage of scrip.

Govt acts on Competition Board probe

232

CT 9/11/92

From PETER DELMAR

JOHANNESBURG — Public Enterprise Minister Dawie de Villiers has ordered Transnet to make land available to a developer in the Richards Bay harbour after a Competition Board probe.

[illegible] advice of the Competition Board.

[illegible]

It must [illegible] extent [illegible] to RBBS in terms [illegible]

[illegible]

Options trade well ahead of forecast

(232)

BDAY 10/11/92

SHARON WOOD

THE options-on-futures market of the SA Futures Exchange (Safex) has doubled budgeted daily volumes after three weeks of trading, and traders are confident the formal market will eventually replace the existing informal, over-the-counter options market.

The market was opened on October 16 and daily volumes have risen steadily from 420 on the first day of trade to 1 940 on Friday last week The exchange budgeted for a daily volume of 1 000 during the market's first year.

Safex assistant GM Patrick Birley said· "In the long term the formal market will definitely take over from the over-the-counter market." He expected investors to switch from the informal to the formal market after the March 1993 close out.

Prima Bank spokesman Andy Rudiger said there had been a lot of trade on the market and two-way prices were quoted all the time Standard Merchant Bank was the only large player that was not active in the market.

He said volumes traded in the Safex options market's first week had been greater than volumes ever traded on the Traded Options Market "TOM is a dead duck because it is too expensive for the trading banks. If there is a big bang and banks are allowed to trade without brokerage, TOM will take off ..."

Standard Merchant Bank chief treasurer Chris Kenny said SMB had not been active in Safex's options market because of administrative difficulties. But it would become active in time, he said.

Teachers assured over retrenchment talks

232

ARG 12/11/92

Union gets guarantee

JOHN VILJOEN
Education Reporter

HOUSE of Representatives teachers have been assured they will be consulted on possible retrenchments next year.

The guarantee came from Mr Awie Muller, executive director of the Department of Education and Culture, during a radio programme with South African Democratic Teachers' Union Western Cape chairman Ms Vivien Carelse

The November 4 circular sent to schools cancelling rationalisation plans for this year still stood, Mr Muller said.

"There is no question, but no question, of retrenchment of teachers during this financial year," he said

His department was committed to democratic consultation with all parties concerned over possible rationalisation from April 1 next year.

There would be no retrenchments until this negotiating forum had agreed to them, he said

Ms Carelse said that following statements made by President De Klerk, her union had concluded that the cancellation of the rationalisation package had been withdrawn

But Mr Muller contended Mr De Klerk had called for rationalisation in education on a national basis, but only after consultation with all interest groups

While the department maintained there was a surplus of teachers, Ms Carelse's union argued there was in fact a shortage at a national level.

Decisions to retrench House of Representives staff were being taken in racial terms, while teachers in black schools faced classes of 60 to 70 pupils, she said.

If teachers were retrenched, the standard of education for thousands of pupils would drop, she claimed

Mr Muller said his department would not determine the fate of the 8 000 temporary teachers at its schools

They were employed by principals and school committees when the need arose

TOM looks to foreign dealers

SHARON WOOD

THE JSE expected foreign participation on the Traded Options Market (TOM) early next year, president Roy Andersen said yesterday. BDAY 13/11/92

This was one of three factors being counted on to lift slow trade on TOM in the future, he said

Andersen was responding to continued concern about the lack of activity on TOM and the fact that the recently created options-on-futures market already enjoyed more trade than TOM since it was formalised earlier this year

Discussions had been held with the exchange control authorities about allowing foreigners to participate on TOM, and significant progress had been made, he said

Several TOM broking firms had already made contact with potential foreign participants 232

Scrip-settled options, replacing cash-settled options, had been introduced earlier this month and would contribute to the success of TOM and to the education of its potential partipants, he said.

Andersen said the ability to buy and sell scrip should appeal to investors who felt cash-settled options were not an attractive portfolio management tool

In addition, the introduction of scrip collateral before the end of the year would allow a more effective offset margin and would also reduce demands on investors' cash resources.

HOLDAINS

Into the can

232

Holdains' acquisition of 50% of Crown Cork Company SA (CCSA) gives the paper and packaging group its long-awaited entry into the beverage can market, regarded as one of the fastest growing areas in the metal packaging industry FM 13/11/92

CCSA holds about 35% of the beer and soft drink can market, while Nampak subsidiary Metal Box is the biggest manufacturer The acquisition effectively makes Holdains joint owner of SA's second biggest supplier of cans to SA Breweries and Amalgamated Beverage Industries CCSA also holds about 50% of the aerosol can market, 70% of the crown and cork market and 15% of the food can market, which in turn could offer strategic opportunities with fellow Malbak subsidiary Foodcorp

The acquisition, effective from November 30 and subject to JSE approval, addresses an historical weakness of Holdains relative to competitors Nampak and Consol Entry into the beverage market could result in Holdains' share being rerated more in line with its competitors

Financing is in two parts. Holdains will pay R60m upfront to CCSA's American

Holdains' Willis . *made the approach*

FM 13/11/92

parent Crown Cork & Seal Inc (CCUSA) for joint ownership of CCSA, entitling Holdains to 26% of its earnings About another R60m is payable in annual instalments over the next three years for the remaining 24% of CCSA's earnings, though the second part of the price is linked to profitability and could fluctuate within prescribed parameters

Financing is still being considered by Holdains Chairman Ian Willis says, as far as CCUSA is concerned, it's a cash deal, but that does not rule out Holdains issuing paper to the SA operation as part of the consideration Holdains may also hold a rights issue to raise capital for the acquisition

The big question is what 26% of CCSA's earnings will be worth to Holdains Willis won't divulge the figure, though CCSA did not have a great year last year, with labour disputes and some technical hitches affecting operations 232

Included in the deal is a 30% interest in CCUSA's other African subsidiaries in Zambia, Zimbabwe, Kenya and Nigeria, with an option for Holdains to acquire a further 20% This could be the rider to what otherwise seems a favourable deal Dated technology in most African countries makes bottles the dominant container for beer and soft drinks and exchange control regulations probably make it difficult to get profits out of some of them

Willis says he approached CCUSA, which operates joint ventures in many of its 136 operations in 44 countries, and offered the partnership Holdains has also run a successful joint venture with Kimberly-Clark Corp, with which it shares control of Carlton Paper

Shaun Harris

FM 13/11/92 .

FM 13/11/92

POWERTECH/PICKARD

Finding a way out

232

Powertech's offer for Picapli is a blessing for the beleaguered Pickards It is also a lifebelt for minorities in all three of the Pickard listed companies — Picbel, Pichold and operating company Picapli — even though large discounts to NAV (Picbel, 1 383c, Pichold 1 271c, Picapli 208c) are involved

Powertech is proposing, firstly, to buy out minorities in Picbel and Pichold It is offering Picbel minorities 188 Powertech shares valued at 350c each for every 100 Picbel held or cash of 658c a Picbel share (current market price 650c) Pichold minorities are being offered 150 Powertech at 350c each for every 100 Pichold or cash of 525c a Pichold share (market price 525c) Total consideration is R24,5m

The Pickard family buys these holdings back from Powertech for R24,5m. Picbel and Pichold are subsequently delisted A Powertech spokesman says the Pickards insisted the deal includes a buyout of minorities in the holding companies.

At the same time, Powertech acquires from Pichold 61,1% of Picapli for R8,5m cash, equivalent to 54c/share, with Pichold's interest-bearing loan account in Picapli for its face value of R21m This leaves Picapli minorities with 6,8% and the Pickards with 32,1% of Picapli

Consider the choices

Minorities could object that the Pickard family interests — because they retain a stake in Picapli which carries a put/call option with Powertech — are enjoying privileged treatment In terms of the put/call, which can be exercised between May 1 1994 and June 15 1994, the Pickards receive — on average — a maximum 77c a Picapli ord. Powertech is offering Picapli minorities cash of 80c/share

With Picapli's last trading price at R1, the best option is to sell through the market — if that price is still obtainable But minorities who consider objecting should consider the choices If the proposals fall through, who else with the resources to recapitalise it will buy Picapli? It badly needs to have its debt lightened

Should Powertech's offer be rejected, minorities' opportunity cost of waiting for another offer could be large; there are no guarantees of another one Picapli is unlikely to declare a dividend in the foreseeable future and profits are vulnerable, especially if VAT is increased Picapli is to have a rights issue which will dilute EPS if the rights are not followed

The Pickards have warranted that if the Receiver disallows allowances claimed by Picapli relating to investments in film schemes, the Picapli price they receive will be adjusted accordingly

If the Picbel or Pichold minorities opt for Powertech shares rather than cash, they could continue to enjoy indirect participation in Picapli But Picapli minorities are not obliged to accept the cash offer and can stay with the company, which is to remain listed

Provided they do not have to forfeit funds because of their warranties, the Pickard family will net about R12,5m When Picbel and Pichold are delisted, Jan Pickard's empire, which once comprised six listed companies, will disappear from public view

232

Gerald Hirshon

Storm brewing in classrooms

(2S)

House of Representatives teachers, led by the increasingly powerful South African Democratic Teachers' Union, have won a short-term victory with the cancellation of plans to rationalise their department. But President De Klerk has warned that cost-cutting is inevitable. Weekend Argus Education Reporter JOHN VILJOEN examines the situation.

ARGUS 14/11/92

A LONE poster on a Cape Town street this week read "Save money, retrench Abe and Awie". It was the latest shot in a battle which has waned, but which is far from over.

Mr Abe Williams, House of Representatives Education Minister, and Mr Awie Muller, executive director of education, have, in the face of determined opposition from teachers, cancelled controversial rationalisation plans.

Though a victory for determined opposition by teacher unions, celebrations after Mr Williams's November 2 announcement were dampened by remarks by President De Klerk.

He called Mr Williams to a meeting in Pretoria after his announcement and warned that "fundamental rationalisation remains inescapable".

Although the department's turnaround has averted an immediate strike threat, concern has shifted to the fate of 8 000 temporary teachers for whom the withdrawal of the rationalisation plans holds no comfort.

About 2 000 of them will be needed next year to replace teachers on leave. According to the department, whether the rest find a job is up to principals and school committees.

The South African Democratic Teachers' Union (Sadtu), whose members took to the streets nationally to fight the rationalisation measures, meets on Monday to discuss the temporary teachers issue.

About 3 500 new graduate teachers are not expected to find work, and the union predicts that as many as 9 000 teachers could be out of work at the end of the year.

Student teachers are "being trained for unemployment", said Sadtu's Western Cape chairwoman, Vivien Carelse.

This at a time when there is a shortage of teachers at a national level, the union believes.

While end-of-year examinations and marking will not be affected, Sadtu has threatened not to co-operate with the department in the distribution of results if they are unhappy over the handling of the temporary teachers problem.

Sadtu, although still not officially recognised, has emerged from the rationalisation dispute in a position of strength.

While the union struggled to get meetings with department officials when its campaign against the cost-cutting began, it is now accepted as a full partner in negotiations.

Ms Carelse said relations between Sadtu and the department had been "fraught with a lot of distrust for each other".

The department had been forced to recognise that the union represented a wide range of teachers, she said.

In this time of fragile peace in the profession, Sadtu has reserved what it terms its "right to strike" as a last resort, and strike committees are co-ordinating strategies for the new financial year when rationalisation appears inevitable.

Teachers first learnt of the proposed cost-cutting moves in September when circulars sent to schools advertised an early retirement package.

The department, staring a R94 million budget deficit in the face, placed full-page advertisements in the weekend Press early last month announcing details of the cutbacks.

Later advertisements would announce the cancellation of the rationalisation plans, discussed by Mr Williams and 44 members of his staff during a two-day, R20 760 meeting at Club Mykonos.

The department said it had to cut 3 200 posts (it had originally been more than 5 000). Study leave, vacation leave, merit awards and transport allowances were to be cut or withdrawn.

The announcements sparked national protest, including marches, pickets and a weekend-long sit-in by teachers at the department's Cape Town offices which authorities condemned as "unprofessional".

Faced with the threat of a strike by 30 000 teachers which would have seriously disrupted end-of-year exams, he withdrew the measures.

There will be no retrenchments in the current financial year, which ends on March 31.

After that Sadtu, with the officially recognised United Teachers' Association of South Africa, has been invited to join a forum to negotiate over rationalisation.

With financial pressures on the department growing, 1993 looks set to be a troubled year for coloured education.

Tedelex switches off after 23 years on JSE

S/Times (B 455) 15/11/92. (232) [redacted]

A DEBACLE a decade has plagued Tedelex since its 1969 listing.

The latest — the worst trading conditions ever for the maker, trader, importer and exporter of electrical appliances — has led to its delisting.

Managing director Jack Cohen, who has been with the group for 31 years, says it was badly hurt in 1970 by the Government's restrictions on hire-purchase agreements and credit facilities

Better known are the disastrous foreign-exchange losses that plagued many Gencor companies in the early 1980s On the advice of its bankers, Tedelex failed to cover foreign loans and lost R109-million in 18 months.

This necessitated a total recapitalisation of the company, control of which Gencor had bought from founder Benny Slome at R11 a share in 1983 The terms of the rights offer were 350 shares for 100 at 260c

Tedelex members are being offered 200c a share by Malbak, which became the industrial consumer arm of Gencor in 1986 Tedelex was trading at 120c before the terms of the take-out were made known. Malbak already has 96% of the company

Mr Cohen says this year's trading is undoubtedly the worst ever. Tedelex's business has come under two-pronged pressure

One is the four-year recession and its damaging effect on discretionary spending. Results for the year to August 1992 showed an operating loss of R19-million from an 18% slide in turnover to R422-million.

JACK COHEN HP blows

The other is a wave of imports — illegal and grey

Illegal imports are brought in under false declarations and no duty is paid It is akin to going through the green channel in Customs hoping not to get caught

Grey imports are legal and usually involve job-lot purchases by importers neither equipped nor prepared to service the stock.

Agency importers such as Tedelex have tended to turn their backs on people who come for repairs to branded merchandise not brought in through their channels.

Mr Cohen says these imports tend to set the expectations among shoppers of what the price of electrical goods should be, often below Tedelex's landed cost.

"How often do you hear people returning from overseas with something they bought for $200 that costs R1 200 here? The same happens with these imports. But convert the dollars to rands and add in up to 140% import duty and it becomes clear that it is not Tedelex that makes all the money," says Mr Cohen

He acknowledges the efforts of Trade and Industry Minister Derek Keys — formerly of Malbak and Gencor — in trying to tighten up customs, which is often understaffed and undertrained There is no point in cutting Government spending by reducing the number of such public servants when millions of rands in duties escape the fiscus because of inefficiency

The end of the listing is by no means the end of the road for Tedelex. Mr Cohen says the hardest part about the current downsizing operation is retrenching staff members

"Many have been here all their working lives We have grown up together, seen their children through university and on into life It is difficult to say good-bye.

"At the same time we recognise that this is a tough industry in a worse economy, and to survive, there has to be sacrifice," says Mr Cohen

Employees have been cut from the top down

Mr Cohen believes there will always be a market for consumer electronics

Non-core businesses have been disposed of and others moved into Tedelex's premises in Booysens, Johannesburg

Mr Cohen says the lack of any sign of an economic upturn at this time of the year bodes ill. There was a slight uptick in October, but it could have been due merely to people having had enough of the recession and spending money regardless of the consequences

The only thing that will get the economy moving is a change of political heart, says Mr Cohen

Tedelex says farewell to the JSE on December 11, but might return if ever its prospects brighten

It was born with foresight — Benny Slome called it Television & Electrical Distributors in 1945 — 30 years before SA was allowed to watch television

Saambou on mend and expects to pay

(Buss) S/Times 15/11/92. (58)

SAAMBOU, the banking group whose share price has halved in a year to 62c, was restored to profitability in the six months to September after losing R73-million in the same time last year.

Operating profit trebled to R35-million before provisions for bad debts which had to be doubled to R20-million. Advances grew by only 9% to R3,7-billion in an effort to raise profitability.

Rationalisation costs of R6-million, tax and outside shareholders reduced attributable profit to R2,5-million, or 6,8c a share, before extraordinary items.

Managing director Johan Myburgh says Saambou continued to focus on salaried individuals.

Its Dinkum Save and Profit Grow products did well. Launched in March, Dinkum Save was responsible for a 58% rise in Saambou's total savings portfolio in the eight months to October.

Saambou's operating expenses climbed only 6% in 12 months. It contracted its computerisation management to software specialist SPL in an effort to contain costs.

Although no dividend was declared at the interim, Mr Myburgh expects a resumption by the yearend.

Bankers walk out on Sechold

S Times (Buss) 15/11/92. 232

By JULIE WALKER

NDH BANK'S principal staff members walked out of their new Rosebank premises in Johannesburg this week after major shareholder Sechold rejected a backed bid by management for its 75% stake in NDH.

NDH is a respected and profitable trader NDH management holds the 25% not in Sechold hands.

Managers are said to be unhappy about the way Sechold rewarded them in the light of good profits from NDH

Sechold chief executive Arthur Kelly says the board rejected the bid for NDH Certain management and staff members from NDH indicated their intention to leave the bank and pursue their own interests.

NDH directors Bill Scotcher (also on the Sechold board) and Dave Barber confirm Mr Kelly's statement.

Another director, five dealers and an accountant are part of the mutiny.

Sechold has appointed Craig Clucas and Michiel Kotze joint managing directors of NDH. Mr Kelly expects NDH to continue to achieve satisfactory profits under new management.

The bid was backed by an undisclosed third party — most market sources suggest NBS Holdings But NBS general manager, finance, Paul Leafwright denies the talk

He confirms that since the failed bid, NBS has been talking to Mr Scotcher and company, but any decision on their engagement will need to be taken by the NBS board.

It remains to be seen how NBS directors would enjoy appointing a team of dealers used to earning R500 000 or more a year — more than they could realistically hope to earn as directors.

PROPERTY

New trust deed expected to 'level the playing fields'

B/DMA 18/11/92

(232)

PETER GALLI

THE "playing fields" for property unit trusts and property loan stock companies will be levelled by year-end, enabling the trusts to issue units for acquisition in the same way loan stock companies do, says Frankel, Max Pollak, Vinderine property analyst John Rayner.

"This change will be incorporated in a new standardised trust deed, and will enable property unit trusts to compete with other purchasers without delays caused by a three-month rights issue exercise," he says.

The delays had often resulted in excellent opportunities being lost and would reduce the need for frequent rights issues, which are normally done at a discount to market price.

These issues also distort distribution growth patterns, particularly when the cash raised is not invested immediately and interest rates are higher than property yields

A different type of property ownership has also evolved, and this technical change will need to be incorporated into the Unit Trust Control Act.

This is scheduled to be presented to Parliament during the 1993 session and "will enable property unit trusts to invest in undivided shares in property, sectional title units and leasehold property without having to obtain special prior permission", Rayner says

Institutional investors are the major players in the property unit trusts and property loan stock markets, and their exposure has grown to 90,4% from 89,7% to the detriment of the private investor, whose stake has fallen to 9,6% from 10,3%

The combined capitalisation of the property trust sector and the property loan stock sector is R6,2bn.

The institutional market is also finding it increasingly difficult to locate well-tenanted investment grade properties at an acceptable yield for their portfolios

"As a result, we expect demand for both property trusts and property loan stock companies to be underpinned by continued allocation of at least 10% — R3bn to R3,5bn — of the institution's net annual cash flow to direct and indirect property," he says

In addition, the privatisation of state pension funds, such as Transnet, will add increased demand for private investment grade properties.

The dilemma of listed property vehicles is that they are influenced by two distinct markets the physical market and the equity market.

The listed property vehicles did not react positively to the 1% cut in the prime lending rate on April 1 and have only recently started to display a positive reaction to the additional 1% cut on July 6.

Interest rates are expected to fall further over the next 18 months and a re-rating of both sectors towards the 10% historical level is expected.

"This would imply a total nominal return of more than 20% for both sectors over this period," he says.

Dairy Mall up for sale

PETER GALLI

SUBSTANTIAL interest has been shown in Pretoria's R18m Dairy Mall shopping centre, which will be sold by auction on November 26 unless it is sold by private treaty before then.

Auctioneer Hugh Denny of Pam Golding Properties says the agency is talking to four prospective buyers, one of whom already has an 80% bond in place from a major financial institution.

"However, many buyers prefer to wait for the auction to see if they can get the property at a better price We are hoping for about R18m, but any offers will be submitted," he says.

The centre has a projected net annual rental of more than R3m and is strategically positioned close to the M1 and the Pretoria main railway station.

"The 2,17ha complex includes eight buildings in good condition, covering 14 403m², and a vacant area zoned for a service station, which has rights for a further 2 000m².

"There is vast potential for further development or redevelopment, and sectional title plans have been drawn up," he says.

A detailed proposal from an oil company for the service station is also on offer, which allows for a 25-year lease and a substantial interest-free loan to the developer.

'Claim back transfer fees'

ANDREW KRUMM

CONFUSION at some Receiver of Revenue offices has led to certain property purchasers paying too much tax, says Howard Bilbrough, a partner in legal firm Cliffe Dekker and Todd.

Bilbrough said unwary buyers who paid transfer duty on any property purchased between September 1991 and March 1992 should claim it back.

The problem arose when the Finance Department announced in August 1991 that both transfer duty and VAT (at reduced rates) would be levied on property sales during the VAT transition period from October 1991 to March 1992.

But when the VAT Act was amended in November 1991 — retrospective to the end of September — transfer duty legislation remained unchanged, and the public uninformed.

Bilbrough said the unchanged legislation meant that where the Receiver levied VAT, it could not claim transfer duty

"Unfortunately certain local revenue offices failed to grasp this fact, which was set out in an unpublicised internal directive," he said.

B/DMA 18/11/92

As a result, a number of local offices had overtaxed property buyers who were unaware of the "concessionary atmosphere" during the VAT transition period, he said

"If you paid transfer duty on any sale concluded between the end of September 1991 and March this year, you should not have done so, and can claim it back," Bilbrough said.

City Lodge makes its JSE debut today

MARCIA KLEIN (232)

HOTEL group City Lodge lists today on the JSE's beverages, hotels and leisure sector.

Analysts expected the ordinary shares to list at a slight premium to the 480c issue price, with the debentures expected to come on the market at the issue price

City Lodge's private placement of 5-million ordinary shares at 480c and 5-million convertible debentures at 550c each was fully subscribed. Major institutions, including Sanlam, Old Mutual, Syfrets, UAL, Iscor Pension Fund, Commercial Union and others, had taken up the offer.

A City Lodge spokesman said the company was expecting to come on to the market at a premium of up to 10%, and believed the listing would be successful

In its prospectus, City Lodge forecast taxed profit for the year to end-July 1993 to be not less than R10,8m, and a dividend of 9c was expected to be paid in April 1993.

BD 28/11/92

City Lodge makes its debut on JSE

BD 19/11/92 232

MARCIA KLEIN

CITY Lodge made its debut on the JSE yesterday, closing at a 6,3% premium to the issue price of 480c a share in fairly good trade.

The group's ordinary shares reached a high of 520c and a low of 500c. In 73 deals, 303 700 shares worth R1,7m changed hands.

The preference shares, which were issued at 550c, closed at 560c in lower volume trade. The closing prices of the ordinary and preference shares give City Lodge a market capitalisation of R202m.

In terms of the share issue, the Mines Pension Fund has 42,8% of the shares, MD Hans Enderle and family 26,2%, institutions 10,1%, executives and management 3,7%, and the public 17,2%.

NEWS FOCUS

'More deregulation needed'

BDay 19/11/92 (232)

LLOYD COUTTS

BANANA revolutionary J J Viljoen is not alone in his quest to flog his produce where and when he wants. Development Bank of Southern Africa analysts have recommended the deregulation of marketing boards and have also called for anti-trust measures in the food processing industry.

In an occasional paper, Johan van Rooyen, Nick Vink and Mosebjane Malatsi said some 70% of SA's production by value was marketed through marketing boards.

Other monopolistic mechanisms provided control over a range of products, with control vested in big business or in the hands of commercial farmers.

A report by the Board on Tariffs and Trade (BTT) said control boards pushed the inflation rate up by some 1,5%, while lack of competition in the food processing industry contributed a further 3,5% to inflation

"Continued deregulation of the marketing boards is therefore recommended It could be safely argued that anti-trust measures in the food processing industry is also called for," the Development Bank analysts said.

Adjustment of agricultural marketing policy to encourage acceleration of the current trend of declining real land prices should also continue, they said

Single-channel, fixed-priced marketing schemes operated by the Maize and Wheat boards, for instance, caused land prices to be 41 and 43% higher in the 1980s than would have been the case under a free market.

Food Logistics Forum chairman Hamish McBain warned, however, that a free market could lead to inevitable shortages and wild price fluctuations In a review of a BTT recommendation that statutory control over agricultural markets be terminated, McBain said no nation could produce exactly what it required.

"If there is no strategic stockpile, prices will rocket or be fully dependent on import costs. Prices will drop dramatically unless there is some orderly means of surplus removal."

Export of surpluses would almost inevitably be at a loss and dramatic price fluctuations would occur unless some other effective mechanism could be found to replace the current system Inefficiences in the system, he said, appeared to occur more on agent than board level

A change in the marketing system appeared inevitable, however. He urged prompt reform to eliminate uncertainty. An effective form of futures market would have to be provided for.

A surplus removal system via a floor or intervention price mechanism was essential and would have to be financed by central government, if not done by boards

Export subsidies would have to promote offloading of excessive surpluses in the face of unrealistic ruling world prices 'It should be ensured that control board monopolistic practice did not translate into market control by co-ops through the use of public assets Opening the current marketing system to real competition would reduce costs, but would increase the burden on farmers

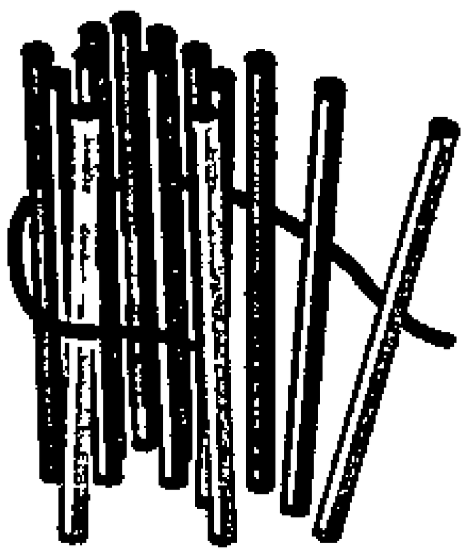
Farmers near factories or ports would earn more, while farmers or co-ops in remote areas would receive concomitantly less and be left holding any surplus.

UNBUNDLING FM 20/11/92

Picking up the gauntlet

232

Big business isn't always bad business



Summarising his impressions of the annual *FM* Investment Conference, the ANC's Albie Sachs told a luncheon audience he thought some important issues had either been ignored or dealt with inadequately

In a speech notable for its solicitude, Sachs, probably the ANC's best propagandist, told mesmerised businessmen he thought a number of issues needed to be debated fully and publicly He was, he added, throwing down the gauntlet to the business community. And first on his list for airing was the matter of "unbundling."

The word itself has taken on pejorative intimations since Finance Minister Derek Keys placed it in the spotlight when, as chairman of Gencor, he hinted that it could unlock added value Since then the perception seems to be that that which is "bundled" is bad and needs, therefore, to be undone

Unbundling has subsequently taken on a political dimension It is a word which is being used with such abandon in that respect that it threatens to become dispossessed

When Keys first made use of it, he meant that value in certain assets was not being credited to shareholders, because the market was either ill-informed or did not know how to impute that value.

A single case illustrates the point Dabi is an investment company in the JCI group which held a wide spread of interest in many quoted companies, largely in the mining sector

The market consistently refused to value the company on the basis of its underlying investments, even though these were well known and publicised in its annual reports, preferring instead to apply a discount.

So substantial did this discount become, on occasion as much as 35%, that JCI decided to sell the underlying shares and distribute the capital profits to Dabi shareholders The market reacted, perversely and typically, by revaluing Dabi's shares at a level which now closely approximated the market value of its underlying assets

Some other SA groups certainly are giving serious consideration to how they realise underlying wealth in this way They will need also to consider the tax implications that could flow from a new regime.

However, the Keys definition of unbundling is clearly not what is meant by those who call for it to become a national policy in the new political dispensation The puzzle is to tease out precisely what it is they wish to unbundle

The issues in SA most often linked by the term unbundling are. first, pyramids, whether they are good or bad and whether they should be collapsed Second is conglomerates and whether they should be broken up. Finally, and to confuse the first two, comes the enforcement of a competitions or anti-trust policy

The purpose of a pyramid is to enable an entrepreneur to retain control of his company and to raise capital for development by issuing what are, in effect, non-voting shares, even though he holds only a minority shareholding

And non-voting shares are anathema to the British-North American system of corporate governance because of the element of protection they provide to voting shareholders and, through them, the managers In an article published in the *Financial Times* in August, Sir Alan Walters and George Guise argue that SA's pyramid structure puts feather beds in SA board rooms and protects the managements of SA's conglomerates "from any true accountability to their shareholders "

The answer to this country's problem of simultaneously awakening sleeping assets which form SA's wealth and promoting growth, suggest Walters and Guise, lies in sending for Hanson and Goldsmith And to give them greater effect, SA's tradition of permitting pyramid structures of control must be swept away.

Well, it sounds simple enough and it must be of great attraction to those in the ANC seeking economic dominance But it hides a fallacy. Britain has espoused shareholder democracy since the last century It has no pyramids and few non-voting shares to protect entrepreneurs It does have Hanson and Goldsmith But it has not necessarily stimulated economic growth

Mboweni *some fairly clear ideas*

The Walters/Guise thesis ignores the transparent success of the Alpine system of corporate governance which prevails in much of Europe Dual-class shares and pyramids are pervasive in Scandinavia and Switzerland

In Germany, the banks have long played powerful roles in controlling the major corporations (frowned on across the water) Much the same applies in Japan Only the most perverse will deny the successes of those countries

Economics consultant Jos Gerson argues that mass unbundling by disallowing pyramids may help shareholders at the level of the holding company, but it is likely to destroy value at the operating company level as their ability to raise capital cheaply is weakened Gerson predicts that, on balance, shareholders will lose

SA's system is one which evolved over decades with the consent and blessing of government and the investment community No-one has ever been forced to invest in companies in which the controlling shareholder, often the founding family, retains control Investors did so because they believed their own interests would be served best And that lesson shouldn't be ignored

ANC trade and industrial policy co-ordinator Tito Mboweni has some fairly clear ideas of his own on the subject "Pyramid holding companies are particularly powerful," he says, "because they are able either to facilitate or constrain the rate of investment being contemplated by a subsidiary A study we conducted recently revealed a specific example in which the desire for growth in a particular direction by a subsidiary ran counter to the policies of the holding company Our view is that the whole system of pyramids in SA needs to be re-examined, we have to produce a policy (on pyramids) which will be part of the much wider issue dealing with monopolies and cartels "

The second issue is that of the conglomerates These are, broadly speaking, enterprises engaged in several diverse or unrelated fields of activity, very often having been formed through buccaneering acquisition rather than organic growth In SA, conglomerates generally have interlinking holding companies with many diverse sets of shareholders For example, the shareholders of SA Breweries are not identical with those of OK Bazaars or JCI, yet the linkage between the three companies is considerable

By and large, however, they do not possess a common body of shareholders In the strict ing view in the US among practitioners of the anti-trust industry "There is a broad consensus in the US," he says, "that a company holding a 40% share of a market is in possession of an effective monopoly In the UK, as little as a 25% share is regarded as monopolistic We'll obviously have to consider carefully what will be appropriate for SA"

American experience has shown that an excessive emphasis on anti-trust policy can of itself be destructive both of competition and resource allocation Judge Robert Bork, the same man who fell foul of Edward Kennedy's legendary vindictiveness when he was nominated to the US Supreme Court, has written a powerful critique of the present practice in the US

"Anti-trust constitutes one of the most elaborate deployments of governmental force in areas of life still thought committed primarily to private choice and initiative," writes Bork in his book, *The Antitrust Paradox* "Yet few people know what the law commands or the nature of its ultimate impact upon our national well-being"

Bork would be a supporter of minimal anti-monopoly measures such as the break-up of straightforward cartels and the opening of industry to maximum competition But we doubt he would subscribe to the destruction of Anglo just because it is big

In SA, as distinct from the American


Walters


Bork

experience, the issue has been muddied by the persistent intervention of a State acting on behalf of powerful lobbies Its role as a neutral arbiter is suspect

It is clear that the arguments about pyramids, conglomerates and anti-monopoly legislation are also being used to disguise items on an undisclosed agenda One example is that forcing conglomerates to disband means that some companies will fall like ripe plums (and at firesale prices) into the hands of a select and grasping elite, anxious and willing to enrich itself at the expense of — dare we say it? — white SA

Yet another example relates to the media Nearly all political parties and special interest groups seek an outlet for their opinions and for a way in which to influence the public Because of the structure of media ownership in SA, unbundling would serve only the politicians There is little, if anything, in it for shareholders

Nevertheless, the single predominant key which stands out in any search for the answers to SA's distorted financial structures is that much of the blame must lie with the exchange controls which have been present, in one stultifying form or another, for more than 30 years Yet they have failed to prevent this country becoming a capital exporter and are the root cause of the concentration of ownership of assets

If unbundling is to bring economic benefit to this country, exchange controls are an obvious impediment They preclude the flow of adequate capital and skills into and out of local companies While they exist, unbundling will not unlock value On the contrary, it will stifle access to capital, erode management skills, constrict growth and no doubt provide a spurious reason for despoiling shareholders

There is much to be said for the Walters and Guise thesis and for the efficiency that greater competition could bring to domestic markets The most effective instrument of its achievement would simply be the removal of all contraints on capital movements in and out of this country In fact, it is the only way of unbundling without also compromising prosperity ■

FM 20/11/92 (232)

Smoothing out the cycles

For now, profits depend on acknowledged strengths

Little more than a year ago, Barlow Rand embarked upon uncharacteristic and radical surgery It sold Middelburg Steel & Alloys (MS&A) and related chrome interests for R1,1bn, and more recently it unbundled the troubled Rand Mines, further distancing itself from cyclical commodity markets

In substance and in the signals sent to financial markets, these events mark a turning point for the normally expansive Barlows Essentially, management is seeking to bring about a change of direction that will give the conglomerate greater control over its own destiny

In an era when even conglomerates are tending to focus their portfolios more sharply, this approach — from a new management team led by chairman Warren Clewlow and MD Derek Cooper — could bring rewards Still to be seen is whether the stock market will respond with a more favourable rating for the share


Cooper

Barlows now has large funding capacity and probably more resilient profits The investment emphasis has been swung steadily towards the higher-growth and higher-margin activities That will largely involve building on acknowledged strengths, in areas such as food, pharmaceuticals, packaging and electronics

On the face of it, much is being done to eliminate weaknesses that have impaired the rating of the share — which has often performed disappointingly Though seen as a blue-chip counter, it has invariably stood at a discount to the JSE Industrial index That remained true after release this week of the 1992 results, showing attributable earnings 5% higher but EPS and dividends up by a marginal 2%

The 9,8 p e and 3,9 dividend yield on the R44 share price respectively indicate discounts of 26,7% and 40,3% to the index averages The Industrial index is, of course, heavily influenced by some focused, high-growth companies such as Richemont, Rembrandt, SA Breweries and Safren But that is largely why the much more diversified Barlows is still accorded a rating based on stock market expectations of earnings that will be good quality — but solid rather than high growth

Three adverse perceptions have influenced the market One is that earnings have historically been highly volatile, with periods of strong growth followed by phases of weak earnings and dividend plateaus A five-year dividend plateau in the mid-Eighties (when Barlows was known slightingly as a fixed-interest stock) was followed by years when EPS grew at rates of 28%-43%/year The gyrations of MS&A's profits were partly to blame for the swings It's hoped that the disposal of this company has smoothed the earnings volatility

Another problem — common to conglomerates — was that difficulties in a particular division tended to generate negative perceptions out of proportion to the direct effects Aside from the stated strategy of retreating

Continued on page 27

P.T.O

Continued from page 24

from cyclical businesses, this was presumably part of the motivation for unbundling Rand Mines

If so, it is only a partial solution Troubled gold mines such as Harmony are still identified with Barlows, though the effective shareholding is now negligible Last week there was news of what could be serious geological problems in two Eskom-tied collieries operated by RandCoal, now the backbone of remaining mining interests

What probably weighs more heavily on market perceptions is the view that Barlows' size and diversity make its profits overly and inextricably dependent on growth in the local economy Hence some analysts believe that, over time, the returns are unlikely to be better than average

For his part, Cooper believes this is a misconception that overlooks the changing sources of profits, the enhanced flexibility and the directions in which Barlows is being nudged The past year has seen a marked swing in the profit mix towards consumer products. Cooper estimates these provided 40% of 1992's earnings, against 31% in 1991 Commodities' contribution fell from 27% to 19%, while that from capital goods linked broadly to fixed investment was roughly maintained at 28% (29%) as were the profits generated overseas, at 13% (13%) Most of the divisions are involved in exports, so the rand-hedge element remains significant though somewhat reduced by the sale of MS&A

While it's obviously difficult to be dogmatic about the earnings breakdown (other managers offered slightly different figures), it indicates the growing impact of Barlows' more successful companies such as Tiger, Adcock Ingram, ICS, Nampak and Reunert — all market leaders Of course it's also partly a reflection of the economy, which in recent years has been driven primarily by consumer spending, while fixed investment and the mining industry have lagged

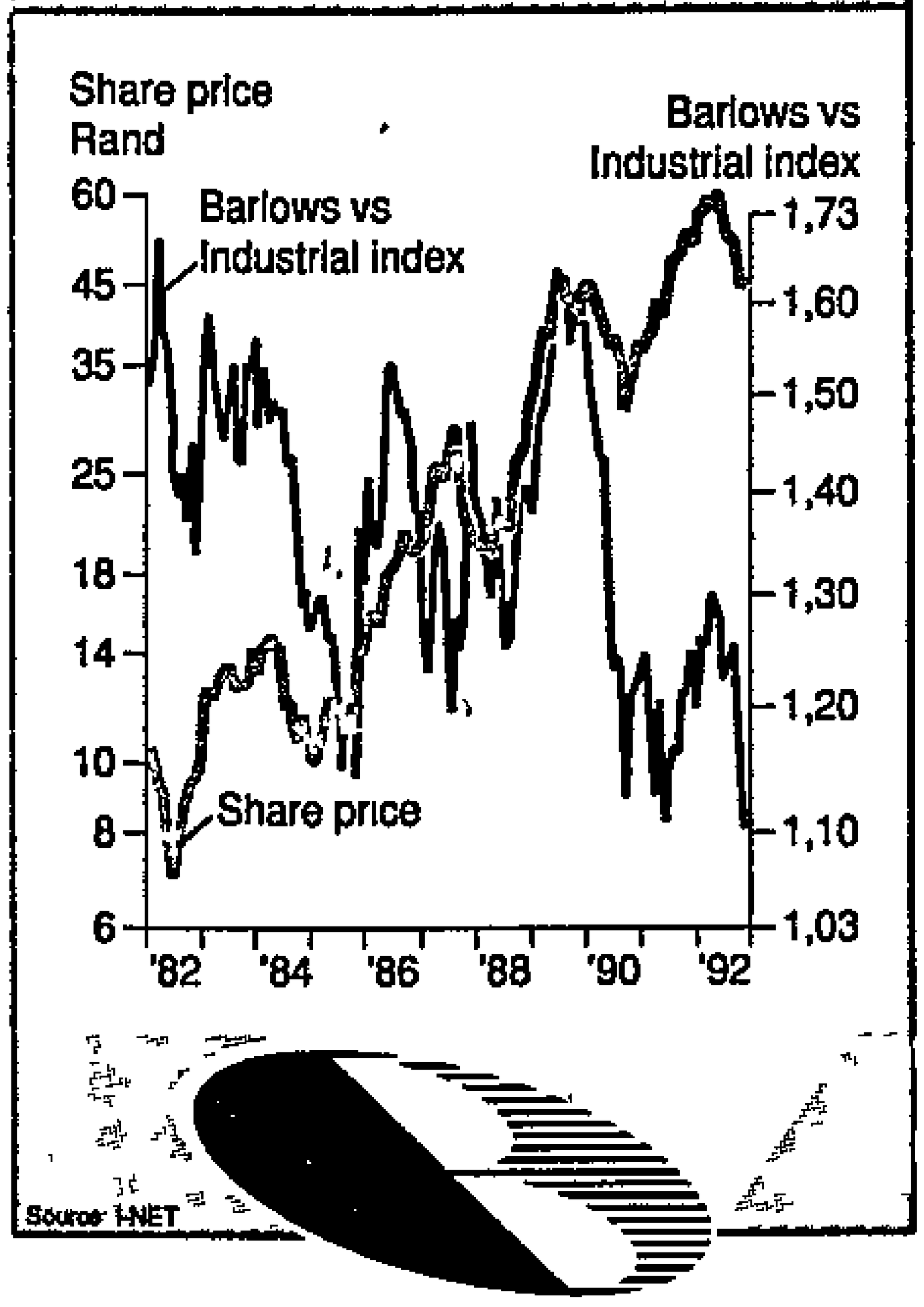
But Cooper emphasises that capital spending is changing in the same direction as the profit mix Whereas a few years ago about 60% of the capex was going into mining (and MS&A), the bulk is now going elsewhere Of the R1,8bn capex allocated for this year, about R900m will go into food and packaging.

He says there is no intention of moving out of capital equipment, which includes Caterpillar, the original business Investment in this field could be stepped up quickly when necessary, but for now the demand for consumer goods with strong brand names — which would be steadily boosted by urbanisation — is seen as the best source of growth

Presence in the portfolio of "selected commodities" — mainly coal and cement — is intended to ensure exposure to cyclical upturns, without being unduly affected by downturns About half the coal profits come from Eskom-tied collieries, which normally offer steady profits However, the disclosure

Volatile performer

Barlow Rand



about the geological problems at Khutala and Majuba could place those prospects in a different light

Aside from its liquidity, Barlows' cash generating capacity has been fundamentally improved by the sale of MS&A, which, Cooper says, was a cash drain for the past 10 years and would have needed substantially larger investment during the Nineties if it was to hold its market share Platinum was another cash drain

Barlows has not been shy about laying out funds net capital spending (capex less disposals plus new investments) averaged R1,89bn between 1988-1991. In 1992 the gross figure was R2,25bn, including R685m on acquisitions and R1,13bn on expansion capex But better generation and deployment of cash is essential if the rating of the share is to move closer to the likes of SAB, Rembrandt or Safren — all of which are lauded for their cash generation

From this standpoint, the 1992 accounts are promising Cash generated by operations increased by almost 21% to R1,54bn, a markedly faster pace than profit growth With the scrip dividend option offered last year, only R461m (1991 R623m) was paid to shareholders, and the cash retained from operations was up 65%, at R1,1bn Funding requirements actually fell by R695m, having risen by R222m in 1991

After the MS&A deal, a stronger balance sheet was to be expected Net gearing fell to 31%, with cash and near cash standing at R1,49bn Future investments will continue to be made, largely by the subsidiaries Some of these could push further cash injections up to Barlows, PPC, for example, paid a special dividend, and others may do so if they have cash that isn't needed

But some R800m of the cash is held at the centre, available for investment by head office Cooper says there are several options for this One would be to buy more shares in some of the existing subsidiaries, such as 60%-held C G Smith — or directly in Tiger Oats, a subsidiary of C G Smith via CGS Foods

It would be extremely expensive to eliminate this pyramid structure (C G Smith is capitalised at about R5,7bn and CGS Foods at R4,3bn) Even so, larger holdings could help to soften another market criticism that Barlows has small effective holdings in its best business (Tiger/Adcock) and large stakes in slower-growth activities

Other options for the cash would be to follow investments by the subsidiaries (rights issues by Tiger and Bibby were followed this year), or even to buy a new division These would be within the four main areas of the present sources of profits Cooper says any new investments made overseas would have to be in activities where the SA group has skills — an example being Bibby's recent acquisition of Finanzauto, the Caterpillar distributor in Spain

It's costing Barlows some £28m to follow part of its rights in the Bibby issue, but it has not yet decided how this will be funded For now, it has borrowed abroad, and the deal is being treated in the accounts as if it were being financed through the financial rand.

Cooper contends there are no remaining weak areas in the group, though some plainly need further attention Romatex has begun to improve off a low base after selling its textiles operation earlier this year In the unlisted interests, building supplies company Federated Blaikie is being rationalised after making a loss in 1992 Profits from consumer durables and paint are "down on last year," while motors and steel merchanting are facing "difficult markets" The capital equipment business merely maintained profits, with help from exports to Angola

Rationalisation and repositioning have not been without cost to shareholders In 1991 R433m was written off as an extraordinary item, most relating to disposals of assets In 1992 there was an extraordinary charge of R374m, the biggest item being goodwill Had these not been made below the line, earnings would have looked very different

Stodgy markets will continue to dampen prospects next year Cooper says the target is at least to maintain earnings and dividends, but he considers growth to be highly unlikely in 1993

For that, a political breakthrough is essential — and even then the profits won't benefit immediately

Barlows remains less focused than, say, SAB, AVI, Malbak or Murray & Roberts It is, however, looking more structurally and financially sound, and holds market leadership in some key sectors If it can convince the market it will produce more consistent earnings during the Nineties, the share should be rated more favourably relative to the index But the economy will have to regain some life before the potential is fulfilled

Andrew McNulty

FM 20/11/92 (232)

PICKARD GROUP FM 20/11/92

Battle brewing

(232)

Are minorities getting a raw deal in the takeover bid announced last week between Powertech and Picaph and, by extension, with Picbel and Pichold (*Fox* November 13)? Some think so

There is no reason, says Cape Town attorney and shareholder spokesman Brett Kebble, for minorities to accept a huge discount on the price offered to the Pickard family "It is true," says Kebble, "that the minorities are not comfortable in the company of the Pickards, given the history of the group, but too much reliance is being placed on their desire to get out at any cost "

Kebble's starting point is the 80c a share Picaph minorities are being offered Powertech's adviser, Standard Merchant Bank, says this is a weighted average of the effective R1,21 the Pickard family is receiving for its 32% holding and the 54c to Pichold and Picbel minorities, who effectively account for another 61%

Jan Pickard jnr has told minorities, says Kebble, that his family is entitled to a premium, as it has to provide warranties on film schemes held in Picaph While such warranties could affect the Pickard family, Kebble can't see why minorities should be prejudiced this much for a contingent liability

Pickard responds "I did not tell minorities my family is entitled to a premium I think the offer is equitable considering the assets and liabilities being retained "

In any event, says Kebble, the warranties are limited to R3,5m on film schemes and 32% of any other liabilities up to R10m Given the discount at which Picaph is being bought, an effective 38,5% of stated NAV of 208c at end-June, it is difficult to understand what there is for the Pickards to warrant.

"That's not so," says Altron deputy chairman Charles Stride "For a start, the actual amount isn't known yet Second, the Commissioner (of Inland Revenue) has instructed that assessments should now be issued, ahead of the outcome of the test case being heard by the Special Income Tax Court, and interest is being added retrospectively In some cases, this amounts to 70% of the original tax amount Our concern is that the tax liability could eventually run to R15m "

The argument is wrapped up in an interpretation of how much each side is getting Powertech director Murray Coutts-Trotter is satisfied Powertech has entered into an equitable deal Kebble says that may be so for the family, but not for minorities

"The facts are," says Kebble, "that Powertech laid an offer on the table and the Pickards arrogated the right to decide how to divide it between themselves and minorities They have taken an unbelievable liberty in the way they've structured the deal "

Pickard calls this sour grapes. "Kebble was part of a consortium which, in May, came to an agreement with the family to offer minorities R7,50 per Picbel and R6 per Pichold. The consortium also agreed that the Pickards were to receive R1,60 per Picaph share What's more, the Pickards weren't required to provide any warranties "

That deal fell through, says Kebble, because it failed to satisfy a due diligence examination. "And we made certain that minorities were to be treated fairly That's not the case now."

Kebble adds that Pickard "has a remarkably short memory. Only a few weeks ago he told some of my colleagues that he agreed the offer to minorities was low and advised them to approach Powertech to raise it " Replies Pickard. "Some minorities are being offered more than 2,5 times their original purchase price "

Because the transaction can only be implemented by a scheme of arrangement (S311 of the Companies Act), 75% of minority shareholders will have to vote in favour And more than 25,5% are in the group dissatisfied with the transaction as it stands

"It is apparent," says Kebble, "that the Securities Regulation Panel (SRP) allowed this transaction only because it is a scheme that minorities can accept or reject But it is hard to understand how the SRP could have allowed such a disparity in the amounts offered different shareholders In effect, a different class of shareholders has been created This is a dangerous precedent "

However, Pickard says the deal won't go ahead unless an independent merchant bank — in this case, Absa — confirms the transaction is fair and reasonable to all shareholders

Kebble estimates the additional cost of paying minorities their dues will be of the order of R3,2m "In the sum of the transaction, minorities can hardly be accused of being difficult," he says "The Pickards have always been prepared to share their risk with minorities Why not now?"

It seems that larger issues may be at stake Market sources suggest that Picaph will be used by Powertech to embark on a rationalisation of the white goods industry and may seek to increase the company's already dominant market position in this area

Stride declined any comment on these aspects But a battle is certainly brewing

David Gleason

Court freeze on investors' R270m

Two Supreme holding firms may go under

B/DAY 20/11/92 (232)

PETER GALLI

ABOUT 6 000 debenture investors in unlisted companies Supreme Holdings and Supreme Investment Holdings could lose part of their combined R270m investments following the companies' provisional liquidation.

The provisional liquidation means interest payments on investors' debentures will cease and any capital repayment will not be made until a scheme of arrangement is implemented or a final liquidation order granted

The two unlisted companies are the holding companies for JSE-listed operating subsidiaries Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers (Profurn)

Effectively the two unlisted companies raised capital, through the issue of debentures — loans at a specified interest rate for a given period of time — to finance the group's activities.

In an interview yesterday chairman Edward Ronbeck said increasing suspicion of debenture investments, particularly after a recent investigation by the Harmful Business Practices Committee, had seen investor interest dry up

The resulting adverse publicity had led to many debenture holders requesting their investments be redeemed when they fell due. "This placed us under enormous cash-flow problems and we were unable to meet our financial obligations to debenture holders," he said.

However, committee chairman Prof Louise Tager said this was "utter nonsense" and that the committee's investigation could not be blamed as the report had not been publicly released and Supreme was just one of seven companies mentioned. "We were most concerned about the fact that debentures were being issued by an unlisted company that had no printed prospectus for investors who were therefore uninformed about the cash flow and other financial aspects of the company."

The Companies Act does not require a prospectus if a private placing is followed.

Ronbeck said the two companies held shares and loans in the three listed operating subsidiaries, but the developments should not have any effect on the latter.

"But if their creditors call in their debts and suppliers refuse to grant us further credit, these companies will also have to be placed in liquidation," he threatened.

He said negotiations were under way which could result in a bale-out, but declined to elaborate

Maurice Fluxman, senior partner at Moss-Morris which handled the liquidation application, said a scheme of agreement would possibly be proposed to debenture holders. A meeting of debenture holders was expected to be held next week, he said.

The return date for the provisional liquidation application is January 12.

MARCIA KLEIN reports that analysts said market expectations were that there could be a "house of cards" effect, toppling from the unlisted companies through to the listed operating companies

"Although there is some doubt as to what effect the liquidations will have on the listed companies, publicity surrounding the liquidations could cause nervousness among suppliers and clients," an analyst said.

□ To Page 2

Supreme

B/DAY 20/11/92 (232)

□ From Page 1

It is believed that the proposed liquidators, who have not yet been named, have indicated they would ensure that the operating companies continued to trade.

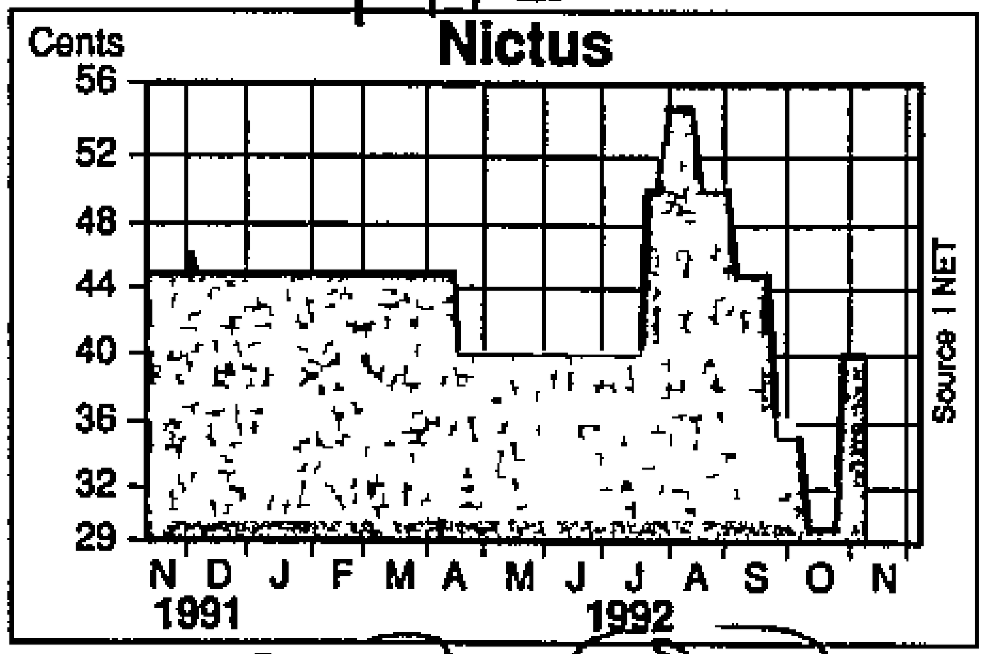
Profurn financial director Brian Rosenberg said Profurn was not in arrears and did not owe either of the unlisted companies money, and they had no claim against Profurn. He said Profurn would go to lengths to protect itself.

However, Ronbeck said Profurn's principal bankers had already agreed not to recall its loan

Many concerned investors yesterday questioned how such a situation could have been allowed to happen.

Tager said existing legislation was adequate but the public needed to be better informed and this could happen only if companies disclosed more.

FM 20/11/92



(232) ~~224~~

NICTUS FM 20/11/92 (232) ~~224~~

Multiple problems

Activities: *Furniture, motor and property interests in Namibia and SA*
Control: *Directors 49,9%*
Chairman: *P J de Witt Tromp, MD N C Tromp*
Capital structure: *7,1m ords Market capitalisation R2m*
Share market: *Price· 28c Yields 7,1% on dividend, 24,6% on earnings, p e ratio, 4,1, cover, 3,2 12-month high, 55c; low, 35c Trading volume last quarter, 34 000 shares*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	6,1	7,3	9,1	6,2
LT debt (Rm)	2,2	1,8	1,7	1,6
Debt equity ratio	1,0	1,2	1,3	0,92
Shareholders' interest	0,37	0,39	0,37	0,43
Int & leasing cover	0,69	0,77	1,17	1,32
Return on cap (%)	4,3	6,3	9,5	10,9
Turnover (% change)	12,1	0,22	(2,3)	9,8
Pre-int profit (Rm)	0,95	1,3	2,1	2,1
Earnings (c)	(6,8)	(4,9)	6,9	6,4
Dividends (c)	2,0	—	2,0	2,0
Net worth (c)	114 3	110,0	114,7	119 1

This Namibian retailer has suffered from a mixture of the effects of transition to independence, a poor economic environment and restructuring its businesses The four sectors are household furniture retailing (50% of turnover); motor retailing (30%), carpet retailing; and immovable property

Earnings and turnover chart an erratic path Despite a drop in turnover of 2,3% in 1991, earnings improved dramatically, thanks largely to a deferred tax credit, which represented more than a third of net income. According to MD Nico Tromp, there are no significant tax losses to carry forward from Namibian operations but there are from SA

In 1992 pre-tax profit rose 66% on a 9,8% increase in turnover and 10% fall in interest charges The only significant rise in operating costs was an increase of 50% in directors' salaries, taking managerial expenses to more than a quarter of total operating expenses

High gearing has made interest charges a perennial problem In 1992 net interest absorbed three-quarters of pre-interest profit, this has steadily been reduced from nearly 1,5 times pre-interest profit in 1989

Steps have been taken to reduce the cost of debt servicing Working capital has been pared from R14,4m to R11,3m, with falls in stocks and debtors This has allowed a cut in the debt.equity ratio to 92%, by a reduction of short-term debt. Gross cash flow has been turned around from a negative R400 000 in 1989 to a positive R570 000 in 1992, but still provides only 7% debt cover

The share price is a 76% discount to NAV The p e ratio, dividend yield and dividend cover are nominally attractive, but the risk remains high interest charges, low interest cover and tough market conditions

Volumes are low and the share traded within a price band of 30c-55c since early 1990; recently it fell to 28c Performance against the JSE Industrial Holdings index has been weak There is time to watch Nictus, since 1993 promises to be another period of consolidation Last month the share became the first listing on the new Namibian Stock Exchange, and this could attract more investment interest

Louise Randell

Stocks & Stocks shakeup

BDAY 20/11/92. (232) (82)

PETER GALLI

IN A move designed to increase the tradeability of its shares, construction group Stocks & Stocks Holdings (Holdings) would restructure its share capital by becoming a pyramid, group financial director Johan van Vuuren said yesterday

Subsidiary Stocks & Stocks Limited (Limited) will be restructured and listed. Holdings will sell its entire share capital and loans in its other subsidiaries in exchange for the entire new 80,46-million Limited shareholding

About 35% of the Limited shares will be allocated by the issue of 54 Limited shares for every 100 Holdings shares held, he said.

This will effectively make Holdings a pyramid company with its only asset being its 65% investment in Limited

"This will give Limited an adequate spread of shareholders to apply for a JSE listing, which will take place on December 7 if approved," he said.

It is hoped the new share price will list at about the same price as the Holdings share, which was untraded at its ruling price of 115c yesterday, barely off its October 29 low of 110c and down from its March 16 high of 235c.

The restructuring will be effective from May 1 this year to facilitate reporting and both companies will have identical net asset values, earnings and dividends a share.

"The mathematics of the arrangement has been done in such a way that Holdings and Limited will have identical net asset values, earnings and dividends and should therefore trade at similar prices," he said.

The net asset value of the Holdings share stands at 313c before restructuring, but will remain constant afterwards in the form of 203c in the 100 Holding shares and 110c in the 54 Limited shares.

"Shareholders will mathematically therefore be neither better nor worse off than before, but they will be more able to trade their shares," Van Vuuren said.

Shares equal to about 33% of the total group value will be released for trading Historically staff have been given shares in the company but these had been pooled and were only tradeable under certain conditions so that control remained with management and staff, he said.

However, this restricted the tradeability of the shares on the exchange "The new structure will allow employees to commit fewer shares to the pool while still entrenching control.

"Our ability to grow by way of issuing shares for strategic acquisitions will also be enhanced," Van Vuuren said

VEKTRA FM 20/11/92 232

Soon it'll be Varex

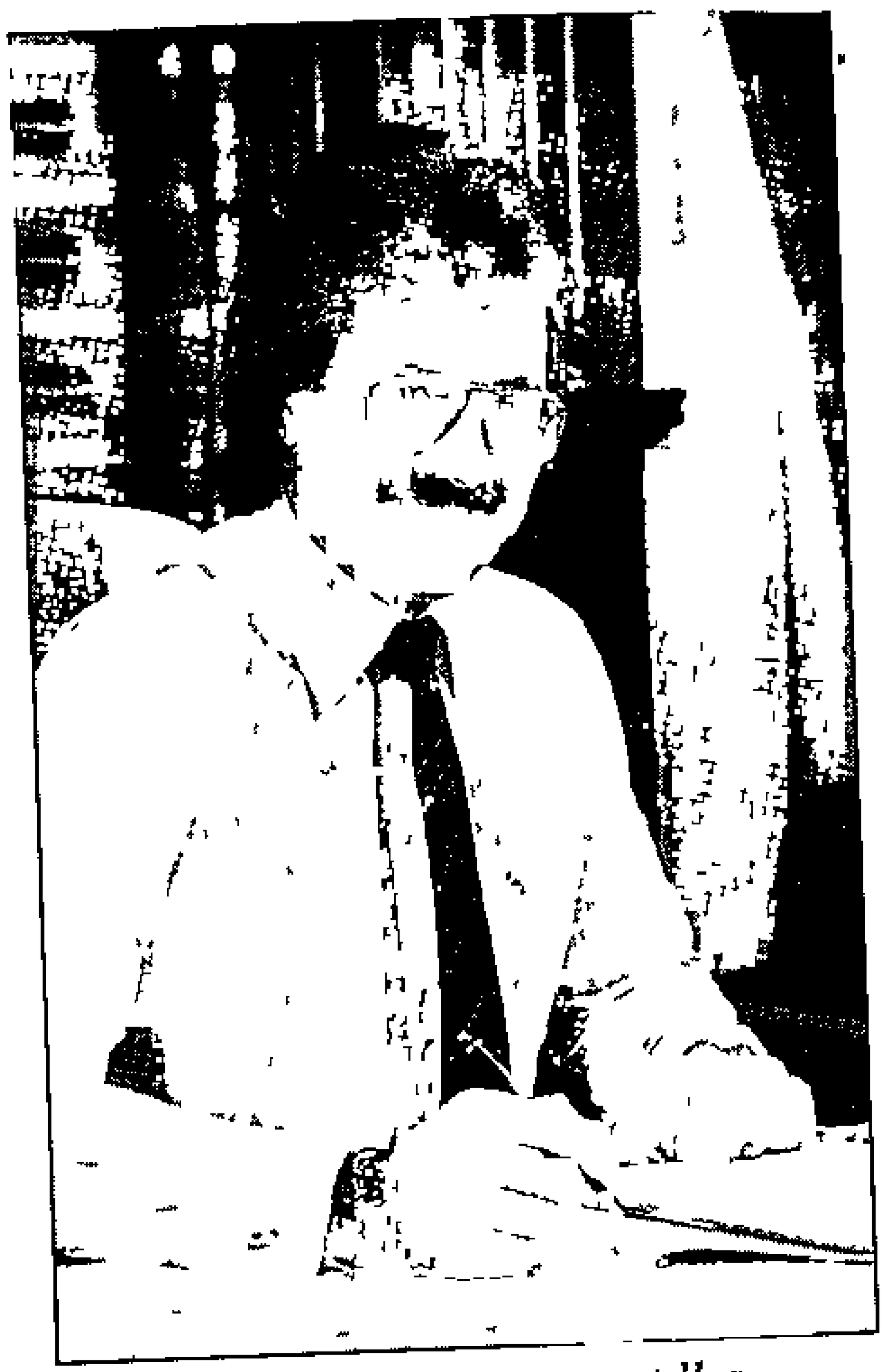
W&A chairman/CE Jeff Liebesman has consummated yet another deal in realising the next phase in the group's strategy And the market seems to be taking a more bullish view, as W&A has risen to 230c from 170c earlier this month, though it's still well below the 12-month high of 575c

The deal, involving subsidiary Vektra Plc, reinforces the concentration of management resources on W&A's four core business activities. automotive, consumer, maintenance and site services, and industrial

Vektra, in the automotive core activity and listed in London and Johannesburg, is to sell its Femo, V&R and Parts Centre replacement parts businesses to listed Eddies in a R106m transaction As the deal will be funded by the issue of Eddies paper, Vektra will take control of Eddies

In a related transaction Eddies is to acquire six Spareco outlets in the northern Transvaal region in a R12,5m deal, also to be funded through paper Liebesman stresses no debt or troubled operations are being taken over from Spareco The acquisitions are effective from March 1 1992

Eddies will be renamed Varex After the



W&A's Leibesman *still a live cautionary*

FM 20/11/92 232

acquisitions and conversion of 150m Varex debentures into ordinaries Vektra will hold 76,5% of Varex, up from 66% before the conversion Treating the debentures as equity, Varex will have gearing of about 25%

Vektra/Varex chairman Alan Schlesinger says the group, with a market capitalisation of roughly R105m (on both the ordinaries and convertible debentures), will focus on the distribution of nondiscretionary replacement parts, with 30 branches nationwide and projected annual sales more than R300m Midas, with sales of R284m in the 1992 year, will be a significant competitor

Vektra's remaining assets are its Williams Hunt, Delta and recently added Metro Nissan motor dealerships As another cautionary is still alive, there could be a further deal in the pipeline Though Liebesman won't comment, the market speculates this could relate to a foreign transaction

As Vektra accounted for only R2,3m of W&A's group earnings in 1991, the significance of the operation may be questionable Liebesman notes W&A received a further R7,3m from Vektra in 1991, as interest on convertible debentures Also, he says, Williams Hunt stands to improve its performance significantly in 1992

Last trade in Eddies shares was at 42c, giving a forward p e of roughly 7 times, according to Schlesinger Midas trades on a historical p.e of 9,5

William Gilfillan

COMPANIES

Reichmans lifts dividends

EDWARD WEST

IMPORT/export trade finance group Reichmans' net income increased marginally in the six months to end-September 1992, but preference dividend payouts more than doubled to R6,25m from R2,91m, today's published results show

The Investec subsidiary's operating income fell to R6,83m from R8,02m, but lower tax at R196 000 compared with R1,47m in 1991 boosted net income to R6,63m compared with R6,55m at the same time last year. BDAY 20/11/92

Dividends in respect of the group's listed preference dividends increased to R3,4m from R1,7m while the unlisted preference dividend payouts increased to R2,84m from R1,21m at the same time last year

Shareholders' funds climbed to R106,48 from R767,51m Long-term liabilities were lower at R4,26m from R5,3m Current liabilities fell to R214,61m from R266,6m The cash balance was R44,68m compared with R46,03m in 1991. 232

Directors reported that the preference dividend in respect of the listed shares covered a six-month period

MD Robert Jacobson said the recession had made the trading environment "inhospitable" and had resulted in the import volumes of the group's clients falling by 25% in the past six months. The group had been more careful in issuing business credit and bad debts were under control and on target, he added

Reichmans became a subsidiary of Investec in August 1991, entitling shareholders to convert ordinary shares into an equal number of 13,5% cumulative redeemable preference shares The listing of its ordinary shares was terminated in the same month. Preference shares were listed soon after

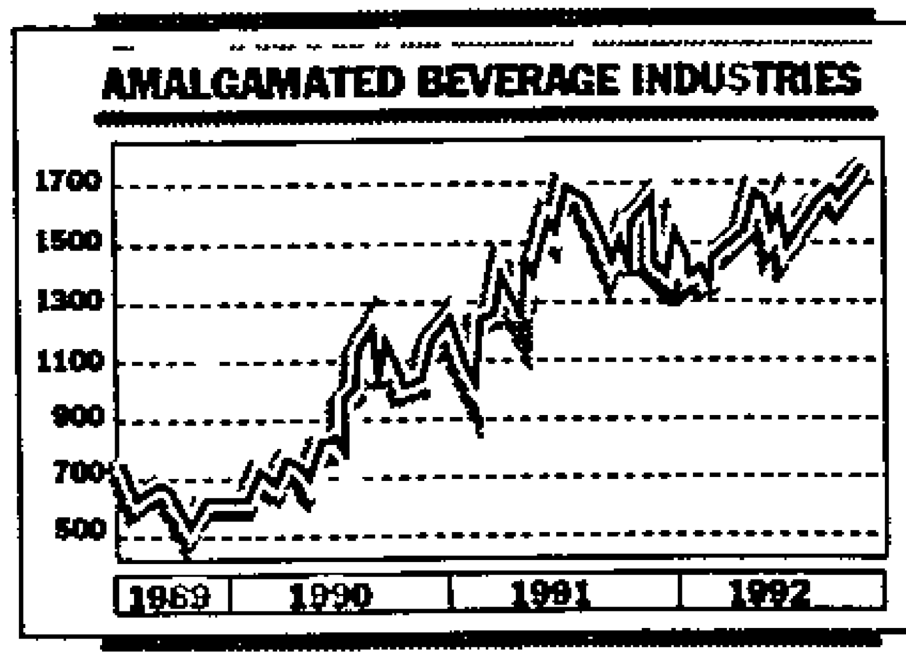
ABI sitting pretty with big, big Coke

S/Times (BUSS) 22/11/92.

EVERY man woman and child drinks the equivalent of two carbonated soft drinks (CSD) a day in America

This is more than a third of world consumption of soft drinks That America is No 1 is no surprise, but relatively small South Africa is among the top 10 largest Coke markets in the world, according to figures given at a presentation to the Investment Analysts Society by Amalgamated Beverage Industries (ABI) in Johannesburg this week.

ABI is by far the largest of seven SA bottlers and distributors of Coca-Cola and other soft drinks, such as Fanta, Sprite and Schweppes



Chairman Pete Lloyd says that SA consumption of soft drinks is 45 litres a person a year In Zimbabwe it is 21l and Namibia 19l.

But in places such as the former Soviet Union, Arab nations and India, Coca-Cola sales are negligible

ABI managing director Alex Reid hammers home the point if he were main competitor Pepsi, would he be interested in trying to re-enter the Southern African market where Coke is so firmly entrenched or would he look at potentially much larger, greenfields markets where no competitor has a foothold?

Coke has experienced management, excellent distribution, a variety of sizes and packaging, good advertising and a high profile among consumers

It's a daunting target for any challenger

Although they are tied to the Coke franchisor, distributors have sole rights within an area.

ABI has the most wealthy Pretoria, Witwatersrand and Durban regions

PETE LLOYD ABI pays a minimum wage of R1 600 a month

Coca-Cola and its bottlers are partners in development costs and market protection.

SA's non-alcoholic beverage market of 75-million hectolitres a year is dominated by tea and coffee. They have 72%, CSD 23%, and fruit juices and cordials share the rest.

But by value, CSDs account for two-thirds of the R4,7-billion-a-year business and tea and coffee only 17%

SA's CSD market has grown by a whopping 9% a year for 30 years and only twice has there been a contraction. in 1967 when excise duty was imposed and in 1986 when violence prevented adequate distribution.

Several factors influence Coke sales urbanisation, disposable income among rural populations and availability Even the weather is important. sales can vary by 30% between a cold, wet weekend and a hot, dry one.

Only 40% of annual sales are made in the six months April to September

ABI marketing director Mike Bind refers to the growth of the informal sector and the challenges of making available soft drinks

"A year ago, we found that the stores in the townships were often out of stock and there was a poor market infrastructure — few fridges and inexperienced traders," says Mr Bind

"Since then we have won 2 000 more customers by installing 283 strategic supply distributors — manned containers at central spots to help out vendors who have run out of stock — and putting in 1 250 coolers at shops.

"The containers have been turned into tuckshops and more than 80 have been launched. Ice plants have been installed at 26 wholesalers

"In addition, 7 000 bits of signage have been placed to promote Coke's multibillion-dollar trademark."

Mr Reid describes some of ABI's production plans, which include development of four mega-plants and separate distribution facilities Excess capacity, currently 30%, will be used up by the end of 1996

ABI's staff are well looked after Minimum wage is R1 600 a month and 60% live in their own homes.

In the past five years, ABI has gone from strength to strength on sound cash-flow management. Compound annual growth in profits is 30% a year (it chips in 6% to SA Breweries' profits) and return on equity tops 22%

When it was listed in June 1989, ABI's price-earnings ratio was eight, now it is more than 20

Mr Lloyd is not alarmed by this. ABI makes additional provision for depreciation and on a cash-equivalent basis the PE is more like 14 — "not overvalued, perhaps even slightly underrated", says Mr Lloyd

In the short term, ABI's prospects look fair in spite of the recession. In the longer run, Mr Lloyd says ABI should continue to provide steady, consistent and real growth in earnings and dividends

That is the real thing. The analysts left the presentation ruing the fact that lines of ABI shares are hard to come by Those that have them, including thousands of storekeepers who sell Coke, are firm holders even though paper profits are huge at a share price of R17 75

DIAGONAL STREET by Julie Walker

VAT, underused plants lift prices

(232) (BUSS) S/Times 22/11/92.

BARLOWS managing director Derek Cooper volunteers two possible solutions to one of the great mysteries of our time — every company reports squeezed profit margins, but prices continue to rise.

At a presentation of group results for the year to September, Mr Cooper suggested that VAT had been applied to food in particular over the past year, which had had a knock-on effect on prices.

Perhaps more pertinent was the underuse of capacity He estimated that many of Barlows' plants were running at only 60% of capacity

Clearly, unit costs are higher and so margins are squeezed from both ends.

In the year, SA's largest group showed a 10% rise in turnover to R35,1-billion. Operating profit before interest edged up 5% to R2,7-billion However, proceeds from the sale of Middelburg Steel & Alloys allowed for a lower interest bill.

"The money we received was not used simply to repay debt or kept at the centre of the group It was deployed throughout the group in the places where it could do the best work," says Mr Cooper

Investment income was up a quarter at R369-million. But fewer assessed losses were available against which to save tax. The Receiver's cut grew by a quarter to R800-million.

Barlows' earnings a share were 2% higher at 437,5c on a higher number of shares in issue. At the current R42,75, Barlows shares are close to double net asset value and on a historic price-earnings ratio of 9,8 The dividend was also 2% up at 173c, yielding 4%

The second half of the year was particularly tough because both the domestic and the international economies failed to rally

Working capital days moved out from 42 to 46 on several counts. drought necessitated big stocks at CG Smith Sugar at the end of September, Tiger Foods bought Colmans, Langeberg increased production and British subsidiary Bibby deliberately bought an overstocked, debtor-rich Finanzauto

Other deals that took place in the year included the Elmosa and Siemens Cables restructuring, the division of TSI into ISG and Persetech and a major restructure at Rand Mines

Mr Cooper scotches talk of a cloud over Rand Coal's prospects.

(It has had to cancel a large project with Eskom's Majuba power station because the coal body was faulted. Worse, some analysts believe coal will be sold at only $24/ton instead of $32)

Mr Cooper says supplying Eskom provides a comfortable buffer against adverse movements in the coal price and the rand's decline will compensate for dollar receipts, which he does not expect to fall that far

Food and pharmaceuticals fared best among the group's interests, Reunert performed strongly and the electronics pair did all right. Romatex recovered and Nampak grew well, Minerals Resources eased again, contributing perhaps to the demise of Rand Mines as a mining house.

Minerals nevertheless chipped in a quarter of attributable profit of R849-million.

Mr Cooper says Barlows is ready to go, but he cannot foresee an improvement in the economy in 1993 He hopes that earnings will be maintained, but acknowledges the difficulty At the very least, the dividend will be held.

I hope only that he is wrong about the economy

DEREK COOPER Eskom buffer

Sentrachem plays it safe

S/Times (BUSS) 22/11/92

SENTRACHEM chief executive John Job is taking care not to follow the poor example set by many SA companies that have expanded abroad.

Heads of agreement have been signed for Sentrachem's purchase of Australia's styrene and other chemicals producer Chemplex.

Controlled by Kerry Packer of cricket-promotion and media fame, the two Chemplex plants near Melbourne had sales of A$200-million (about R425-million) last year

Dr Job says that unless Sentrachem is satisfied by the findings of a due-diligence team of international accountants and its own technical experts, the deal will not go ahead.

If it does, Dr Job says that less than half of the purchase price — not yet disclosed — will be paid through financial rands. The rest will be funded from borrowings

"There are two hurdles to an SA company investing abroad. the financial rand and the higher price-earnings ratios. For us, the offset will be synergy between Sentrachem and the Australian company," he says.

In support of the decision to look abroad, Dr Job says Sentrachem needs to diversify

Buying opportunities are limited because most chemical plants are owned by multinationals.

The third reason is affordability — Chemplex is also debt-free, profitable and near the booming Pacific Rim Its product range and technology are akin to Sentrachem's.

PAC rules out takeover of big companies

232

ANG 23/11/92

GABORONE. — The Pan Africanist Congress has ruled out nationalisation of existing corporations but recommended "anti-trust legislation" as part of its economic redistribution programme.

"Due to a number of weaknesses of the traditional nationalisation measures, and as instruments of redistribution, nationalisation of existing corporations in the private hands was not recommended," the PAC said in a statement at the end of a three-day economic seminar in Gaborone.

The seminar recommended the redistribution of equity-ownership, introduction of anti-trust legislation and a redistribution of power and control to potential black managers.

On land, the meeting called for a redistribution of excess land owned by white farmers to the landless, saying buying land was politically unacceptable.

"For purposes of bringing about peace and stability, affected farmers . . would be compensated on their determinable investment in the excess land" — Sapa.

Supreme companies in debt talks

PETER GALLI

DIRECTORS of companies held by Supreme Holdings and Supreme Investment Holdings were involved in urgent discussions yesterday with financiers in an attempt to find a way of addressing a combined debenture debt of R270m.

The two companies hold JSE-listed operating subsidiaries Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers (Profurn).

Sources said that chairman Edward Ronbeck and directors of the listed companies were hoping the liquidators would recognise that, to realise the value of their loan accounts to the unlisted holding companies, their companies needed to keep trading.

232

About 6 000 debenture holders are at risk after the provisional liquidation of the two holding companies last week.

JSE chairman Roy Andersen said the exchange had called for a formal report on the financial position of the three companies.

"We have no grounds on which to suspend the shares at the moment and are awaiting the report before taking a decision," he said.

Supreme Industrial and Supreme Manufacturing were untraded on Friday. Profurn saw 30 000 shares trade in two deals at its ruling price and annual low of 14c.

Friday's Government Gazette announced that the business practices committee was conducting an investigation into Supreme Industrial Investments.

A preliminary investigation had been looking into the business practices of the Supreme Group of companies since April

To Page 2

23/11/92

Supreme

23/11/92

232

From Page 1

27 1992 to determine whether further formal investigation in terms of the Harmful Business Practices Act was justified, committee chairman Louise Tager said.

"On October 27 we became aware that Supreme Industrial Investments was issuing a prospectus with a view to canvassing R80m from the public. The committee was not satisfied with the means of financing and decided that a notice of the investigation would be given in Friday's Government Gazette," she said.

An investor claimed that in order to keep existing investors and attract others, unlisted Supreme Holdings apparently told investors that it was financially sound.

The investor, who declined to be named, said she had become nervous about the security of her investment and had insisted the company furnish her with a letter detailing its financial position.

The letter, issued in August, said the company was in a sound financial position and that profits had been extremely high. On this basis, the woman reinvested about R500 000 and recently increased this by a further R100 000.

Weekend reports said the matter was under investigation by the police and Reserve Bank for possible contravention of the Deposit-Taking Institutions Act.

Syfrets GM Ollie Atkins said yesterday the public should exercise extreme caution before ploughing their savings into investment schemes yielding higher than average rates of return.

Investors should ensure they were aware of the nature of the lending organisation, its financial expertise, resources and the ultimate backing. Equally important were the statutory controls governing the organisation, he said.

Price Forbes buys insurance broker

232

ANDREW KRUMM

THE Price Forbes Group (PFG) has bought 100% of SA's seventh largest insurance broking house, Willis Faber Enthoven (WFE), for an undisclosed sum, PFG MD Paul Heinamann said at the weekend.

Heinamann said the deal was concluded on Thursday and backdated to July 1, but he would not disclose the price.

One of the other major parties to the deal, Safren CE Buddy Hawton, said: "The asking price was not material as far as Safren was concerned." BIDAY

PFG acquired 60% of WFE's share-capital from Safren and the other 40% from WFE's UK-based shareholder Willis Corroon group — one of the world's larger insurance and reinsurance brokerages.

Hawton said an attractive offer plus the fact that broking was not a core part of Safren's business had tipped the scales in favour of the sale 23/11/92

Meanwhile, Heinamann said the acquisition held strategic advantages for PFG, and added that it did not involve any changes to PFG shareholdings

"The acquisition has strategic advantages for the Price Forbes Group and will add to our strength. We have always been a service orientated group and I assure the clients of both companies that their interests remain paramount."

Heinamann said WFE would not change its name yet and WFE's management team would remain unchanged.

RMBH looks for top share rating

BDAY 24/11/92 (232)

SHARON WOOD

RAND Merchant Bank Holdings (RMBH) expects a premium rating for its 55-million shares when the group's financial services are listed on the insurance sector of the JSE tomorrow

RMBH shares traded at 850c in the secondary market prior to the announcement of its listing. At an analysts' presentation yesterday, MD Paul Harris said improved tradeability resulting from the listing was expected to enhance the share's rating

The listing was not aimed at raising funds but to make shares available for the broader investment community. It would, however, provide an avenue for funding if future investment opportunities arose.

Prospects within RMB augured well, he said, because banking margins had widened considerably. If bad debts could be kept to the level of previous years, the banking division should be able to repeat its good performance

The fee-earning divisions also had sufficient work in progress to make a meaningful contribution to the bank's profits during the year

Forecast growth in net income for RMBH during 1993 was 18% to R40m, with earnings a share of 72,6c, up 17,7% on the previous year, and a dividend of 31,2c, up 20%.

The forecast was based on expected growth in Momentum Life's earnings of 15% and in RMB's earnings of 20%. Earnings a share had grown at a minimum of 20% during the past 14 years

The bulk of the group's assets were in the assurance business RMBH would thus be listed in the insurance sector The share was expected to list at a price which yielded a rating between the rating given to the insurance sector and to the banking sector

Momentum chairman Laurie Dippenaar was optimistic that extensive restructuring and downsizing at Momentum would result in a small positive contribution from the assurance company to profits by 1994, from the previous loss.

Momentum had cut back significantly on unprofitable wholesale group funds, resulting in a reduction in its staff from 105 to 40. The strategic plan for its retail sector was still being developed and would probably be completed by next February

The restructuring of Momentum would result in five clearly focused and separate divisions which included the life assurance company, RMB, RMB Asset Management, Momentum Health and a property management company.

"The joining of forces between RMB and Momentum Life will create a sound and well-rounded financial services group," Harris said This had always been the objective of the group, he noted

When deputy chairman G T Ferreira was asked whether there was a ceiling to the group's profit growth, he said the group would probably continue to deliver real returns in the future.

Supreme meets liquidators

BDM 24/11/92

(232)

PETER GALLI

THE liquidators of Supreme Holdings met directors from the unlisted holding companies and from the listed operating companies yesterday, as market doubts grew about the listed subsidiaries' ability to continue to trade

A spokesman for the liquidators, Westrust, confirmed the meeting had taken place but said it was too early to comment He said a meeting of debenture holders had not yet been called, but soon would be.

A source close to the company said a number of proposals had already been submitted to the liquidators and a proposal to debenture holders was expected soon

The JSE said yesterday the liquidators had assured it that a financial report on the three listed companies would be submitted within the next few days The exchange had decided not to suspend their shares until such a report had been issued

Investment analysts have expressed concern over two of Supreme's subsidiaries, Protea Furnishers (Profurn) and Supreme Industrial Holdings (SIH)

According to its end-1991 annual report, SIH owed its unlisted parent company R65,43m which did not have to be repaid before end-1992 The loans were secured by a cession of book debts and notarial bonds over moveable assets in respect of subsidiaries And at end-1991 Profurn owed SIH R49,31m, also secured by a cession of book debts at interest of 3% above prime The capital portion again remained fixed until the year-end, whereafter the terms would be reviewed

SIH was owed R1,1m by its other subsidiary, Supreme Manufacturing Holdings

At end-1991 Profurn had net current assets of R97,4m Its current assets of

To Page 2

Supreme

BDM 24/11/92

(232)

From Page 1

R129,9m consisted largely of a debtors' book of R114,1m, R11,8m of stock and cash of R4m Current liabilities were R32,5m

SIH's end-1991 group net current assets stood at R118,7m, consisting of debtors of R131,9m, stocks of R25m, cash of R4,9m and a short-term loan of R7,8m Current liabilities totalled R51,08m

Profurn financial director Brian Rosenberg said it would not be in the interests of the debenture holders for the liquidators to urge that Protea stop trading

"Protea's value lies not in stock owned but in stock sold — and its substantial and good quality debtors' book This debtors' book is of value within our present trading situation.

"It is well known that when any retailer stops trading, its debtors' book becomes high risk and outstanding money is expensive and time-consuming to collect," he said

None of the shares was traded on the day, but SIH saw a seller at 80c, 55c down on its December 11 1991 low of 135c The share last traded on April 16 at 160c

JSE gets tough on late reporting

MERVYN HARRIS 232

THE JSE is to adopt a tougher stance towards companies that fail to inform shareholders and the investing public fully and timeously of their financial affairs

Companies that do not produce interim reports and provisional annual financial statements within three months after the end of the financial period — and annual statements within six months — will be given one month's grace to do so before their listings are suspended

The suspension will remain in force until the relevant financial disclosures have been made BDAY

Companies that continually fail to make disclosures could be delisted

In the case of interim and preliminary annual reports, the JSE will publish an announcement during the period of grace, advising shareholders and investors of the situation 25/11/92

Where annual financial statements are overdue, those securities will be appropriately annotated on the trading floor

The JSE said in a statement yesterday that the introduction of the additional procedures was to ensure the maintenance of a fair, and orderly equity market

The procedures will be effective from January 4 next year and will apply to companies required to report to shareholders on or before December 31 this year

Market sources said yesterday that the move by the exchange followed several complaints being laid with the JSE on late company reports

"Up to now, some companies have been ignoring the rules and reporting at their leisure," one source said

Low vehicle sales slow down JSE motor sector

25/11/92 232

EDWARD WEST

SHARES in the JSE's motor sector were mostly trading close to their lows, indicating low vehicle sales and little demand, analysts said yesterday

They described the shares as generally untradeable and cyclical in relation to economic conditions, attracting little institutional interest because market capitalisations were small

Many stockbroking firms said they rarely researched companies listed in the motor sector because the low level of trade did not warrant it

Toyota, with 40,7-million ordinary shares in issue, and Gentyre, with 15,6-million , were the most highly rated in the sector in terms of market capitalisation

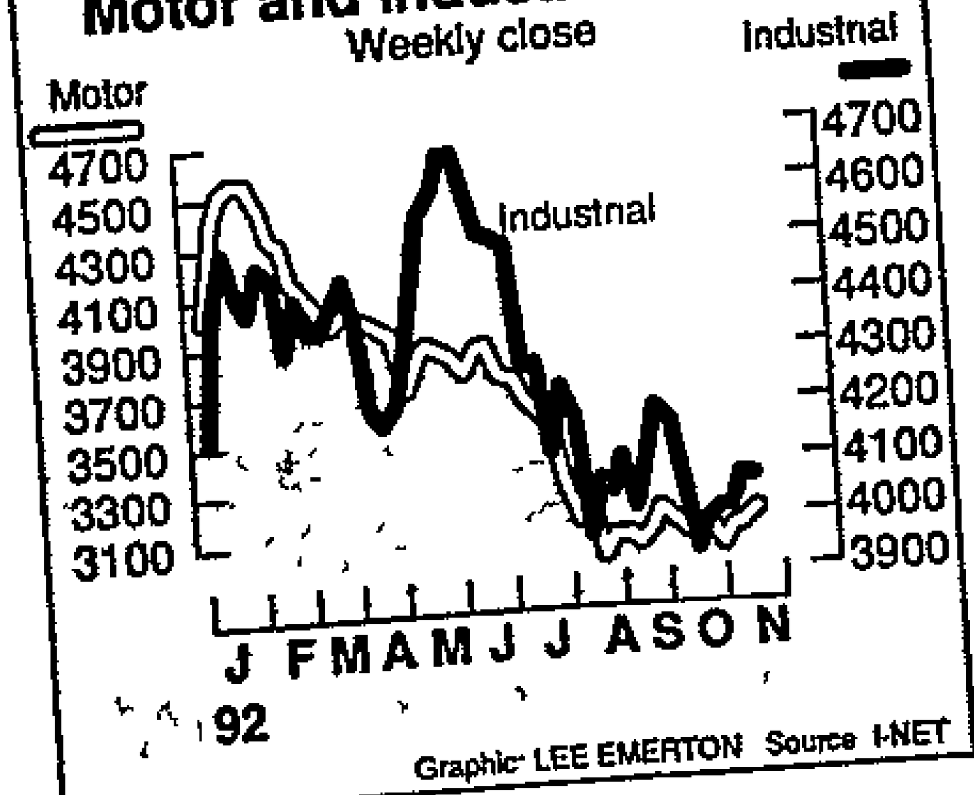
Toyota traded at its annual low of 1 900c yesterday, off its high of 3 000c on January 21 and Gentyre was untraded at 2 000c, 500c off its high of 2 700c on February 4

Prospects for Toyota improved since it recovered from a mid-year strike to regain market leadership

In the six months to-end June 1992 Gentrye's profit slipped to 179c a share compared with 186c at the same period a year back However, management was confident that measures taken to improve efficiency and to expand local and export markets would produce creditable results for the year as a whole, analysts said

The only other tyre company in the sector is Tiger Wheels, with the remainder involved mainly with the motor retail sector, the profits of which depend on annual vehicle sales The National Association of Automobile Manufacturers of SA forecast 1992 car sales at 181 000, over 8% fewer than the 197 736 in 1991 Naamsa also forecast car sales would not breach 1991 levels before the end of 1994

Motor and industrial indices



Graphic: LEE EMERTON Source I-NET

Tiger Wheels, with 30-million shares in issue and which in the past financial year nearly doubled earnings, plans to maintain its present performance this year if trading conditions do not worsen significantly

Motor retailers in the sector include Martin Jonker Motors (MJM), Brian Porter Holdings (BPH), Combined Motor Holdings (CMH) and Urquhart Motors

Nissan vehicle trader MJM is planning a R4m rights issue and believes prospects for the year are good if there are no industry labour disruptions Its share saw little trade and was unchanged for more than a year at 40c yesterday

CMH reported earnings down by 27% in the six months to end-September 1992 compared with the same period a year previously, but both its Nissan and Toyota dealerships expect improved results in the second half Its share dropped to 70c on Monday from 75c

Urquhart Motors' earnings fell by just more than half in the year to end-June 1992, while BPH's earnings shrank by just under a fifth in the year ended June 30 1992

Nedcor shares are re-rated

232 SHARON WOOD

NEDCOR's share price has been re-rated by the market following good year-end results, rising R1 to R15,50 in the past month.

Analysts said concern about the Perm's township exposure and the cost of a new computer system had been largely dispelled.

Davis, Borkum, Hare & Co banking analyst Graham Baillie said the market now understood the banking group better.

However, institutional shareholders were already fully weighted with bank shares after FNB and Standard Bank rights and scrip dividend offers. Baillie believed the share price would not have as much upward potential as it should. B/DAY 25/11/92

Baillie said: "Banks have reached the peak of their profitability cycle. Interest rates have come off and the wide interest margins have declined."

However, he expected banking sector shares to remain superior to industrial sector shares.

'Single price best for units'

LINDA ENSOR

CAPE TOWN — The SA unit trust industry should consider introducing a single price for units to replace present buy and sell prices, says Syfrets unit trust marketing manager Kevin Hinton

Speaking on his return from an international unit trust conference in Britain, he said a single price would simplify calculation of returns and exclude administration and other costs These could be charged separately at the beginning or the end of the investment period BDM 25/11/92

An advantage of imposing charges at the end of the period was that the initial capital would remain intact to earn a greater return for the unitholder

Hinton said there had been a trend towards a single pricing system in the US and Europe

The UK industry, hampered by hybrid pricing structures and complicated legislation, had failed to develop a spread of different products and had not diversified away from equities, he said About 97,3% of the $52bn invested in unit trusts were in equities, compared with only 2,7% in bonds

In the $4 trillion US unit trust industry, 32,7% was invested in bonds, 40,1% in the money market and 27,2% in equities (232)

In Germany, the preference was towards low-risk, secure bond investments and there were 500 bond funds

After the US, France had the second largest unit trust industry valued at DM696bn, 67% of it state controlled

Hinton said this had been fuelled by the move of savings away from the highly taxed banking sector

Plea for suppliers to support Supreme

BDM 25/11/92

(188) (232)

PETER GALLI

THE provisional liquidators of Supreme Holdings and Supreme Investment Holdings appealed yesterday to suppliers and creditors not to pull the plug on the three listed operating subsidiaries

The two companies hold JSE-listed Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers (Profurn)

Directors of the subsidiaries told the liquidators their operations were viable and would continue to trade profitably provided suppliers continued to furnish goods in accordance with their normal terms

If they stopped deliveries, substantial profits could be lost over the Christmas season

The Master of the Supreme Court Tommy Bell instructed liquidators not to take any steps to liquidate the subsidiaries without his permission.

A director of these companies told the liquidators there were possible buyers for the companies as going concerns

The liquidators said "We believe the interest of debenture holders, other creditors and interested parties would be best served by allowing the operations of the subsidiaries to continue in the normal way to maximise profits, particularly over the Christmas season."

One of the liquidators, Les Cohen of Westrust, said serious consideration would be given to maintaining the operating companies as going concerns.

Peter Goldhawk of the corporate services division of Coopers Theron du Toit had been appointed to establish the net worth and viability of the subsidiaries

The liquidators would attempt to discover where the R270m in debenture funding had been placed.

They said major bankers and shippers involved with the operating companies were willing to continue as long as the suppliers continued to co-operate.

Supreme Group chairman Edward Ronbeck said another of its unlisted subsidiaries, Supreme Participation Mortgage Managers, did not form part of the Supreme Group and therefore was not involved.

The liquidators believed an announcement would be made fairly soon on the proceedings but, they said, it would be some time before debenture holders received their money.

Richemont unable to check the slide

BDAY 26/11/92 (232)

MERVYN HARRIS

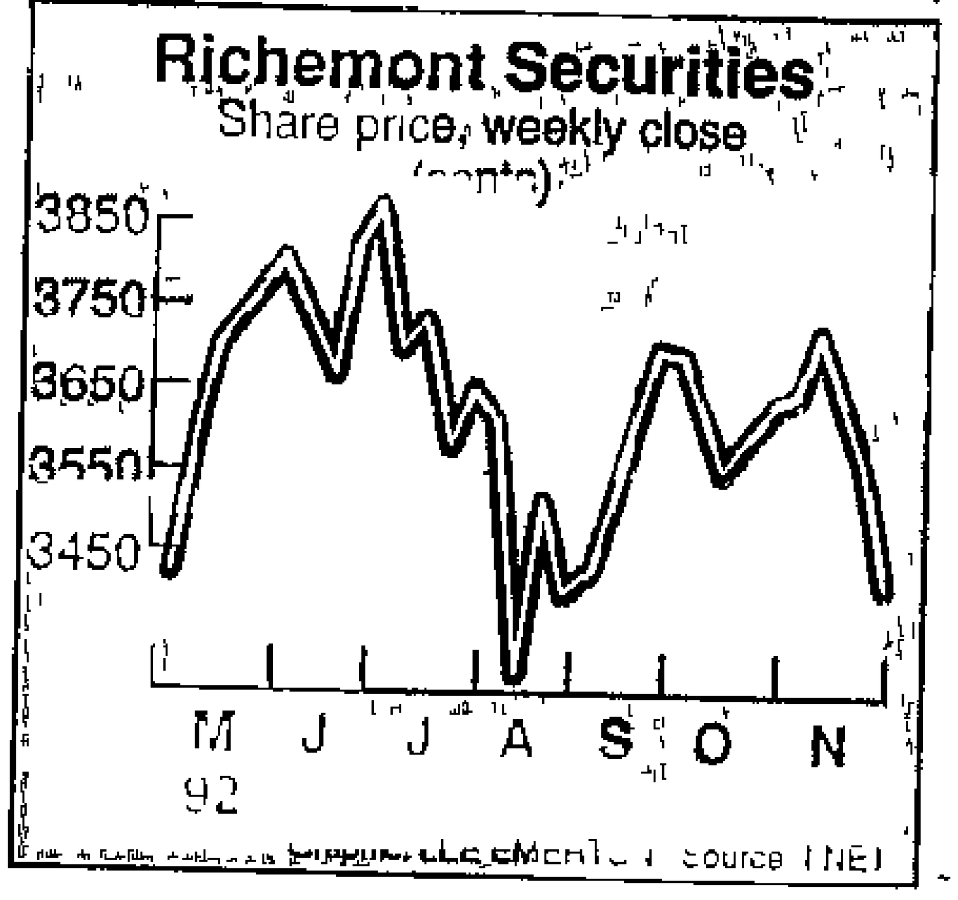
RICHEMONT Securities yesterday confirmed market expectations of disappointing interim results, with earnings continuing their downward slide of recent years

The Swiss-based overseas vehicle of the Rupert and Herzog families reported a 0,6% increase in earnings to £15,26 a unit (£15,17) for the six months to end-September. This translates into an earnings decline of 7,6% in rand terms to 69,74c from 74,9c in the same period last year

The share came under renewed pressure on the JSE yesterday, tumbling 5,3% or 190c to close at R33,70 in heavy trade Shares worth more than R17m changed hands in almost 200 deals

Directors said higher average sterling exchange rates against the US, Canadian and Australian currencies in the period preceding sterling's depreciation and withdrawal from the ERM reduced profit before tax by £4,9m to £279,4m and attributable profit by £1,4m

Operating profit increased 2,1% to £266,8m (£261,2) on a 1% increase in net sales revenue to £1,5bn Growth in tobacco operating profit of 6,3% to £191,5m (£180,1m) was partly offset by a 4,5% decline in operating profit from luxury products to £76,7m (£80,3m).



Operating profit outside the core businesses of Dunhill and Cartier was hit by the cost of developing associated undertak-

□ To Page 2

Richemont

BDAY 26/11/92 (232)

□ From Page 1

ings, but the previous loss of £5m declined to £3,6m.

Net interest receivable and similar items fell by £11,7m to £12,6m, pushing down profit before tax by 2,1% to £279,4m (£285,5m) But profit attributable to minority interests fell from £93,1m to £88,9m, mainly due to sharply reduced tobacco profits in the group's Australian subsidiary Rothmans Holdings.

These factors enabled attributable profit to rise by 0,6% to £87,6m (£87,1m). An pre-extraordinary item of £33,7m in the previous year represented the gain realised in the sale of the group's investment in Trans-Atlantic Holdings.

Analysts said while profits from luxury products were expected to decline in the wake of the global recession, there should have been more growth from the tobacco sector

However, some analysts said the results were disappointing only in the light of high expectations from Richemont; against the economic background, the results could be viewed as reasonably satisfactory

The results reflected a continued downturn in earnings from growth of 38% in 1989 and 1990, 21% in 1991 and 11,3% in 1992

Yesterday's fall in the share price takes its decline to 7,6% this week and to 13,5% from the June peak of R39

● See Page 9

Supreme debenture scheme comes under investigation

BIDAY 26/11/92

(237)

PETER GALLI

THE liquidators of unlisted Supreme Holdings and Supreme Investment Holdings said yesterday they would be examining the debenture scheme operated by the Supreme group to establish whether there had been contraventions of the Deposit-Taking Institutions Act.

"We will be looking also at whether any personal liability attaches to any directors or officers with regard to the conduct and activities of the Supreme group," said joint provisional liquidator Oliver Powell of Kessel Feinstein Trust.

The liquidators had been holding meetings with management, suppliers and creditors of the various trading and manufacturing subsidiary companies to ensure that, pending a viability study of the operations, none of the trading or manufacturing activities were disrupted

The JSE-listed operating companies are Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers (Profurn).

"Once the report on the viability of these companies is received, we will consider various options and alternatives of reorganising and/or selling them to ensure that the interests of the debenture holders are best served," he said.

These options are believed to include issuing equity in these listed companies to service their debt or the sale of the group as a going concern.

Profurn financial director Brian Rosenberg confirmed that the company and the liquidators had met yesterday with its suppliers to reassure them of its viability.

"The majority of our suppliers indicated their continued support," he said.

Supreme Industrial Holdings' consolidated long-term debt to Supreme Holdings was R65,43m. This debt included SIH's R49,3m loan to its subsidiary, Profurn, Rosenberg said.

Profurn yesterday lost 3c or 21,4% to 11c a share when 105 105 shares traded in four deals. Supreme Industrial Holdings reflected a seller at 60c, 100c off its last traded price of 160c.

THABO SAYS

Investing in unit trusts

Sowetan 26/11/92

OVER THE YEARS, the majority of investors have associated the Stock Exchange with risk, but that perception is gradually changing as unit trusts investments gain popularity.

Unit trusts have become an established savings and investment vehicle which have proved to be a reliable hedge against capital and income inflation.

Degree of flexibility

If you compare other investments such as property and interest bearing investments, unit trusts offer you a large degree of flexibility and tax efficiency which makes them particularly attractive.

Not all unit trusts are an investment in the Stock Exchange, but the most common are, and therefore are subjected to the volatility of the stock market. Over the years unit trusts have outperformed inflation more consistently than almost any other investment, but you must be advised to treat them as long-term investments.

The biggest advantage in investing in unit trusts is that it enables many average investors to pool their capital for investment on the Stock Exchange, thereby obtaining a spread which they would not achieve individually.

Professionally managed

The funds are managed by professionals with more expertise, experience, analysis and information available to them

The flexibility of unit trusts which is an important feature allows you to access your funds within a short time, vary the amounts you invest or cease payments for a period should the need arise without affecting the inherent value of your investment.

21 232

Easy access

The flexibility of unit trusts, which is an important feature, allows you to access your funds within a short time, vary the amounts you invest or cease payments for a period should the need arise without affecting the inherent value of your investment.

The flexibility of the fund also gives you the opportunity to switch your investment into different portfolios to suit your individual changing objectives at a relatively low cost. Unlike endowment policies, unit trusts can be monitored on a daily basis, therefore you are able to know the value and the performance of your investment at any given time.

Interest well protected

You can rest assured that your interest is well protected. Under the present regulations, the management company must have minimum capital of R2 million and must itself maintain an investment of at least 10% of the trust's units, with a maximum of R1 million.

The industry is regulated and controlled in terms of the Unit Trust Control Act.

There are three broad categories of unit trusts you can invest in to suit your needs and circumstances, i.e. General Equity Funds, Income and Gilt Funds and Specialist Unit Funds. Depending on the category you choose, and the management company, you can start building up your portfolio from as little as R25,00 per month

— (*Thabo Sithenjwa is a member of Syfrets Investment Management Division*)

Reserve Bank puts paid to Dundee offer for Knights shares

STAR 26/11/92. (232)

By Derek Tommey

The Reserve Bank has refused permission for the Bermuda-based Dundee International to go ahead with its plan to form a company holding shares in Knights and the American Homestake gold mine and list it on the Johannesburg and London stock exchanges.

The plan involved Knights shareholders resident in the South African monetary area receiving depository receipts representing an indirect interest in the equivalent Dundee International shares.

Dundee International president Robert Buchan said last night that the Reserve Bank's decision came as a complete surprise.

As a result, Dundee International has withdrawn its offer for all the shares of Knights Gold Mining which it does not hold.

Dundee International, is a subsidiary of Canadian firm Dundee Bancorp.

In a statement last night it said that it had become clear from discussions with the Reserve Bank that the proposed bid would not be permitted under current control guidelines.

The Reserve Bank also told Dundee International that it no longer permitted new listings of non-South African companies on the Johannesburg Stock Exchange.

Dundee Bancorp acquired 26 percent of Knights' outstanding shares earlier this year following the merger of Waverley Gold Mine and Simmer and Jack Mine into Knights

Parties react to report on urbanisation

STAR 26/10/92.

(235)

Staff Reporter and Sapa

The report on urbanisation by the President's Council (PC) yesterday met with mixed reaction from political parties on the Left and Right of the parliamentary spectrum

The report, released in Cape Town on Tuesday, identifies squatting and related matters as the most important and urgent urbanisation problems facing South Africa

The Conservative Party said the greatest single factor contributing to squatting was the Government's "lack of purpose and insight"

Speaking in the debate on the PC's report yesterday, CP nominee C M Oosthuysen said a perception had been created that nothing could be done about the tempo of urbanisation — or, in other words, squatting

"One might have hoped for a thorough and solidly based document, with comprehensive and well-thought-out recommendations," said Oosthuysen But, he said, the English text was too full of "coulds" and "probablys" to meet these expectations

Democratic Party nominee David Gant said South Africans had to stop making plans for urbanisation and use the work that had already been done.

Gant said the country was running out of time and space to solve the problems created by past policies

"What we need now is a government that has the will, the guts, the vision, the foresight and the national interest at heart to get on with the job and help the country create the great metropolitan market that our future cities represent"

He said that about 3 million new dwelling units would be needed by the year 2000, equivalent to the construction of more than 1 000 units a working day

"The annual cost of erecting these homes would exceed R7 billion," Gant said. "Current methods of funding, even if sustained, would supply barely 25 percent of this need."

3. By the addition of the words "—HALLS ONLY" at the end of the heading of item 3.
4. By the addition after item 3 of the following:
   "4. *General provisions applicable to the tariff of charges—Lapa only:*
   (1) The lapa shall be let and used as a unit only.
   (2) No rebate shall be made to any hirer of the lapa save when the lapa is used for official functions arranged by the Council or the Mayor when no charges shall be payable.
   (3) For the purposes hereof 'day' shall mean the period from 09:00 until 02 00 exclusive of Mondays and religious public holidays on which days the lapa will be closed as provided for in Chapter 2 of the by-laws.
   (4) A hirer shall be allowed to use the lapa on the day before his function for preparation at the payment of half the normal charges provided in this tariff save when the lapa is let for another function on that day.
   (5) The cutlery store is reserved for the exclusive use of the Council and for purposes hereof does not form part of the area let to the hirer.

A. W. HEYNEKE,
Town Clerk.
Civic Centre
Cross Street
GERMISTON.
13 November 1992.
(Notice No. 209/1992)
(27 November 1992)

3. Deur aan die einde van die opskrif van item 3 die volgende woorde by te voeg "—SALE ALLEENLIK".
4. Deur die volgende na item 3 by te voeg:
   "4 *Algemene bepalings van toepassing op die tarief van gelde—Lapa alleenlik:*
   (1) Die lapa sal slegs as 'n eenheid verhuur en gebruik word.
   (2) Geen korting sal aan enige huurder van die lapa toegestaan word nie, behalwe wanneer die lapa gebruik word vir amptelike funksies aangebied deur die Raad of Burgemeester in welke geval geen gelde betaalbaar is nie.
   (3) Vir doeleindes hiervan sal 'dag' beteken die tydperk vanaf 09.00 tot 02:00 uitgeslote Maandae en godsdienstige vakansiedae op welke dae die lapa gesluit sal wees soos bepaal in Hoofstuk 2 van die verordeninge.
   (4) 'n Huurder sal toegelaat word om die lapa op die dag voor die dag van sy funksie vir voorbereiding te gebruik teen betaling van die helfte van die normale gelde neergelê soos voorsien in hierdie tariewe behalwe as die lapa op daardie dag vir 'n ander funksie verhuur word.
   (5) Die eetgereistoor is gereserveer vir die eksklusiewe gebruik deur die Raad en vir doeleindes hiervan vorm dit nie deel van die area wat aan die huurder verhuur word nie.".

A. W. HEYNEKE,
Stadsklerk.
Burgersentrum
Cross-straat
GERMISTON.
13 November 1992.
(Kennisgewing No. 209/1992)
(27 November 1992)

BOARD NOTICE 338 OF 1992

FINANCIAL SERVICES BOARD 232

THE JOHANNESBURG STOCK EXCHANGE

NOTICE REGARDING AMENDMENT OF RULES

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), it is hereby notified that the Johannesburg Stock Exchange has applied to the Registrar of Stock Exchanges for approval to make amendment to its rules, as set forth in the Schedule hereto
2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Stock Exchange) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the **Registrar of Stock Exchanges, Private Bag X238, Pretoria, 0001,** within a period of ***30 days*** from the date of publication of this notice.

RAADSKENNISGEWING 338 VAN 1992

RAAD OP FINANSIËLE DIENSTE

DIE JOHANNESBURGSE EFFEKTEBEURS

KENNISGEWING BETREFFENDE WYSIGING VAN REELS

1 Ingevolge artikel 12 (6) van die Wet op Beheer van Effektebeurse, 1985 (Wet No. 1 van 1985), word hierby bekendgemaak dat die Johannesburgse Effektebeurs by die Registrateur van Effektebeurse aansoek gedoen het om goedkeuring om sy reels te wysig, soos in die Bylae hiervan uiteengesit.

2. Ingevolge artikel 12 (7) van genoemde Wet word alle belanghebbendes (uitgesonderd lede van die Effektebeurs) wat beswaar het teen die voorgestelde wysigings, hierby versoek om hul besware binne 'n tydperk van ***30 dae*** vanaf die datum van publikasie van hierdie kennisgewing by die **Registrateur van Effektebeurse, Privaatsak X238, Pretoria, 0001,** in te dien.

SCHEDULE

232

GENERAL EXPLANATORY NOTES

1. Words in square brackets ([ ]) indicate omissions from existing rules.
2. Words underlined with solid line (——) indicate insertions in existing rules.

PROPOSED AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 3.280

Disciplinary matters—contraventions of Act, Rules, etc.:

3.280.6 The Committee may, at its discretion, decide that a special audit of a broking firm be conducted, either by the Inspectorate Department itself or in conjunction with an auditing firm nominated by it.

3.280.6.1 The charges for the special audit shall be for the account of the broking firm concerned, but the Committee shall, if necessary, abate the charges in the light of the outcome of the special audit.

3.280.6.2 The costs to be levied by the Inspectorate Department shall be based on the time charged out at 125% of the prevailing rates chargeable by Chartered Accountants for work done on behalf of the Auditor General

2. PROPOSED AMENDMENT OF RULE 4.70

Clerks and clerkships

4.70.1 4 Notwithstanding the provisions of 4.70 1.3 a clerk may transfer from one broking firm to another provided a satisfactory letter is received in terms of 4.70.4.3 and provided further, that a notice of transfer is immediately posted on the Stock Exchange Notice Board. Such a transfer shall only be permitted within seven days of the withdrawal of a clerk

3. PROPOSED AMENDMENT OF RULE 5.190

Trading procedures—Dealings on the trading floor and elsewhere:

5.190.2 2 No broking firm shall trade or participate in any transaction in a listed security during trading hours unless such business has on that day been exposed to the trading floor [,] by the recording of a bid or offer price on the appropriate prices board except—

5.190 2.2.1 in the case of a special bargain as provided for in 5.2.10; or

5 190.2 2.2 in the circumstances considered by the President to be exceptional where a broking firm acts on behalf of clients in a corporate restructure provided such approval is obtained prior to implementation of the deal.

4. PROPOSED AMENDMENT OF RULE 5.300

Managed accounts·

5.300 4 Where a broking firm has received the approval of the Committee to operate managed accounts in terms of 5.290 but does not retain any of the securities arising from such operation, the provisions [of 5.300.4] relating to the verification of securities by the auditor shall not apply. The statements to clients [referred to in 5.300.4] shall contain a note to the effect that on the date to which the statements relate no securities were held by the broking firm on behalf of the client in respect of the existing managed account arrangement.

PICKARD/POWERTECH (232)

Thinking again

FM 27/11/92

Like Tweedledum and Tweedledee, the Pickard group's Jan Pickard jnr refuses to confirm or deny it, so does Powertech's Murray Coutts-Trotter "I have absolutely no comment to make," say the pair, one in Cape Town and the other in Johannesburg

However, the *FM* has learnt from the same impeccable sources which first revealed the rift between the Pickards and group minorities (see *Fox* November 20) that a revised offer is to be put to minorities, probably early in December The offer relates to the takeover bid between Powertech and Picapli and which extends to Picbel and Pichold

It is expected the revised offer will be along the following lines two Powertech shares will be offered for every one Picbel held (previously 188 Powertech for 100 Picbel), alternatively, R7 cash will be offered per Picbel share (previously R6,58)

Pichold shareholders will be offered 160 Powertech shares for every 100 Pichold held (previously 150 Powertech), alternatively, they will be offered R5,60 cash per share compared with the initial offer of R5,25 No change will be made to the offer in respect of Picapli, which will remain at 80c a share

Cape Town attorney, and spokesman for some minorities, Brett Kebble says if a revised offer is made along these lines, "it will certainly cause minorities to think twice"

While the *FM* is pleased to be the purveyor of good news for minorities, readers are reminded that no confirmation of any revision to the original offer has yet been received formally from either Powertech or Pickard family representatives Proceed with care *David Gleason*

FM 27/11/92 (232)

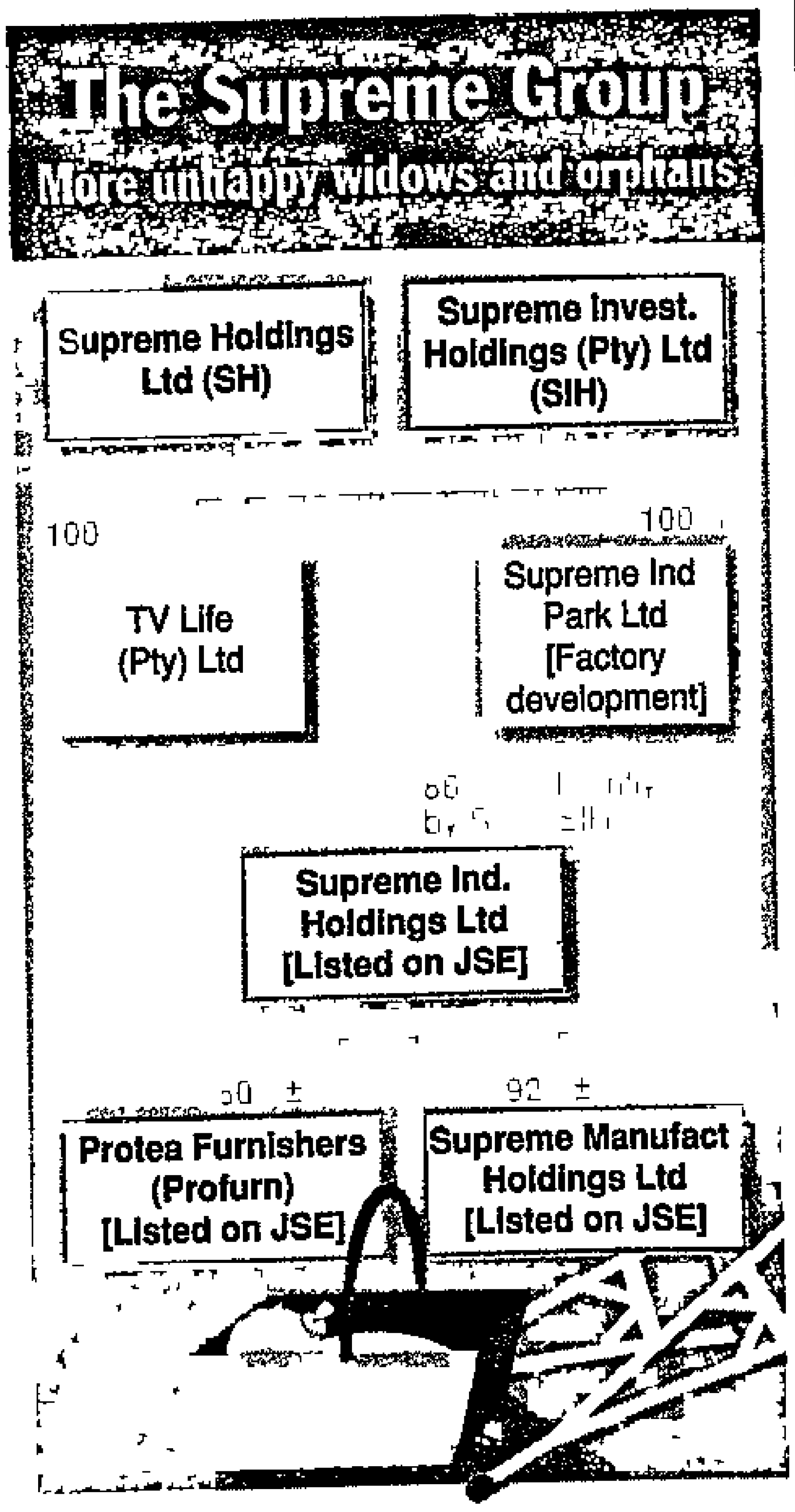
SUPREME (232)

Big plans go wrong

Another raftload of floundering widows and orphans was pushed out to heaving seas this week — this time by debenture issuer Supreme This group, following prime SA examples such as Masterbond, is said by its provisional liquidators to have about 6 000 debenture holders who are collectively owed about R270m FM 27/11/92.

Supreme's prestigious offices in downtown Johannesburg include an elegant reception area in which hangs a scroll encouraging readers to *Make big plans, Deep into the future, Aim high in hope and work* Investors will be forgiven for making unfavourable comparisons with Supreme's senior managers and directors

Debentures were issued by Supreme Holdings, a public unlisted company, and



Supreme Investment Holdings, a proprietary company, to raise finance needed to fund operations of Supreme subsidiaries These were, principally, Supreme Industrial Holdings, Protea Furnishers (Profurn) and Supreme Manufacturing Holdings, all listed on the JSE

Debentures were issued normally for a year, bearing interest at 16,25% Provision was made for the debentures either to be redeemed at face value on the anniversary date or to be rolled over at the choice of the investor The debentures were secured by notarial bonds and cessions of book debt, says chairman and MD Edward Ronbeck

"We came under enormous pressure to find the cash resources necessary to meet maturing debentures and, at the same time, to continue funding on-going operations," says Ronbeck "Over the past year, we reduced outstanding debenture debt by R60m, from R330m, largely by selling assets and small subsidiaries "

After the Masterbond debacle, Ronbeck says he met senior Reserve Bank officials in February this year He did not hear from them again Ronbeck confirms he received one call from a police officer who made an appointment that was never kept

Asked why he had been obliged to apply for provisional liquidation, Ronbeck said the main reason was the unfavourable publicity given to debentures after Masterbond "Another contributing factor was the unfavourable publicity given to Supreme following comments relating to Professor Louise Tager's Business Practices Committee investigation "

At their first press conference, the joint provisional liquidators said their main concern was to ensure continued operation of the subsidiaries They had been assured by the respective managements that these were successful and profitable To do this, the liquidators seek the continuing support of trade and banking creditors

A senior investigating accountant has been appointed to conduct an urgent investigation of the subsidiaries, to determine NAVs and likely profitability Provisional liquidators' spokesman Barry Nel said options would be examined quickly

These would include selling the group, provided fair and reasonable offers were received, or continuing operations with debentures being converted into equity with the approval of debenture holders No decisions could be taken until the investigating accountant's report was completed Nel declined to speculate on timing

Every such incident is accompanied by its share of human tragedy Widow Lynette Rogers (61), a Durban resident, says she invested her nest egg, R39 000, in Supreme debentures "It generated a little over R600 a month for me That's my monthly rental Without that income, I face disaster When I asked my investment adviser, who put me into Supreme in the first place, what I should do, he suggested I apply for a State pension "

All of which illustrates the urgent need for individuals to pay greater personal attention to the underlying quality of the investments they undertake *David Gleason*

Gencor expects further decline

By Derek Tommey (180) (280). (232)

STAR 27/11/92

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

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

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

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

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

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

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

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

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

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

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

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

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

Gencor investing for future — Gilbertson

232

JONO WATERS

B DAY 27/11/92

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

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

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

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

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

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

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

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

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

Poor stock market impacts on Anglo

By Derek Tommey 232

STAR 27/11/92

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

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

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

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

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

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

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

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

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

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

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

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

Julian Ogilvie Thompson ... impact of prolonged recession

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

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

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

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

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

Royden Vice

Afrox names new MD

STAR 27/11/92

By Derek Tommey

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

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

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

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

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

President (88) Insurance (232) liquidated

Star 27/11/92

An application for the final liquidation of President Insurance Company was granted yesterday by the Pretoria Supreme Court

The Registrar of Insurance, who brought the application, advises policyholders to arrange new insurance elsewhere immediately, as claims which arise from today, will not be enforceable

President's short-term insurance business has been closely monitored by the Registrar for some time, after new shareholders took control of the company in March.

The company was placed under curatorship by the court on August 7 but the shareholders were unable to structure the company so as to comply with the Registrar's requirements

The court appointed D J Rennie and W H Edelstein as liquidators.

What happened to M-Net's magic?

W/Mail 27/11 – 3/12/92. (232)

The M-Net share price bubble has burst.

But the price still seems too high, contends **REG RUMNEY**

IN a flash, M-Net's magical share price rise has vanished. SP Reid & Mackeurtan director David Klotz describes it as the biggest speculative bubble seen on the Johannesburg Stock Exchange in many years.

It is a bubble, moreover, unpricked by the financial press, although it would be churlish to suggest this has something to do with the major English and Afrikaans press groups owning big chunks of shares, and the possibility that M-Net's good performance pushed up the value of some staff share participation schemes.

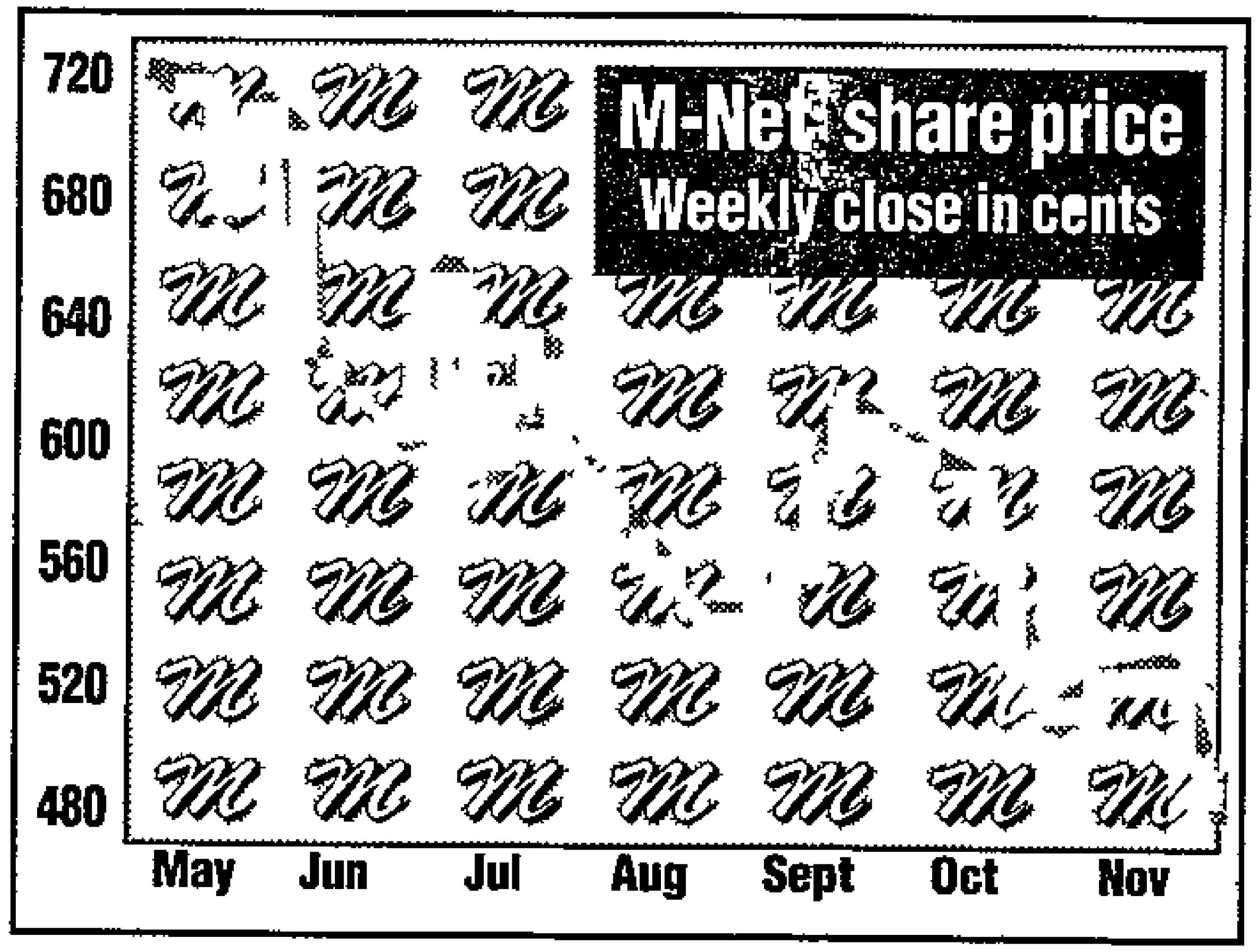
Interim results released this week have confirmed market talk about the huge losses of overseas investment Filmnet, which M-Net owns with a Richemont-dominated consortium. Despite good growth in its local subscriber base, bottom line profits fell 17 percent to R12,8-million.

The underlying worth of the company is not in doubt. M-Net's management has proved itself in the South African market, as the rise in the subscriber base has shown. The decline in the share price reflects doubts about the overseas market in which M-Net has invested. It is an unknown quantity.

Filmnet's purchase cost, through the expensive route of the finrand, was R259-million.

M-Net chairman Ton Vosloo is bullish about the future of the Dutch-based pay-TV station, although it will cost another R135-million, with partner Richemont putting in a similar amount. "We are now fleshing out the business," says Vosloo, who reckons the phase Filmnet is going through is similar to the early days of M-Net.

Growth of Filmnet is above expectations, and the loss is below that budgeted for, he says. The deep trough Filmnet is going through is part of a pattern for all pay-TV stations, and profitability will return by the end of 1995, by which time the effect on M-Net's bottom line will be "profound".



Vosloo explains Filmnet has substantial trading losses and will not have any significant tax costs in the foreseeable future.

Results will have to be profound to justify even the present share price of around 480c, points out Frankel Kruger Vinderine analyst Egon Trampitsch, who points to the high level of crucial price-to-earnings (PE) ratio (the share price divided by the earnings per share).

He stresses that with an earnings per share figure of around 9c, the share now stands at a price-earnings or PE ratio of around 50.

At a more reasonable PE ratio of 25 and the same share price, earnings should be 19,4c, and this means earnings will have to grow by 45 percent a year over the next two years. Thirty percent growth is a more credible figure.

Trampitsch believes a more reasonable price would be 287c, though he doesn't believe the share will go that low. More likely is the 300c to 350c range.

At the interim, the earnings per share figure was even lower than the 9,2c figure used by Trampitsch.

A 29 percent increase in the number of shares in issue and the R9,2 million losses incurred by associates, mainly Filmnet, have cut earnings per share to 6,5 cents, compared to 10,2 cents a share in the previous half year.

Vosloo backs his bullishness by underlining that the Benelux countries and Scandinavia, where Filmnet broadcasts to, comprise the wealthiest countries in Europe per capita, with 18-million TV households. Of this Filmnet has 570 000 subscribers.

Penetration in the four areas ranges from three to 10 percent, a low penetration of pay-TV, compared to, say, France, where Canal Plus has around 16 percent penetration of colour-TV viewers. In South Africa M-Net has 30 percent. "It's an overlooked corner of Europe," says Vosloo.

The viewers in those countries are open to programmes in English, so there is synergy with M-Net. Synergy exists also in the use of the same decoder hardware and software technology.

But what of the local market, which has come to M-Net's rescue this time?

Vosloo admits that previous growth rates will not be achieved in South Africa, and that it's a mature business, though he sees good growth in neighbouring countries. This is why M-Net has gone overseas to seek greener pastures. Still, in South Africa, the black market remains to be tapped, he adds, and increasing urbanisation will bring with it more TV ownership.

An imponderable is the pending change in broadcasting regulations. With SABC-TV, M-Net has been part of a duopoly. Moreover, it could be argued that local content requirements have not been onerous. True, M-Net has spent R27-million in one year on local content — but the lion's share of that has gone to *Egoli*. A future government may allow competition to M-Net and the pay-TV station may be compelled to up its local content.

One thing which could go is M-Net's open window, where it is allowed to compete with SABC and to broadcast to the decoderless masses.

Vosloo says the government allowed M-Net the open window to market itself and reminds that it cannot advertise on SABC-TV. The open window, however, was originally tied to M-Net reaching a certain number of viewers. That number was surpassed some time ago. M-Net now has 758 000 paying viewers.

However, M-Net's trump card is its service network and its handle on pay-TV technology. Even the SABC, plagued by pirate viewing, once suggested it might use decoders. A competing pay-TV service might find it cheaper to avail itself of M-Net's decoder technology than to produce its own from scratch.

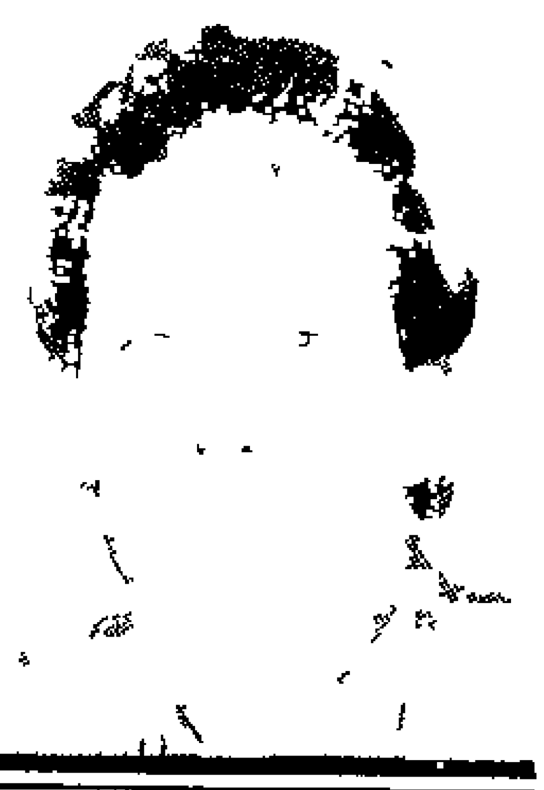
There is the possibility of piracy, but this has reared its head in Europe more than in South Africa, where M-Net seems to have triumphed over the pirates. Like the imponderables of the overseas market, this remains a caution.

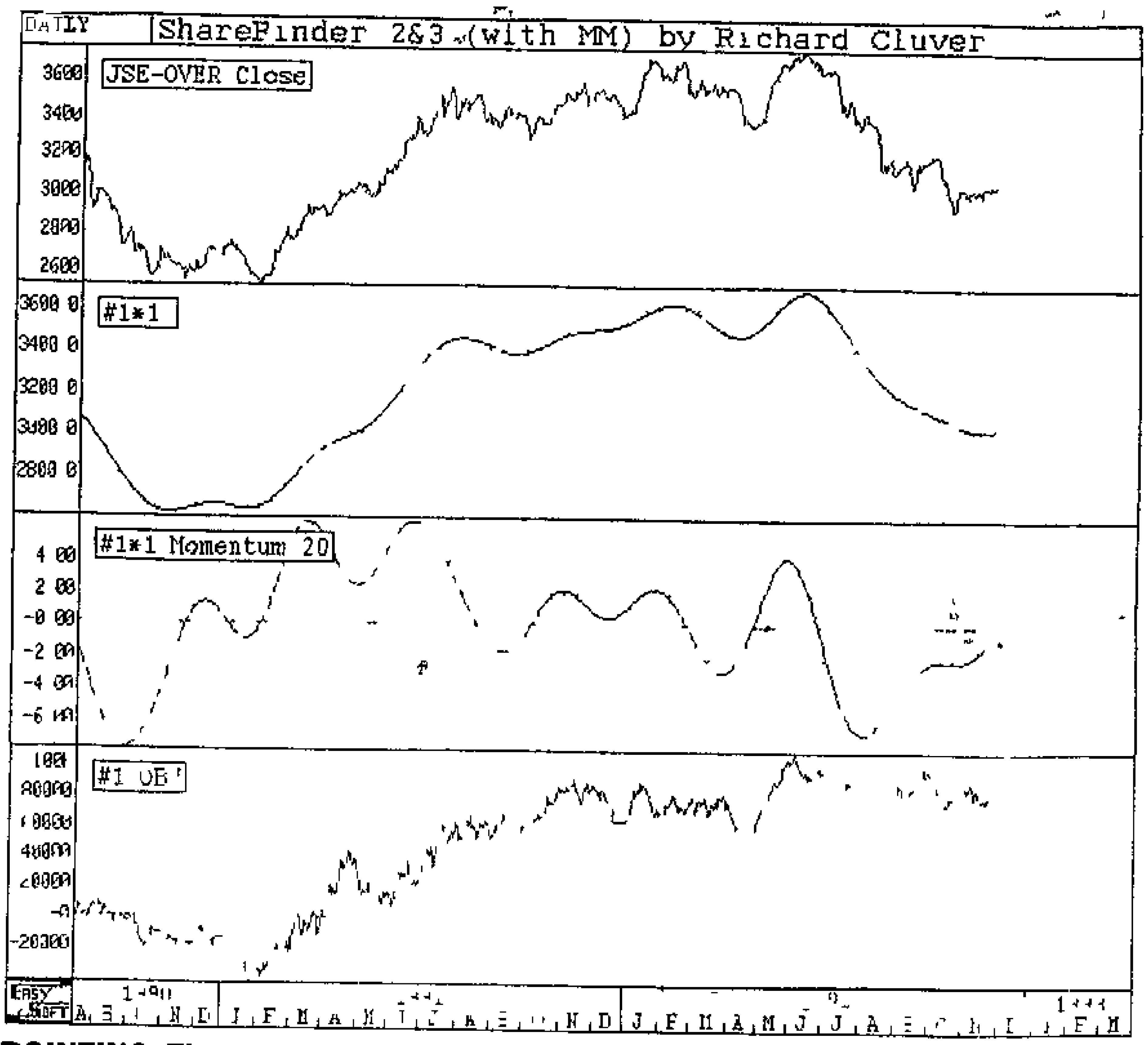
Signs of JSE rally around the corner

STAR 28/11/92 (232)

FOOTSTEPS TO FORTUNE

RICHARD
Cluver





POINTING THE WAY: Technical analysis follows the foibles of the stock market with considerable accuracy.

DETERMINING when a share market uptrend is likely to end finally or, for that matter, when a downtrend is likely to turn about and become an uptrend, could obviously be worth a fortune to an investor That is why so much attention is nowadays given to technical analysis which is beginning to offer quite accurate predictions

There are many technical analysis indicators which have been around for years and which tend to provide quite sensitive warnings of potential changes in the direction of the share market Most are, furthermore, easy to construct

Let us take a look at two of the most popular and try to see what they can tell us about present market conditions

Among the most popular of these are the market momentum indicators which compare the current day's share market indices — such as the JSE Actuaries Overall Index — to the same index a number of days or weeks previously

Another popular indicator is the On Balance Volume indicator, which regards those trading volumes that are accompanied by rising prices as accumulation, and those that accompany falling prices as distribution

Subtracting the running daily total of the one from the other enables the technical analyst to plot an OBV graph which provides a vivid indication of the coming market trend

To illustrate the point, consider the accompanying graphs which depict the JSE Actuaries Overall Index in the topmost chart

Flattening

In order to make the overall trend a little clearer, I have replicated the topmost graph in the second one, but here I have used a process known as Fourier smoothing to eliminate the day-to-day oscillations that make it difficult to see what is happening

One can now see that the present price decline is no worse than the one that began in August 1990 and, furthermore, it appears to be flattening out Could an upturn be just around the corner?

Certainly, when we turn to the third graph, that seems to be the case This graph compares the velocity of overall share price movements and it shows clearly how the market telegraphs well ahead what it is likely to do in the future Note that accelerating prices reached a peak in March last year, but that a second attempt in June last year failed to reach new heights

For the next 12 months — although, as the topmost graph makes clear, overall prices held up — their velocity was falling Then in June this year, when a new upward thrust got under way, but failed to reach the levels achieved in June 1991, it was clear that an overall market price collapse must follow

Since the end of July this year, however, a new upward thrust has been under way and right now it is beginning to accelerate further for a fresh assault upon the heights If the momentum (velocity) graph can on this push, rise above its June peak, the JSE could be in for a new bull phase

Now turn to the last of the charts which measures On Balance Volume, that is, the difference between accumulative buying and distributive selling pressure in the marketplace

Pressure

This graph makes it plain that despite the 21,7 percent overall price collapse that happened between June 4 and October 16 this year, selling pressure was worse, reaching almost 36 percent at its worst point on August 26

Since then, however, there has been a recovery of better than 15 percent in accumulative buying pressure It is, however, so far a rather modest recovery which suggests bargain-hunting rather than aggressive buying by investors eyeing long-term gains

The conclusion is that the bull market that began in November 1990 actually peaked in July 1991 and, notwithstanding the fact that aggregate share prices are still 20 percent above the levels of that time (representing almost exactly the inflationary erosion of the rand that has happened between then and now) the JSE has been in a bear trend since then

The fact, however, that it equates in inflation-corrected terms with the bottom of the last bear market does suggest that in the absence of severely adverse political events, the market might now have nowhere else to go but up

Can technical analysis tell us where the market might go in the next few months? Certainly not with 100 percent accuracy New techniques which go somewhat beyond the scope of this present series of articles are, however, producing prediction accuracy rates in the region of 80 percent

And they suggest that the bear market is not yet over, that a new bottom will be reached around December 15 Accumulation pressure is, however, likely to be maintained and, accordingly, a strong bull market might be closer than most investors expect A 25 percent overall market gain is possible between mid-December and the end of March

Such analyses need not be confined to the share market as a whole. You can run an identical set of tests upon any share of your choice and make well-informed decisions about its future price trend

Histories

And, of course, there are a battery of much more sophisticated tests that have been developed in recent years since the advent of the personal computer made number-crunching a quick and painless task

Next week we will look at fundamental analysis, that is, the use of balance sheet histories as a tool to assist one in finding the share market winners

□ Richard Cluver's books "How to Make a Million", "Making Money With the Mutuals", "Investment Without Tears" and "Advertising for Free", as well as demonstration discs of his ShareFinder sharemarket analysis computer programme are available from The Daily News, PO Box 47549, Greyville 4023 at a cost of R40 each, inclusive of postage and VAT

Strategy to boost your profits from jump in market

STAR 28/11/92 (232)

THE market has slumped 10 percent in recent months However, there is a strong possibility of a recovery in the economy towards the beginning of next year and an accompanying rise in share prices

You are looking for a strategy which will enable you to profit from a jump in the market, let's say in March next year

You should be able to place an up-front limit on your potential losses just in case your bullish view of the market proves wrong

What should your strategy be?

You contact your stockbroker, who tells you that De Beers is currently trading at, say, R55

He points out that if you were to buy 1 500 De Beers shares now and hold them until the expected rise in the new year, you would incur holding costs on a total purchase price of R82 500, plus brokerage

Limited risk

You would also be vulnerable to the risk of potentially large losses should the market fall

Your stockbroker suggests that you could achieve similar upside potential with a limited downside risk and a relatively small outlay by purchasing 20 "call options" on De Beers at a strike price of R55, expiring in March 1993

IN OUR uncertain political and economic climate, the risks of trading in shares on the stock market are high. This series of articles illustrates how share options currently being traded on the JSE's Traded Options Market can be used to create relatively low-risk strategies to profit from different scenarios in the market. Part 2 today illustrates an appropriate strategy for a rising market.

These options are currently selling on the Traded Options Market for R400 each, giving a total outlay of 20 times R400, or R8 000

Each of the 20 "call option" contracts gives you the right to buy 100 De Beers shares in the market at any time until March 18 next year at a fixed price of R55 each and to sell the shares back immediately at the market price using the so-called "scrip settlement" method.

This means that if De Beers rises to, say, R65, you would earn a profit of R10 a share on a total of 2 000 shares, less the cost of the option premium of R4 a share

That makes a net profit of R6 a share. Your break-even point is reached at a share price of R59.

If your expectations are wrong and De Beers fails to rise, remaining at R55 or below, you will simply abandon your option as worthless, or sell it on the Traded Options Market to another call-option buyer In this case, your loss will not exceed R8 000 plus brokerage and transaction fees.

Before following the strategy, ask your stockbroker to fax through an analysis of the potential profits and losses It looks somewhat like the accompanying table

The seller or "writer" of this call option is in a similar position to the writer of an insurance policy

He receives only a limited income — the option "premium" of R8 000 — but bears the risk of unlimited losses if the share price rises above R55 at any time between now and March 18 next year

Advantages

His break-even point is reached at a share price of R59.

To summarise

Given a bullish view of the market, the purchase of a call option on De Beers has three distinct advantages over the purchase of the underlying shares

(1) The potential loss is limited to the initial premium paid for the call options, irrespective of what happens to the De Beers share price

(2) Great leverage is obtained from a small outlay, with unlimited potential returns

(3) Since brokerage is payable only on the option premium, the total brokerage and transaction fees are low (R287 in the above example)

Potential profits, losses

De Beers Share Price 18 March	R35	R45	R55	R65	R75
Strike Price	R55	R55	R55	R55	R55
Profit/Share	R0	R0	R0	R10	R20
Gross profit (2 000 shares)	R0	R0	R0	R20 000	R40 000
Premium Paid	—R8 000	—R8 000	—R8 000	—R8 000	—R8 000
Brokerage And Fees	—R287	—R287	—R287	—R287	—R287
Total Net Profit/Loss	—R8 287	—R8 287	—R8 287	R11 713	R31 713
Return On Outlay	—100%	—100%	—100%	41%	2[illegible]%

NOTE. The calculated return excludes any amount received from the sale of the option the returns are so good

Group Five in Moscow

STimes (Buss) 29/11/92. 232

GROUP Five chairman Peter Clogg is pragmatic about the prospects of a deal he signed with a Russian bank

"The aim is for us to advise on investments in the construction and building materials fields The bank will provide the money for any investment made and it will be run by a company in which we own 40%

"The bank will pay — in hard currency — our staff and for any equipment hired Our capital investment of 40% of the shares will cost about $15 000 We have applied to the SA Reserve Bank for approval"

Mr Clogg says the venture depended on one of Group Five's executives volunteering to live in Moscow for the duration of the contracts One agreed

Since the annual report was published three weeks ago, there has been another setback in the tough environment in which Group Five operates — suspension of construction at Majuba power station This news hammered the shares of all companies affected by the suspension

Group Five did not trade, but was offered 100c down on the last trade of 450c, already a year's low

Group Five is to undertake a capitalisation issue, the outcome of which will reduce the share price to 40% of where it is now (because of the issue of 1,5 shares for each one held)

"The idea is that if the share prices of Group Five, Group Five Holdings and Goldstein are theoretically the same, the value will be realised," says Mr Clogg At present they are out of balance.

Mr Clogg's chairman's statement reflects the consensus among businessmen that until there is a political improvement, there is little chance of economic recovery Although tough times lie ahead, Group Five is not sitting back

Keen to win a contract, Cape division Savage & Lovemore bought a steel pipe-making machine from Scotland, erected it in the Cape and made its own pipes for the job because SA suppliers' quotes were too high

The contract has gone well, is on time and within budget Talk is that pipe buyers in the Transvaal have asked Group Five to move the plant there

"We'll finish this job first," says Mr Clogg.

Group Five used a lot of its cash pile to buy control of Everite this year Two unwanted divisions have been sold and Everite is settling into the greater group Its fortunes however, will not be restored until a national housing policy is implemented

An otherwise excellent performance by the group in the year to June 30 was spoilt by R27-million of losses incurred on an American bridge This resulted in earnings halving to R16,6-million

The bridge is out of the system and no more losses need to be taken on it But the group is exposed in certain domestic investments It has a lien over Fancourt, one over Marina Martinique and one on a hotel in Mauritius

Mr Clogg says "We should be all right, but these need to be cleaned up It is a sign of the times when customers cannot pay for work done"

But until there is an economic turnaround, the share price cannot be expected to rally

DIAGONAL STREET
by Julie Walker

Millionaires at RMBH

232

S Times (B455) 29/11/92

RMB Holdings' impressive listing price of 1 085c made some wealthy men out of the shareholders who founded the company 13 years ago

Deputy chairman G T Ferreira and Laurie Dippenaar — now Momentum chairman and still an RMBH executive — are worth more than R90-million each on their holdings in RMBH alone Rand Merchant Bank managing director Paul Harris is worth R39-million

The group is capitalised at more than R590-million in the insurance sector of the JSE RMBH comprises two major legs — 77% of Momentum Life, which wholly owns Rand Merchant Bank, and 100% of RMB Asset Management

Mr Dippenaar says the Registrar of Insurance approved RMBH's takeover of Momentum, but asked that the group structure be further streamlined within two years because it was unhappy with a bank sitting below an insurer

Likely solution would be a side-by-side structure where RMB Holdings tops a financial services company with five divisions — life assurance, merchant banking, health care, property management and fund management.

Mr Dippenaar says some improvements have been made at Momentum since the merchant-bank culture was infused Two distinct business areas — wholesale and retail — have been identified and effort focused on the wholesale area comprising group benefits and fund management.

In group benefits, notice was given on 660 schemes too small to be cost effective Staff numbers were reduced from 105 to 40 and by 1994, group benefits should be making a small contribution compared with the R4-million loss this year

Mr Dippenaar found it prudent to write down the property portfolio by R85-million to market prices

"It was very painful because it meant Momentum got the wooden spoon in the investment performance table, but we believe it was right We have sold R50-million of property exactly in line with expectations"

On equity management, it was found that although Momentum's view often corresponded with RMBH's, it was not always reflected in the portfolios A realignment effort is under way to reflect the best investment view.

"I am pleased to say there are no skeletons in Momentum," says Mr Dippenaar "It is not perfect, but if it had been, we would not have been able to afford it. We are doing the right things now, and although Momentum is small enough to be flexible it is big enough to exercise economies of scale"

Mr Ferreira says that although there have been successes, there have also been failures

"In a long-term race there are bound to be stumbles, but as long as we don't fall we will finish the race"

The forecast earnings a share for 1993 is 72,6c The group commands a premium price-earnings ratio of 15

So even if the punters who paid R11,50 at listing did not exactly get in on the ground floor, it might prove to be a bargain price in a year or two

Spoornet knocks pulp and paper division into shape

By Sven Lunsche

232

Spoornet's pulp and paper division is pulling out all the stops to reduce the costs of pulp products to the consumer and boost the export revenues of the timber industry. STAR 30/11/92

The pulp and paper division, which has a turnover of about R260 million a year, is responsible for the transport of forestry products (paper and pulp) along with mining timber

Pulp wood exceeding 2,5 million tons is transported every year, accounting for over 50 percent of the division's volumes and 40 percent of pulp transported in SA.

Karel Hancke, general manager, pulp and paper, says it is in this area that the division has introduced drastic savings over the past two-and-a-half years

"Transport costs account for up to 40 percent of the cost of paper and from our side we have effected tremendous cost savings in the past two years"

The key to lower costs has been the more effective use of its 7 000-strong freight truck fleet.

The bulk of the fleet is now attached to seven block trains used by most pulp companies to transport volumes in a more cost-efficient way

For example, the turnover time per truck has improved from 11 days in 1989 to only 3,5 days last year, while the number of trucks per train has risen from 39 to 50.

Other trucks have been remodelled to suit specific needs and the division has hired about 270 surplus trucks to Tanzania and Zimbabwe.

The cost-cutting exercise has also allowed SA pulp exporters to realise larger margins.

Engen contributes largest single part of Gencor's assets

B/Day 30/11/92

JONO WATERS

ENGEN remained the largest single contributor to Gencor's assets and Sappi replaced Samancor as the group's second largest investment, the latest annual report showed

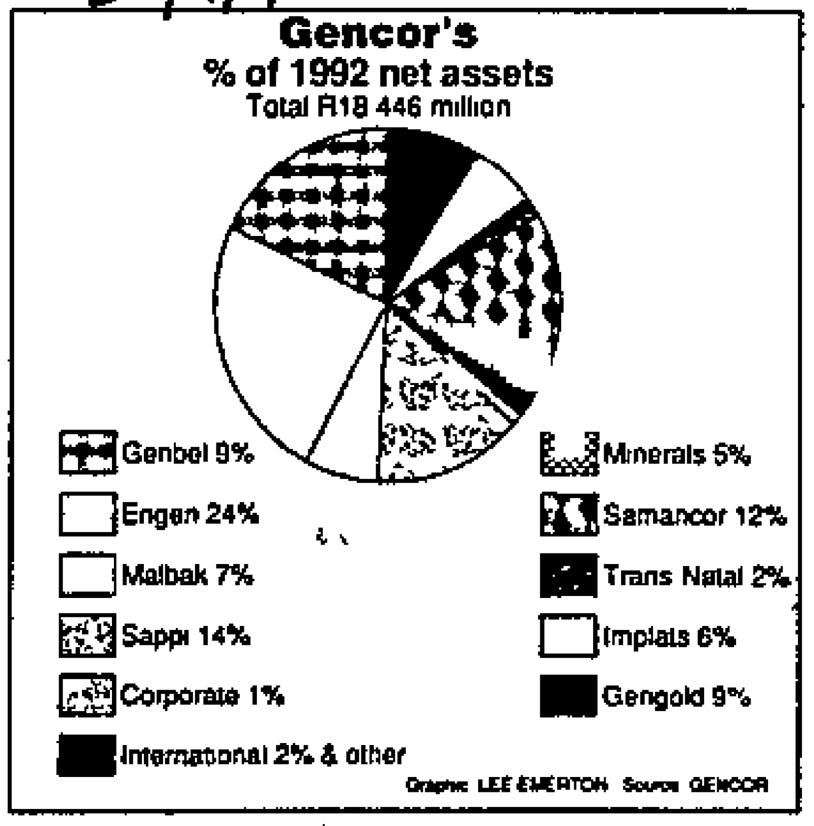
Gencor's stake in Engen had a market value of R4,05bn, followed by Sappi at R2,64bn and Samancor on R2,15bn

Malbak moved into Gencor's top five investments due to increased investment in the company and the improvement in its share price over the year

Gencor's stakes in Genbel and Impala Platinum amounted to R1,13bn or 6,1% of the group's investments

Oryx remained Gencor's most important gold investment, in spite of the decline in the share price over the year, as a result of an increase in the shareholder loan to the company

Gencor's financial and investment review for the year ended August 31 1992 showed the group to have total assets worth R18,4bn, making it one



of the largest resource-based groups in the world

Its 10 largest individual investments, which had not changed since 1991, constituted 77% of total assets and contributed 81% of total earnings in the 1992 financial year

As a result of its R2bn rights issue, Gencor's total surplus funds at the year end were valued at R2,39bn compared to R1,90bn in the comparable period last year.

Prepare for the coming revolution in profit sharing

BDAY 30/11/92

DEON THOMSON

232

RECENT research indicates that there is a groundswell movement within large corporations to share profits with workers. It has reached the stage where it is not so much a question of whether profits will be shared or not but how they will be divided up.

Research leads us to predict that the form of profit sharing known as gainsharing will be widely accepted and adopted as the standard practice in SA within five years

Gainsharing is a system whereby the proceeds of any gains in productivity are shared between the stakeholders in agreed proportions The norm in the US, where the concept is gaining in popularity, is a 50 50 division between the shareholders and the workforce It is a meaningful and effective way of approaching the problems of wealth distribution and standards of living

The most frequent reason advanced for not implementing gainsharing was the argument that the workers cannot in fact influence profits — therefore, gainsharing would really be like a free handout With hindsight this argument has to be discarded — the failure to share has led to worker alienation which has adversely affected profits during the past decade — on a grand scale

The real problem has been the difficulty management of large corporations has experienced in clearly conceptualising the nature of the partnership between the enterprise's important stakeholders

A central convention in the reward system is that an employee is entitled to average pay for average performance This is the foundation for remuneration grading systems The requirement of "average performance" is defined in terms of acceptable physical standards, and also in standard terms and conditions of employment

The extremely important corollary is that the employer should not ask for more than average performance without offering additional pay The employer should not expect above average performance — he is not entitled to it

One argument against this view is that "we pay more than the industry average and therefore we expect more" This is wrong as well The reason why these employers are paying more than the industry average is to attract employees, and to show job turnover, and to experience fewer pay strikes

This principle was vividly highlighted in an interview we conducted recently with a shop steward employed by a major manufacturer When asked why the trade union was opposed to a campaign introduced by the company to enhance productivity, he replied "This is not always true The work for most people in the factory is by its nature hard work — both physically and mentally What we resent is that you are employed to do a certain job at a certain speed It seems unfair to have to work harder or faster without getting additional remuneration. Alternatively, the work must be regulated so that it provides regular work for the same number of employees"

This simple answer is so complete, and so obviously correct, that it seems to place the blame for the labour unrest of the past few decades fairly and squarely on the management of the larger corporations Implicit in the statement is the call for fairness and equity, which cannot be refuted

There are basically two ways of conceptualising the economic partnership First there is the Western approach, typified by US corporate structures which ours closely resemble. The shareholders are regarded as one of the stakeholders The role of management is conceptualised in "agency theory", which argues that management is "empowered" by the board of directors, who are the agents of the shareholders The powers derived by management include the powers to staff the organisation and to negotiate levels of remuneration

In the same way, management, which probably enjoys its own, separate incentive scheme, negotiates contracts of gainsharing with the worker group It does not have to gain the approval of the board of directors because, by definition, it is only the "gains" (in other words, the extra profits) that are being shared

If management is challenged on this, it would point out that it is a "win-win" arrangement — either both partners will gain, or neither will — in either event, neither partner loses

The second approach is the Eastern one — for example Japan's Here, essentially, there are only two stakeholders — the shareholder group, and the workforce comprising management and workers at all levels. That this is the case can be clearly seen in the way in which profits are shared.

As in the West, remuneration is negotiated with trade union representation By and large wages are fixed at a minimum level. However, once or twice during the year, or even three or four times, double, treble or quadruple salary cheques are paid out, dependent on profits earned by the employer during the period since the last distribution of profits occurred In other words, it is a distribution similar to the distribution of a dividend to shareholders It is a direct sharing of profits

Can this be criticised as being a mere handout? Doubtful For one thing it would make employees very amenable to discussing how profits could be maintained at the same high level — if not improved — so a further dividend could be earned

This approach to incentive pay is very rare in SA

Which approach will be adopted in SA? The intrinsic appeal of the Eastern approach is its simplicity and the way in which it encourages teamwork It seems to satisfy all of the potential problems — including the problems of how to measure production bonuses, and who should participate in the profit-sharing and who should not

Yet, there are advantages in the Western approach too — since management incentive schemes focus more directly on performance factors that can be influenced by the managers concerned Separate incentive schemes are devised for separate groups of employees, each with a different focus

There is a pragmatic answer to the dichotomy — it does not matter as long as there is a partnership Nevertheless, given logistical problems in SA, the Eastern approach appears to be a far more satisfactory solution, and far easier to implement in the short term

Is there another way in which profits can be shared?

Share participation is often looked upon as an alternative to profit-sharing But this approach is fundamentally wrong It confuses the separate roles of the different stakeholder groups Share participation involves a buying and selling of shares — it has nothing to do with rendering services It is only where share participation is on a substantial scale, as in a closely held private company, that it is likely to influence employee behaviour

Unless the economic partnership is correctly conceptualised, and brought in as part of the mission statement, meaningful sharing cannot be justified Management is simply not entitled to divert profits away from the shareholder group without justifiable reason

Invariably, where the economic partnership has not been articulated, profit-sharing tends to be on a small, even insignificant, level — say, 5% of annual remuneration, which hardly affects the employee's performance What is needed is true profit-sharing, which may pay out 30% or 40% of annual remuneration, funded entirely by an increase in profits

☐ **Thomson is an associate of P-E Corporate Services.**

LETTERS

Absa looks into 'Supreme' complaints

STAR 30/11/92

232

By David Canning

DURBAN — Absa has launched an investigation into claims by clients that some employees advised them to put money into Supreme Investments, which went into provisional liquidation 10 days ago.

John Cheetham, general manager (United division) of Absa Insurance Brokers, said at the weekend clients' claims were being investigated from various viewpoints.

He would not detail the number or value of the claims, but said a fuller statement could be made tomorrow

Among investors' allegations were that they had been told their capital was completely safe because Supreme had been obliged to invest rand-for-rand with the Reserve Bank.

Others claimed they had been under the impression United was somehow involved with Supreme — which is totally untrue.

It was reported last week that a number of other institutions had required their agents to sign documents binding themselves to sell only designated investments

While this could be a legal protection for the institutions, investors could argue that they associated the actions of the broker/agent with that of his employer.

They would not normally know the contents of contracts between institutions and their employees Cases could turn on the legal principle of "estoppel"

A spokesman for lawyers Shepstone & Wylie summarised estoppel as follows

"If an employer represents expressly or by conduct that a certain state of affairs exists in regard to the authority of an employee — and a person relies on that representation to his prejudice — then the employer could be estopped, i.e. prevented from denying that such state of affairs in fact exists.

"Each case, however, will depend on the particular facts applicable."

Business failures increasing

BIDAY 1/12/92 (232)

GERALD REILLY

PRETORIA — The "alarming" increase in insolvencies and the collapse of businesses continued in the three months to end-October, highlighting the depth of the three-year-long recession, said economists yesterday

In October alone 220 companies and close corporations were placed in final liquidation — an increase of 43,8% compared with October last year And in the three months August to October, the number of liquidations increased by 14,6% to 620 compared with the same period the year before

Compared with the previous three months — May to July — the increase was 22,3%

Court ruling sides with company directors

By Leigh Hassall (232) ~~(180)~~ ~~(176)~~ STML 2/12/92.

Directors of companies trading while technically insolvent will in many instances no longer be held personally responsible for the company's debts

An Appeal Court decision made last week overruled an earlier controversial ruling by Mr Justice Stegman in the Carbon Developments case

Mr Justice Stegman held that a subordination agreement was not a valid contract and that, by allowing trade to continue, the directors were trading recklessly and could be held personally responsible for the company's debts.

A subordination agreement is a contract between the company and a substantial creditor (usually the shareholder) in which the creditor agrees not to accept payment for the amount owing to him until the other creditors have been paid.

It is common practice in small and medium-sized companies to structure the shareholder's investment in terms of a small equity base and a much more substantial loan account

If the company's assets exceed its liabilities — meaning that it is 'prima facie' insolvent — the shareholder can enable the company to continue trading if he subordinates his loan account

Technical partner at Ernst & Young, Garth Coppin, says "In overruling the earlier judgment, the court has recognised what has been happening in the business world for many years"

Blue chip shares fare better than most in bearish market

STAR 2/12/92

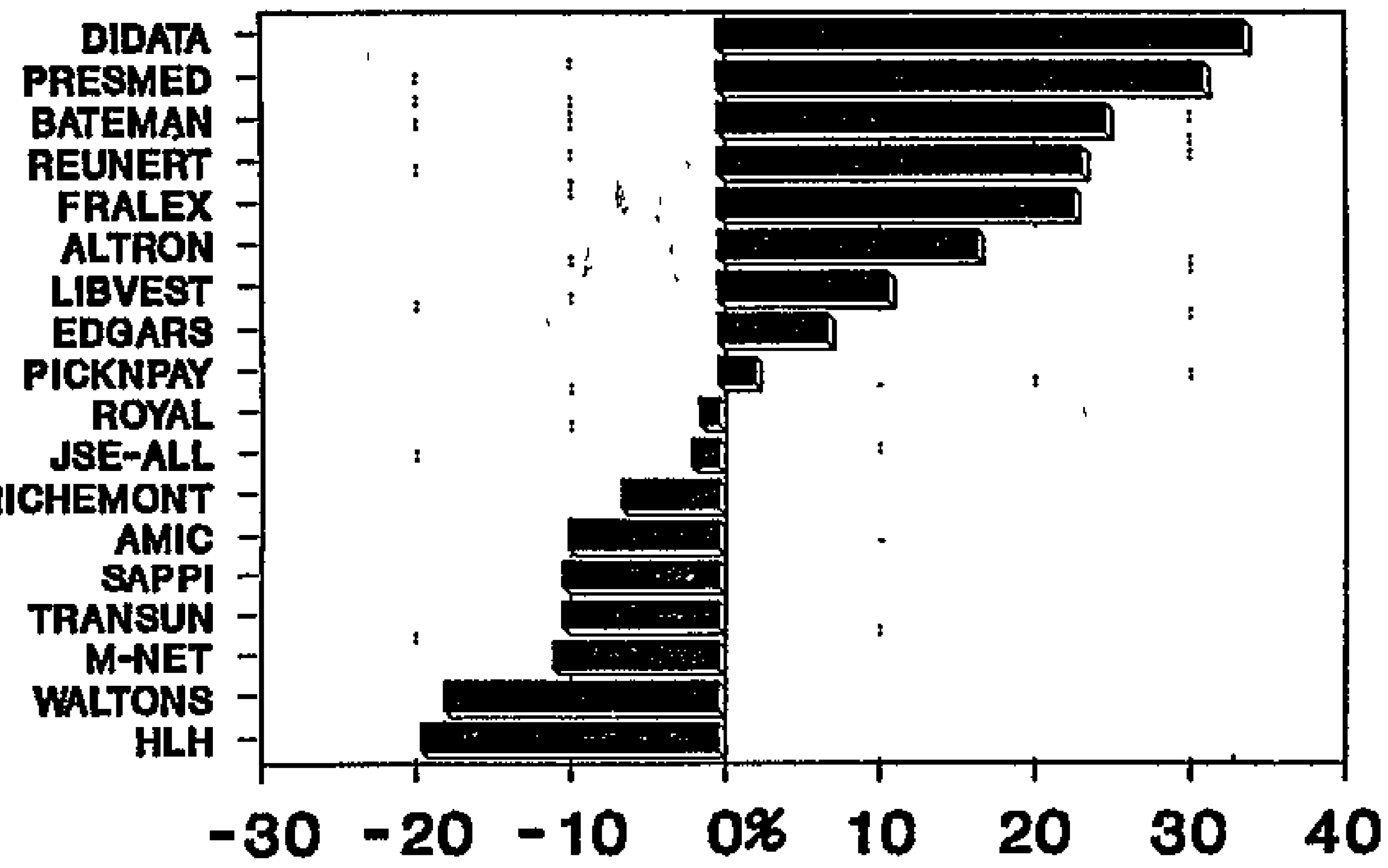
By Leigh Hassall (232)

In better-than-expected showings more than two-thirds of the top 40 financial and industrial blue chips have out-performed the JSE's overall index in the current quarter so far

While the overall index has fallen almost two percent since the beginning of October, 28 of the top 40 financial and industrial shares have had relative share price gains

Of the top five performimg shares two are in the electronics sector and two are, surprisingly, from the recession-hit engineering sector

Leader of the top five is the information technology group, Dimension Data, which rocketed nearly 34 percent or 190c to trade at 750c this week



Movements of blue chip shares on the JSE since October 1

Didata has shown strong and consistent earnings growth in the past few years and the market clearly expects a continuation of this trend The share has been in strong demand as a result of its increasing popularity with institutional buyers

A stockbroker says the gains made by Didata in the past six weeks could also be due to persistent market speculation that it is to merge with fellow electronics group, Datakor

Leading day-care clinic group Presmed registered the second highest gain with a 31,25 percent or 75c rise to 315c A 26 percent rise in interim attributable earnings was the probable cause for the increase

Third highest was engineering holding group EL Bateman, which showed a 25 percent or 175c rise to 875c

Good earnings growth with an increased dividend are the likely basis of the improvement. Technically, the share is expected to rally in the short-term

The rise in earnings recently announced by electronics company Reunert pushed the counter into fourth place with a gain of 23,4 percent or 550c to R29 Annual earnings, boosted by acquisitions, rose 24 percent, with dividends rising by the same percentage

The last of the top five movers is holding group Fralex, which owns the controlling interest in fellow engineering group Fraser Alexander The counter moved 23 percent or 100c to 535c

A broker says Fralex's price gains are due to its recent investment in the business assets of West Rand Cons

The worst performing share relative to the JSE's overall index was industrial group, Hunt Leuchars and Hepburn Holdings which dropped more than 19 percent or 250c to R10,50

A broker attributes the fall to the poor performance of the group's food division, in particular subsidiary Rainbow Chickens.

Retailer and wholesaler Walton's showed a 17,6 percent or 60c loss to 280c, giving it the second worst position of the period The market appears to be down-grading the group because of a potential hefty tax bill if the tax allowances on film investments are disallowed

The matter is being heard in the Income Tax Special court and judgment is expected early next year

Third on the list was leisure share M-Net, which dropped nearly 11 percent or 60c to 500c M-Net's large overseas investment, Filmnet, has yet to render positive returns and the market has discounted this fact

Casino loss

Transun, which owns the Wild Coast Casino, lost 10 percent or 20c during the period

Forestry products group Sappi also lost 10 percent or 400c A broker said the huge capex programme undertaken by the group was likely to stunt dividend growth Also, market perception is that Sappi overpaid for its overseas acquisition made earlier this year

Famine relief imports on target — Portnet

STAR 2/12/92

Portnet has handled 5,7 million tons of grain (of an estimated 10 million tons) thus far since the commencement of the famine relief programme in April

"This is an enormous volume if taken into account that it requires 30 to 40 ships loads, 700 trains, 30 000 road vehicles and 20 million bags for each million ton of grain handled" said a spokesman

So far the whole operation has run smoothly, apart from a small quantity of 300 tons of grain which was received in a wet condition from vessels at Port Elizabeth "This consignment was declared unfit for consumption and has in the meantime been suitably disposed of"

"Taken into consideration the extent of logistical planning this vast operation requires and also that it is one of the most intensive multilateral projects undertaken by transport and grain procurement organisations in the Southern Africa, the project can only be regarded as progressing exceptionally well

"In fact, no recipient has thus far experienced a shortage of stock as a result of shortcomings in the supply chain from South Africa

With 4,3 million tons to go, Portnet expects the programme to be completed in April 1993

The destination of the relief aid, with tonnages, are; South Africa 3 634 687, Swaziland 53 019, Lesotho 79 235, Botswana 97 848, Zimbabwe 1 316 553, Zambia 232 187, Malawi 210 012, Namibia 93 936, Angola 1 123 — Sapa

By Sven

The hu which Keys p percent signific nomic p

This Board mist R econom

Exce ing ove ishing nomina year, u lapsing

Extra $35m needed for Portland plant expansion

(232)

EDWARD WEST

THE JSE-listed Zimbabwean cement parastatal Portland Holdings is to approach the market for an additional $35m to fund shortfalls on the expansion of the Colleen Bawn factory in southwest Zimbabwe.

The company's 1992 annual report said the development of the Colleen Bawn factory — the completion of which in April next year would make it the biggest cement factory in the southern hemisphere — was hit by massive price increases, especially steel prices, which had increased 400% over the past two years, and the devaluation of the Zimbabwean dollar.

Latest figures indicated a final cost of $250m for the project, and Portland would have to approach the market, mainly by way of a private placing of convertible debentures, to raise some $35m to finance the shortfall.

BIDAY 2/12/92

Portland expected its 1992/93 production to be less than 500 000 tons. The drought and a dramatic increase in interest rates had reduced building activity and cement sales in Zimbabwe had declined by more than 30% from peak demand in 1991.

However, power restrictions and the water crisis were likely to inhibit the company's short term ability to meet the reduced cement demand.

In the financial year to end-July 1992 cement sales amounted to 593 203 tons compared with 629 976 tons in 1991. This was caused mainly by breakdowns to major production units and not by a fall-off in demand. Group profit was forecast to be well below that achieved in the past year

Insurer reluctant to meet JSE claim

STAR 3/12/92

By Derek Tommey (232)

Creditors with just under R1 million in "general" claims against stockbroking firm Andrew Forbes, which defaulted in June owing R16,5 million, can expect to be paid soon, says the Johannesburg Stock Exchange.

But clients with "limited" claims may have to wait some time because the insurer which provides fidelity insurance cover has rejected the stock exchange's claim as it is currently formulated.

A "general" claim arises when the transaction has to be settled with the stockbroker within seven business days.

Transaction

A "limited" claim is when the transaction does not have to be settled in this manner, for example when a stockbroker manages his clients' portfolios.

The JSE has an R80 million guarantee fund which covers "general" claims in full.

But in the case of "limited" claims, the cover amounts to only R1 million for each stockbroker for equity transactions and a further R1 million for gilt transactions.

The JSE also has a fidelity insurance policy with aggregate cover which amounts to R100 million.

It was taken out on behalf of member firms and covers loss of securities or money as a result of theft, fraud or dishonesty.

JSE president Roy Andersen said last night the JSE was reformulating its claim under this policy. But should the claim ultimately be repudiated, the JSE may be compelled to institute legal proceedings.

The insurer's reluctance to accept the JSE claim relates to the principle that no one may insure against one's own unlawful acts.

Andersen said that as soon as the JSE had clarity on this matter (it is counsel's opinion that this principle is not applicable in this case) a further announcement would be made.

Three of the four JSE broking firms which defaulted in the past 12 months owe R22,8 million between them.

HG Crosby, which defaulted last December, owes about R2,9 million, Andrew Forbes R16,5 million and Ben Janse van Rensburg R3,5 million.

Claims against Kritzas, which defaulted last month, are believed to be small.

Andersen said the JSE had already paid "general" claimants R991 776 against Crosby out of its own funds, which it would recover from the guarantee fund when full payment was made.

The JSE is also about to pay Forbes "general" claimants about R957 000. Payment of the van Rensburg claims could be delayed as a liquidator has only recently been appointed.

Andersen emphasised that the JSE was doing all it could to speed up payments of claims against these companies.

It had spent R1 million on accountants and lawyers to expedite the investigations into the defaulting companies.

Forbes is being liquidated by Kessel Feinstein and Ernst and Young. Another accountancy firm, Deloittes, is bringing Forbes' accounting records up to date and has nearly completed dividing claims into "general" and "limited".

After this, "general" claimants will be paid.

"Limited" claims will be paid when the final liquidation and distribution account of the insolvent firm has been confirmed by the Master of the Supreme Court and when the insurance proceeds have been received.

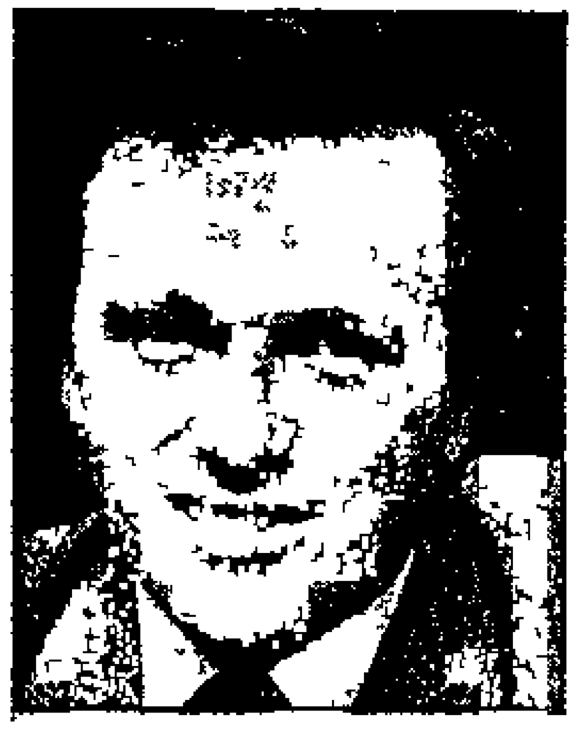
Proceeds

"Limited" claims against Crosby will also be paid out when the insurance proceeds have been received.

Van Rensburg is being liquidated by Coopers Trust and the investigating accountants, Ernst and Young, will shortly be able to determine "limited" and "general" claimants, after which the "general" claimants will be paid.

Although the claims against Kritzas have not been quantified, preliminary indications are that they should be covered by the provisions of the Guarantee Fund.

Mervyn Serebro



Philip Grover

Changes at OK Bazaars

By Stephen Cranston STAR 3/12/92

Mervyn Serebro, currently MD of OK Stores, becomes group MD of OK Bazaars from January 1 after the retirement of Gordon Hood.

Philip Grover, MD of the Hyperama, becomes group deputy MD on January 1.

Serebro says he will act urgently to restore the group to profitability. "The building blocks are already in place and I know what needs to be done."

He says that the OK has gone through an unfocused period and needs to deal more closely with customers in the C, D and E income groups.

He says at one time when competition was less significant it could afford to be all things to all people.

"We prided ourselves on carrying 60 000 items. We should no longer concentrate on carrying a breadth of merchandise, but rather on honestly carrying the commodities which best suit our consumers."

Serebro questions the group's decision to close 31 smaller stores and to focus on super stores, often in upmarket shopping centres.

"It made sense at the time, but I'm not prepared to comment further until I take over," he says.

Serebro says the OK is actively seeking sites in townships such as Soweto and Atteridgeville, but institutions are reluctant to commit their funds in such areas.

An active first day for SAB 2000

By Stephen Cranston

The newly issued SAB 2000 bond was first traded yesterday at a yield of 14,88 percent, two points short of the opening yield of 14,90 percent. STAR 3/12/92

The yield slid to 14,74 percent during the day before running up to a high of 14,86 percent and closing at 14,82.

A dealer said it was an active day with R217 million worth of the bond trading on the JSE Gilts floor alone.

It is trading 90 to 100 points higher than the benchmark RSA 147, which finished trading at a 13,86 percent yield.

Quality golds finding favour

STAR 3/12/92

By Leigh Hassall

While the bulls and bears are tussling over the future of gold, some analysts suggest that quality gold shares now offer fundamental value and recommend cautious buying.

"The rand price of gold has risen six percent since the crash of 1987, yet the JSE all-gold index has fallen 64 percent," says Andy Paterson, trading analyst at EW Balderson.

"This translates into a gap of 70 percent, the widest it has been in five years," he says.

"Gold's loss of favour with international investors, coupled with local political instability, has led to the reduced demand," adds Paterson.

The all-gold index, currently at 866, has lost 27 percent since this time last year.

However, Paterson expects 15 percent upwards correcti[on] to 1000 over the next fe[w] months.

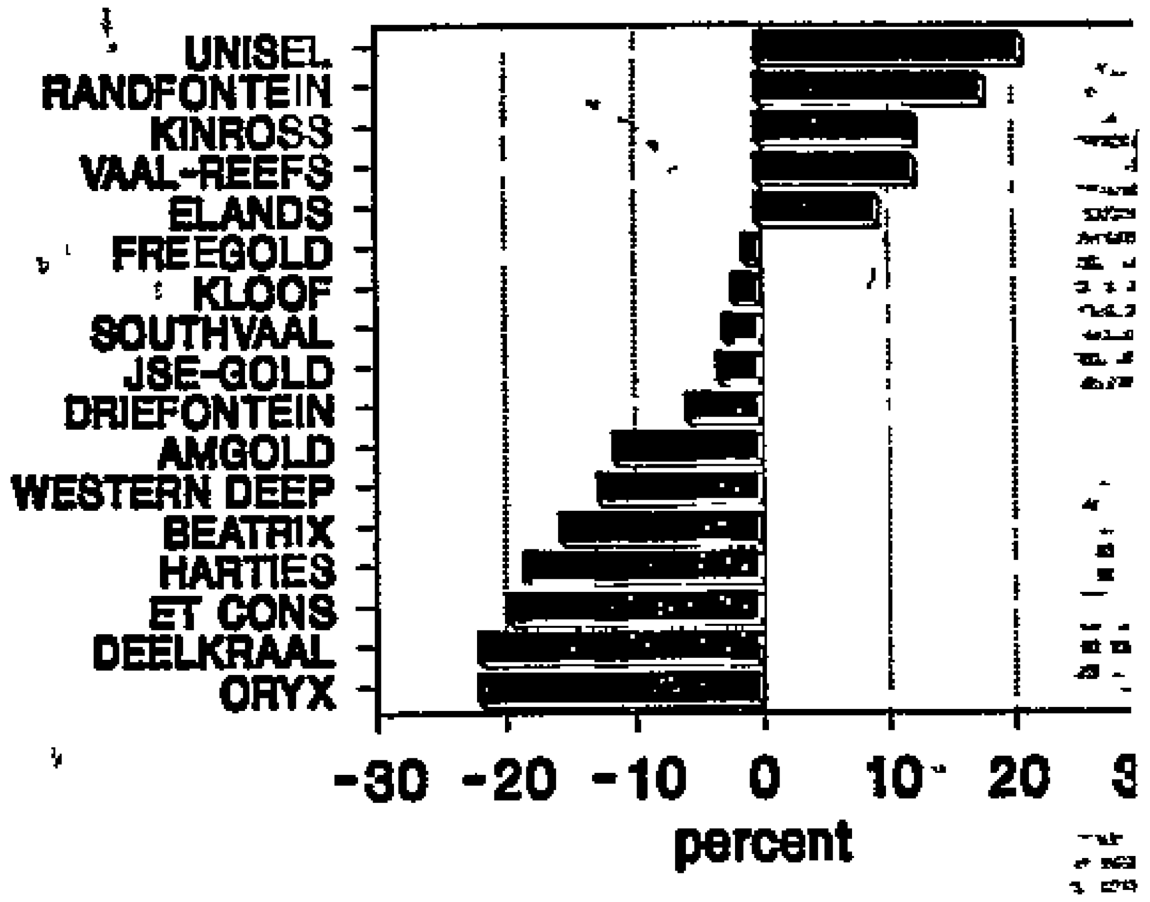
On a technical analysis, t[he] 1000-level marks the breaki[ng] point out of the index's curr[ent] medium-term bear trend.

"If the gold price strengthe[ns] to $355 we could see the ind[ex] rising above the 1000-mark a[nd] entering a much bigger bull market," says Paterson.

Since the beginning of t[he] current quarter the index h[as] dropped three percent, but few of the quality gold shar[es] have out-shone the index.

Kloof, Elands, Randfonte[in], Dries, Vaal Reefs and Weste[rn] Deep are on the steepest rec[ov]ery paths.

Paterson notes that Weste[rn] Deep and Elands have come [off] the lowest base (see graph).



Capital gains tax

Insurer reluctant to meet JSE claim

STAR 3/12/92

By Derek Tommey (232)

Creditors with just under R1 million in "general" claims against stockbroking firm Andrew Forbes, which defaulted in June owing R16,5 million, can expect to be paid soon, says the Johannesburg Stock Exchange.

But clients with "limited" claims may have to wait some time because the insurer which provides fidelity insurance cover has rejected the stock exchange's claim as it is currently formulated.

A "general" claim arises when the transaction has to be settled with the stockbroker within seven business days.

Transaction

A "limited" claim is when the transaction does not have to be settled in this manner, for example when a stockbroker manages his clients' portfolios.

The JSE has an R80 million guarantee fund which covers "general" claims in full.

But in the case of "limited" claims, the cover amounts to only R1 million for each stockbroker for equity transactions and a further R1 million for gilt transactions.

The JSE also has a fidelity insurance policy with aggregate cover which amounts to R100 million.

It was taken out on behalf of member firms and covers loss of securities or money as a result of theft, fraud or dishonesty.

JSE president Roy Andersen said last night the JSE was reformulating its claim under this policy. But should the claim ultimately be repudiated, the JSE may be compelled to institute legal proceedings.

The insurer's reluctance to accept the JSE claim relates to the principle that no one may insure against one's own unlawful acts.

Andersen said that as soon as the JSE had clarity on this matter (it is counsel's opinion that this principle is not applicable in this case) a further announcement would be made.

Three of the four JSE broking firms which defaulted in the past 12 months owe R22,8 million between them.

HG Crosby, which defaulted last December, owes about R2,9 million, Andrew Forbes R16,5 million and Ben Janse van Rensburg R3,5 million. Claims against Kritzas, which defaulted last month, are believed to be small.

Andersen said the JSE had already paid "general" claimants R991 776 against Crosby out of its own funds, which it would recover from the guarantee fund when full payment was made.

The JSE is also about to pay Forbes "general" claimants about R957 000. Payment of the van Rensburg claims could be delayed as a liquidator has only recently been appointed.

Andersen emphasised that the JSE was doing all it could to speed up payments of claims against these companies.

It had spent R1 million on accountants and lawyers to expedite the investigations into the defaulting companies.

Forbes is being liquidated by Kessel Feinstein and Ernst and Young. Another accountancy firm, Deloittes, is bringing Forbes' accounting records up to date and has nearly completed dividing claims into "general" and "limited".

After this, "general" claimants will be paid.

"Limited" claims will be paid when the final liquidation and distribution account of the insolvent firm has been confirmed by the Master of the Supreme Court and when the insurance proceeds have been received.

Proceeds

"Limited" claims against Crosby will also be paid out when the insurance proceeds have been received.

Van Resnburg is being liquidated by Coopers Trust and the investigating accountants, Ernst and Young, will shortly be able to determine "limited" and "general" claimants, after which the "general" claimants will be paid.

Although the claims against Kritzas have not been quantified, preliminary indications are that they should be covered by the provisions of the Guarantee Fund.

Mervyn Serebro

Philip Grover

Changes at OK Bazaars

By Stephen Cranston STAR 3/12/92 (23)

Mervyn Serebro, currently MD of OK Stores, becomes group MD of OK Bazaars from January 1 after the retirement of Gordon Hood.

Philip Grover, MD of the Hyperama, becomes group deputy MD on January 1.

Serebro says he will act urgently to restore the group to profitability. "The building blocks are already in place and I know what needs to be done."

He says that the OK has gone through an unfocused period and needs to deal more closely with customers in the C, D and E income groups.

He says at one time when competition was less significant it could afford to be all things to all people.

"We prided ourselves on carrying 60 000 items. We should no longer concentrate on carrying a breadth of merchandise, but rather on honestly carrying the commodities which best suit our consumers."

Serebro questions the group's decision to close 31 smaller stores and to focus on super stores, often in upmarket shopping centres.

"It made sense at the time, but I'm not prepared to comment further until I take over," he says.

Serebro says the OK is actively seeking sites in townships such as Soweto and Atteridgeville, but institutions are reluctant to commit their funds in such areas.

An active first day for SAB 2000

By Stephen Cranston (232)

The newly issued SAB 2000 bond was first traded yesterday at a yield of 14,88 percent, two points short of the opening yield of 14,90 percent. STAR 3/12/92

The yield slid to 14,74 percent during the day before running up to a high of 14,86 percent and closing at 14,82.

A dealer said it was an active day with R217 million worth of the bond trading on the JSE Gilts floor alone.

It is trading 90 to 100 points higher than the benchmark RSA 147, which finished trading at a 13,86 percent yield.

Quality golds finding favour

STAR 3/12/92

By Leigh Hassall (24)

While the bulls and bears are tussling over the future of gold, some analysts suggest that quality gold shares now offer fundamental value and recommend cautious buying.

"The rand price of gold has risen six percent since the crash of 1987, yet the JSE all-gold index has fallen 64 percent," says Andy Paterson, trading analyst at EW Balderson.

"This translates into a gap of 70 percent, the widest it has been in five years," he says.

"Gold's loss of favour with international investors, coupled with local political instability, has led to the reduced demand," adds Paterson.

The all-gold index, currently at 866, has lost 27 percent since this time last year

However, Paterson expects 15 percent upwards correcti[on] to 1000 over the next fe[w] months.

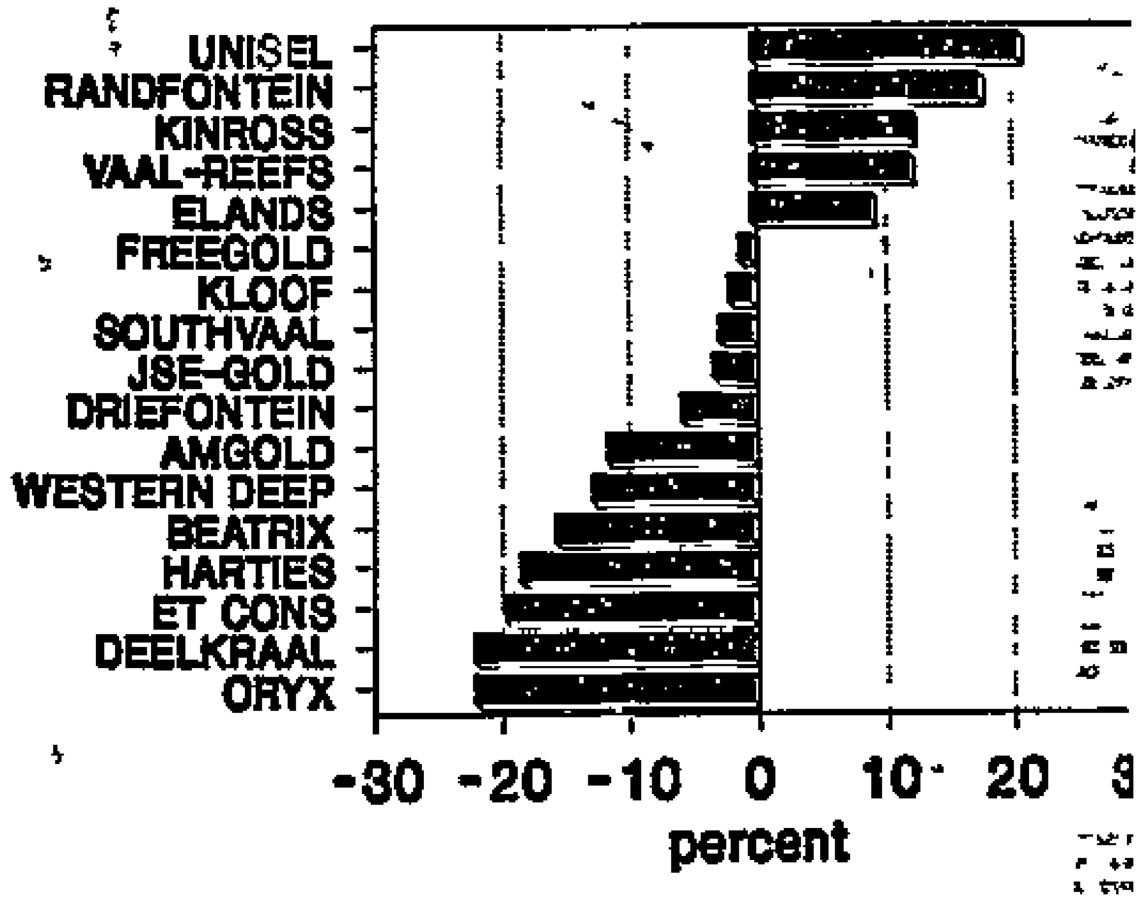
On a technical analysis, t[he] 1000-level marks the breaku[p] point out of the index's curre[nt] medium-term bear trend.

"If the gold price strengthe[ns] to $355 we could see the ind[ex] rising above the 1000-mark a[nd] entering a much bigger bull market," says Paterson.

Since the beginning of t[he] current quarter the index h[as] dropped three percent, but few of the quality gold sha[res] have out-shone the index.

Kloof, Elands, Randfonte[in], Dries, Vaal Reefs and Weste[rn] Deep are on the steepest rec[overy] paths

Paterson notes that Weste[rn] Deep and Elands have come [off] the lowest base (see graph).



Capital gains tax

Malbak gaining greater market acceptability

232

By Stephen Cranston

There has been a growing market acceptance of the versatility of Malbak's operating divisions since it divested itself of much of its construction and engineering interests — Darling & Hodgson and half of Standard Engineering — and replaced them with consumer-oriented businesses such as Fedfood and SA Druggists.

The annual report for the year to August shows that Foodcorp, created out of the merger of Kanhym and Fedfood, increased market capitalisation by 25 percent by year-end and by 62 percent to date.

Foodcorp now has dominant shares in certain market categories — 56 percent of frozen vegetables, 60 percent of potato chips and 37 percent of chilled processed meat.

Packaging and paper subsidiary Holdains moved into the beverage sector by acquiring 50 percent of beverage can manufacturer Crown Cork SA, giving it a foothold in a fast-growing sector.

Malbak chairman Grant Thomas says Holdains now has a partner with world class can-making technology and which has just acquired the world's biggest producer of PET plastic bottles and has subsidiaries dominant in plastic closures.

Thomas says that Crown Cork SA's performance over the past few years has been less than satisfactory and that its immediate contribution to earnings will be modest.

But the entry into the fastest-growing sector of the packaging industry (beverages) has substantial long-term benefits.

After the acquisition of SA Druggists, Malbak's healthcare division became the largest pharmaceutical company in the Southern Hemisphere.

Close attention to cost control, productivity improvements and the implementation of streamlined distribution systems will enable SA Druggists to fulfil its potential as a significant contributor to group earnings.

Malbak's gearing improved from 35,3 percent to 29 percent, but its return on average ordinary shareholders' funds was down from 18,2 percent to 14,5 percent and the operating margin from 8,5 percent to 7,7 percent.

JSE pays out to defaulters' clients

(232)

BDay 3/12/92

MERVYN HARRIS

THE JSE has paid general claims of almost R1m to creditors and clients of defaulting stockbroker Hilary Crosby and former clients of Andrew Forbes & Co should soon receive payments of R957 000 on similar claims.

Today's JSE announcement reports on the position regarding the winding up of the Crosby, Forbes, Van Rensburg and Kritzas stockbroking firms, all of which have been declared in default

JSE executive president Roy Andersen said "We are moving as fast as we can to keep people informed about their claims and have so far incurred expenses of nearly R1m on accounting and legal fees to hasten the process

"But the process of receiving responses from creditors and investors and formulating insurance claims is a time-consuming operation. We are, however, committed to devoting all the resources required to facilitate payment of money to investors."

The JSE protects investors through its Guarantee Fund, which has assets in excess of R80m. The fund is complemented by a fidelity insurance policy with cover of up to R100m on behalf of member firms

However, a delay has arisen in the matter of the Forbes default as the insurer has indicated that the claim, as currently formulated, cannot be met The issue is that no one may insure himself against his own unlawful acts The JSE, however, believes that this principle is not applicable in the Forbes case and has received counsel's opinion to this effect

Andersen said the JSE was paying general claims by former clients of the defaulting stockbrokers out of its own resources because it was fully aware of the dissipating effect of inflation

"But we cannot control how quickly creditors respond to us or how quickly insurers process claims," he said

Limited claims in both the Crosby and Forbes cases will be paid when the final liquidation and distribution accounts of the insolvent firms have been confirmed by the Supreme Court and when the insurance proceeds have been received

The liquidation of Ben Janse van Rensburg was delayed by the late appointment of a liquidator, but payment of general claims should start after a schedule of creditors has been completed

The accounting records of Kritzas & Co are being updated and a schedule of creditors is being compiled Preliminary indications are that claims should be covered by the provisions of the Guarantee Fund

● Picture Page 3

Bank curbs bad debts and lifts income

BDay 3/12/92

LINDA ENSOR

CAPE TOWN — In a difficult lending environment, Nedcor's Cape of Good Hope Bank increased its taxed income by 18% to R15,5m (R13m) in the year ending September 30.

The deterioration in the economy brought an overall increase in the number of liquidations and insolvencies, but the bank's write-offs for bad debts declined by 2,6%

Being a niche player in close touch with its market had helped in controlling bad debts, MD Ron Rundle said.

The recession had taken a hold on the Western Cape economy from the first quarter of 1992 and the bank had provided for increased risk and general debtor provisions, he said

More unsound proposals for financing were turned away than ever before.

"Overall our bad debt experience was within expectations This is due to the effectiveness of professional risk management procedures being in place and the bank's strong emphasis on sound transactions in our specific target markets.

"Our involvement in property deals is being looked at very selectively as the commercial/industrial property market has weakened considerably."

The commercial industrial property division experienced a 30% growth in its book, instalment credit and leasing 13%, home loans 28% and net funding activities 26%

All divisions contributed positively to the bottom line

The corporate finance division, the wholly owned Cape of Good Hope Bank Insurance Brokers and associate money broking operation Accuma Investment Managers contributed 16% to the bottom-line and represented a growing aspect of the business.

Asset growth was constrained by a conservative credit policy and total assets rose 27% to R1,187bn and shareholders funds by 26% Returns on assets at 1,5% and on shareholders' equity at 33,5% were above average

Costs increased by 17% and were 46% of net income, which Rundle said was well below the industry average

The tax rate rose to 48% (45%) as a result of the introduction of the financial services levy

232

The tax rate would be adversely affected by further phasing out of Section 24 allowances.

Rundle expected a modest increase in profits for the current year as there were no signs of an upturn in the economy

Interest rates were under pressure, competition for high quality lending business had increased and a higher than anticipated level of bad debt provisions was necessary

Cape of Good Hope Bank has reached the 6,3% of the acquired 8% capital requirements as stipulated laid down by the Deposit Taking Institutions Act and is expected to achieve the balance in the next few months, well ahead of the 1995 deadline.

UK and SA listings suspended

Tollgate in provisional liquidation

232

B/DAY 3/12/92

LINDA ENSOR

CAPE TOWN — Tollgate Holdings (TGH) and four of its subsidiary companies were provisionally liquidated in the Cape Town Supreme Court yesterday after Absa refused proposals for a restructuring of its debt and an injection of new capital.

Urgent ex parte applications were brought for the winding up of the subsidiary companies, Motorvia, Entercor and Entercor subsidiaries Greyhound Coachlines and Quicksilver Coach Lines

Absa brought the application against TGH, a transport and leisure group listed on the London and Johannesburg stock exchanges The TGH listing was suspended on both the LSE and JSE boards yesterday

Absa group executive for risk control Daniel Brits said in his affidavit that an investigation by Absa had shown that TGH had been paid out more dividends from its subsidiaries in the 1990 and 1991 financial years than it was legally entitled to

"Had the dividends from the subsidiaries conformed to the legal limits, TGH would have had insufficient distributable reserves out of which to declare the dividends which it in fact paid to its own shareholders," Brits said

He said 75% of TGH's issued share capital had been lost or had become useless for the business of the company and its liabilities exceeded its tangible assets by R134m

TGH owed Absa R305m for loans advanced, including an overdraft facility of about R94m, and other banks were owed about R70m by TGH subsidiaries. These included Standard Bank and Investec Merchant Bank, which had begun to make payment demands on TGH and its subsidiary Fetlar Foods

McCarthy Finance was also taking action to enforce a claim of R3,9m against TGH

Brits said TGH's subsidiaries were valued at end-December at R327,4m, while its share capital and share premium account totalled R193m.

Absa's urgent application followed a battle between TGH and Absa over who was to initiate the liquidation proceedings

The successful ex parte applications yesterday succeeded the interim order obtained by Absa on Tuesday seizing the assets of five TGH subsidiaries — Motorvia, [illegible] Entercor Cape, Horizon Tours & [illegible] and Greyhound Coach Lines Papers for the ex parte applications were filed on Tuesday and precipitated Absa's application to seize the assets

The outcome of the proceedings was that Absa failed to perfect its bond over the [illegible] assets and was a preferred creditor, not a secured one as it had hoped

Brits said the effect of the provisional liquidations of the subsidiaries would be to remove the only viable businesses from the group, which would aggravate its precarious financial situation

He said Absa had instituted a monitoring system in TGH from early November to protect its interests and control the outflow of funds. All inflows would be used to reduce TGH's overdrafts

Absa had told TGH chairman Julian Askin that a restructuring would require a

☐ To Page 2

Tollgate

B/DAY 3/12/92.

☐ From Page 1

substantial injection of new capital by TGH shareholders, if this took place Absa might consider injecting new capital itself

But returning from a trip to the UK in November when he discussed the matter with TGH shareholders, Askin said no shareholder injection of capital would be forthcoming unless Absa was prepared to restructure the debt

Absa rejected this suggestion, Brits said, as it would have involved substantial debt write-offs

Absa also rejected a set of proposals submitted by TGH in November after it had rejected suggestions made in August to restructure the debt The August proposals involved Absa writing off or cancelling about R160m of its debt, "ring fencing" an additional R99m, investing another R82m in preference shares in TGH and granting the group a working capital facility of about R30m

The November proposals involved either a buyout, a controlled liquidation involving the sale of some of TGH's viable businesses or an immediate liquidation

In terms of the buyout proposal, Absa would release certain sureties and take over certain assets to reduce TGH's exposure to Absa to R182m This would be converted to backdated, five-year redeemable preference shares with a coupon of 50% of prime bank rate Absa would also make available as secured working capital a further R30m financed by bankers' acceptances for two years

A consortium of some of the present shareholders together with the new shareholders would make an offer to minority shareholders and then delist TGH A separate Absa loan to a consortium shareholder overseas would also be converted into five-year preference shares

The effect of the buyout proposal would be to leave earnings of R5m, which would be sufficient for the R4m a year required for other bank claims and contingencies The scheme was rejected by Absa

TGH's financial position deteriorated in the six months to end-June and it made an operating loss of R7,8m and its net asset value declined by about R47,7m Brits said there was no possibility of the group achieving the projected operating profit of R56m for the full financial year

Fund-hoppers get tax caution

(232)

Business Day Reporter

UNIT trust investors who switch between funds may be considered by the Receiver of Revenue as active share dealers and be liable for tax, says Syfrets tax specialist Dale Lippstreu

Unit trusts are regarded as long-term investments by the Receiver; profit from the redemption of units are therefore not regarded as taxable income

Share dealing, on the other hand, involves transactions for short-term gain and profit arising from such transactions are taxable as income.

Lippstreu gives the following guidelines to ensure unit trust investors do not fall foul of the Receiver·

- ☐ Do not jump in and out of unit trusts frequently;
- ☐ When switching between unit trusts, move your money in one go,
- ☐ Do not invest money earmarked for a known expense in the hope of making a profit in the interim.

GDM's dividend

BUSINESS Day yesterday incorrectly reported that GDM Finance would pay shareholders a dividend of R5,80 when in fact the interim dividend was 5,8c We regret the error

2/12/92

Cash is still king

FM 4/12/92

(232)

John Winship is GM investments at the Board of Executors.

***FM:* If you were holding cash at the outset of 1993, how would you invest it?**

Winship: I would put it on deposit at a fixed rate for three to six months I say this for three reasons

Commodity prices might, at best, bottom next year, but the risk is that they will continue to decline and improve only in 1994 They may well bottom in the latter half of 1993 but commodity shares are not attractive now

We estimate earnings growth on the industrial board will be 5%-10% This does not justify the existing high market ratings of most industrial counters Price weakness in the short-to-medium term seems inevitable

The inflation rate will fall through the first half, accompanied by a drop in interest rates But prime is not likely to fall below about 15,25% The capital market risks are high, and we believe the bull market in long bonds has ended

Are JSE industrials in a fully-fledged bear market?

The 20-year, long-term trend has not been broken, so the primary trend is still bullish But we have had 18 months of price weakness which will probably last for at least another six months Industrial share ratings are still high, with the average p e at about 13,5 For value to emerge, the average should be 10 or lower

However, the second-tier soft commodity stocks, for instance, paper and packaging, are looking terrible Most have broken their long-term trends It's only the likes of Rembrandt and Richemont that are holding their uptrends Barlows, Amic and Sappi have all broken down and are in very real bear markets

This does not mean all shares should be sold now, or that no shares should be bought We still believe that in the medium term equities will render the most favourable overall returns But for the next six to eight months we have a distinct liquidity preference Cash should be king while careful acquisition of shares takes place in the right sectors when value presents itself

Should investors be selling now?

The issue is to have the right shares in the portfolio Shares with real earnings growth prospects should be held For example, banking, insurance, the electronic sector and parts of the food sector will hold up

Which sectors will be weak?

Gold shares are in a clear bear market In general, mining shares as well as commodity-related industrials are likely to remain weak for some time

You say cash should be placed on fixed deposit. With bank deposit rates at about 11%, would it not be better to go into gilts at rates around 16%?

No The risk that long gilt rates will rise is high As an alternative, one could use derivative instruments, particularly options, so that if rates rise only the premium would be lost

How would you summarise prospects for the JSE in 1993?

High liquidity and careful selection of equities is the game The low point in the equity market will be reached in the latter part of next year as world trade is seen to improve By that time the Dow will probably have cracked Local short-term interest rates will have fallen, together with inflation. Hopefully, the local political scene will have improved But we have a major reservation Perhaps there is a sea change taking place in world economies — a massive structural change that is difficult to quantify now It could upset any short-term convictions

JSE suspends listing of Bester Investments

STAR 4/12/92.

By Roy Cokayne and Patrick Hlahla

The Johannesburg Stock Exchange (JSE) has suspended the listing of building and property development group Bester Investments Ltd following the provisional liquidation of the group's main operating subsidiary, Bester Homes (Pty) Ltd.

Bester Investments Ltd executive chairman and Bester Homes (Pty) Ltd director Theunis Bester said the provisional liquidation did not mean the entire group was on the verge of collapse and final liquidation.

This was confirmed by Gerrit van den Berg, Northern Transvaal regional general manager corporate division of Amalgamated Banks of South Africa Ltd (Absa), which brought the provisional liquidation application in the Pretoria Supreme Court on Wednesday.

"The final liquidation of Bester Homes (Pty) Ltd is definitely not on our agenda," said Van den Berg. He said that because there was more than one creditor bank involved, they had opted for the provisional liquidation as a mechanism to make it easier for the creditor banks to enter into a scheme of arrangement.

Bester said. "The whole idea is the downsizing of the company, and we are proceeding with that."

Holdains to raise R180-m

STAR 4/12/92.

Finance Staff

Holdains, the paper and packaging group in the Malbak stable, has announced a R180 million rights offer to finance its acquisition of a 50 percent stake in Crown Cork Company SA.

Beverage can maker Crown Cork is the local subsidiary of US group Crown Cork & Seal.

The proceeds of the renounceable rights offer will also be used to finance Holdains' 30 percent interest in Crown Cork & Seal's operations in Zimbabwe, Zambia, Kenya and Nigeria.

Holdains says the funds will also allow the group to facilitate future expansion of its acquisitions.

Malbak will underwrite the issue. Details will be announced in January.

Business as usual for Tollgate subsidiaries

Finance Staff 232

STAR 4/12/92.

CAPE TOWN — Four major companies employing about 2 500 people are "carrying on business as usual" after the collapse of their parent company, Tollgate, in the biggest Cape company crash this year.

Tollgate Holdings was placed in provisional liquidation in the Supreme Court on Wednesday.

Joint liquidators are to be appointed to run the companies and a deal is expected to be struck with bankers to keep them going.

Absa, which inherited the Tollgate accounts when it took over Bankorp, applied for liquidation as a last resort after unsuccessful attempts to keep the group afloat.

The banking giant should recover some of its money if and when Tollgate's remaining assets are sold off.

But with Tollgate's debt to Absa topping R305 million, the bank is thought to have already written off most of the liabilities as a bad debt.

The main operating companies left in the shrunken Tollgate empire are:

- Motorvia, the group financing division and operator of the Motorvia car ferry business.
- Entercor, whose main divisions are Springbok Atlas Safaris, Greyhound Citiliner, Showtime International, Six Street Studios and Moving Media.
- Greyhound Coach Lines.
- Quicksilver Coach Lines.

Christo van Niekerk, Motorvia director, said that barring a few technicalities it was business as usual. He expected to be notified about the future of the vehicle ferrying operations shortly.

Greyhound

An employee at Greyhound Citiliner confirmed that services were still running.

Motor Racing Enterprises (MER), which manages the Kyalami racing track, is not affected by the provisional liquidation order against Tollgate Holdings.

MER was acquired from Tollgate through a management buyout by two directors, Dave McGregor and Mervyn Key. They have secured a long lease for the Kyalami circuit.

At least two major Durban-based companies — Toyota SA and McCarthy Group — are directly affected by the provisional liquidation.

McCarthy, through its 50 percent partnership with Standard Bank in McCarthy Finance, is taking action to enforce a claim for R3,9 million against TGH after its acquisition last year of the full maintenance lease business Autovia from the provisionally wound up TGH subsidiary Motorvia.

Motorvia's fate has a direct effect on the country's biggest vehicle assembly business, Toyota SA.

Toyota group financial director Pieter Robinson says Motorvia ferries about 75 percent of production from the vehicle assembler's Prospecton factory near Durban, representing 5 500 to 6 000 vehicles a month, to inland destinations.

"Motorvia is our major mover of vehicles and we are its biggest customer," he said.

Cemenco in black but skips payout

By Sven Lunsche STAR 4/12/92

Despite a marked decline in turnover, engineering group Cementation Company Africa (Cemenco) returned to profitability in the year to end-September.

However, in view of the poor outlook for trading conditions in the current financial year the directors have decided not to pay a final dividend on the ordinary shares.

Turnover in the 12 months fell from R325,2 million to R265,3 million but net operating income showed a strong turnaround from a loss of R4,7 million to profits of R5,1 million.

Attributable income recovered to R397 000 (loss of R7 million), which translates to a sharp improvement in earnings per share to 4,4c from a loss of 78c.

The directors say that while the group achieved a marked improvement in full year results, deteriorating conditions in the second half affected the group's performance, with all divisions experiencing shrinking markets.

Tight controls help recovering Metcash

By Stephen Cranston STAR 4/12/92.

Metro Cash and Carry (Metcash) continued its recovery, with earnings per share up to 14,7c, compared with 2,2c in the four months to October 1991.

A dividend of 6c has been declared.

In the year to June 1991, prior to its acquisition by Premier and the appointment of Carlos dos Santos as group MD, Metro had reported losses.

Dos Santos says that trading conditions remained difficult, but the results were "well ahead of expectations," and were largely due to the strict cost control programme, financial discipline and reduced shrinkage.

Gross profit margins were tight, but the operating margin improved from 0,45 percent to 1,49 percent.

Dos Santos attributes the improved results to a highly motivated and focused management team.

"The guys are beginning to believe in themselves and are moulding into a formidable team," he says.

"They work to well-defined goals and guidelines. Progress is monitored regularly and incentive bonuses are linked directly to performance."

Turnover rose by 20 percent on a comparable basis to R2,652 billion. Attributable income increased more than tenfold to R24,1 million.

In particular interest payments of R9,7 million were transformed into net interest received of R6,9 million.

The group has a strong balance sheet, with net cash resources of R225,8 million. Current liabilities, mainly creditors, rose 5 percent.

Metro expects its effective tax rate to remain at 34 percent in the second half.

During the period four small Metro stores were closed, an old Trade Centre was replaced with a new store in Pretoria and the Metro in Upington was replaced.

The group now has 178 Metro outlets, five Trade Centres, four Stax stores and 11 Metbuild outlets.

It has investments in trading operations in Malawi, Mozambique, Portugal and Hong Kong.

Dos Santos says the volatility of the environment and the poor economic conditions make forecasting difficult. But with the Christmas and Easter trading periods to come, the second half should be better than the first.

STAR 4/12/92.

JSE suspends listing of Bester Investments

STAR 4/12/92.

By Roy Cokayne and Patrick Hlahla 232

The Johannesburg Stock Exchange (JSE) has suspended the listing of building and property development group Bester Investments Ltd following the provisional liquidation of the group's main operating subsidiary, Bester Homes (Pty) Ltd.

Bester Investments Ltd executive chairman and Bester Homes (Pty) Ltd director Theunis Bester said the provisional liquidation did not mean the entire group was on the verge of collapse and final liquidation.

This was confirmed by Gerrit van den Berg, Northern Transvaal regional general manager corporate division of Amalgamated Banks of South Africa Ltd (Absa), which brought the provisional liquidation application in the Pretoria Supreme Court on Wednesday.

"The final liquidation of Bester Homes (Pty) Ltd is definitely not on our agenda," said Van den Berg. He said that because there was more than one creditor bank involved, they had opted for the provisional liquidation as a mechanism to make it easier for the creditor banks to enter into a scheme of arrangement.

Bester said: "The whole idea is the downsizing of the company and we are proceeding with that."

Holdains to raise R180-m

STAR 4/12/92.

Finance Staff

Holdains, the paper and packaging group in the Malbak stable, has announced a R180 million rights offer to finance its acquisition of a 50 percent stake in Crown Cork Company SA.

Beverage can maker Crown Cork is the local subsidiary of US group Crown Cork & Seal.

The proceeds of the renounceable rights offer will also be used to finance Holdains' 30 percent interest in Crown Cork & Seal's operations in Zimbabwe, Zambia, Kenya and Nigeria.

Holdains says the funds will also allow the group to facilitate future expansion of its acquisitions.

Malbak will underwrite the issue. Details will be announced in January.

Business as usual for Tollgate subsidiaries

STAR 4/12/92.

Finance Staff 232

CAPE TOWN — Four major companies employing about 2 500 people are "carrying on business as usual" after the collapse of their parent company, Tollgate, in the biggest Cape company crash this year.

Tollgate Holdings was placed in provisional liquidation in the Supreme Court on Wednesday.

Joint liquidators are to be appointed to run the companies and a deal is expected to be struck with bankers to keep them going.

Absa, which inherited the Tollgate accounts when it took over Bankorp, applied for liquidation as a last resort after unsuccessful attempts to keep the group afloat.

The banking giant should recover some of its money if and when Tollgate's remaining assets are sold off.

But with Tollgate's debt to Absa topping R305 million, the bank is thought to have already written off most of the liabilities as a bad debt.

The main operating companies left in the shrunken Tollgate empire are:

- Motorvia, the group financing division and operator of the Motorvia car ferry business.
- Entercor, whose main divisions are Springbok Atlas Safaris, Greyhound Citiliner, Showtime International, Six Street Studios and Moving Media.
- Greyhound Coach Lines.
- Quicksilver Coach Lines.

Christo van Niekerk, Motorvia director, said that barring a few technicalities it was business as usual. He expected to be notified about the future of the vehicle ferrying operations shortly.

Greyhound

An employee at Greyhound Citiliner confirmed that services were still running.

Motor Racing Enterprises (MER), which manages the Kyalami racing track, is not affected by the provisional liquidation order against Tollgate Holdings.

MER was acquired from Tollgate through a management buyout by two directors, Dave McGregor and Mervyn Key. They have secured a long lease for the Kyalami circuit.

At least two major Durban-based companies — Toyota SA and McCarthy Group — are directly affected by the provisional liquidation.

McCarthy, through its 50 percent partnership with Standard Bank in McCarthy Finance, is taking action to enforce a claim for R3,9 million against TGH after its acquisition last year of the full maintenance lease business Autovia from the provisionally wound up TGH subsidiary Motorvia.

Motorvia's fate has a direct effect on the country's biggest vehicle assembly business, Toyota SA.

Toyota group financial director Pieter Robinson says Motorvia ferries about 75 percent of production from the vehicle assembler's Prospecton factory near Durban, representing 5 500 to 6 000 vehicles a month, to inland destinations.

"Motorvia is our major mover of vehicles and we are its biggest customer," he said.

Cemenco in black but skips payout

By Sven Lunsche STAR 4/12/92

Despite a marked decline in turnover, engineering group Cementation Company Africa (Cemenco) returned to profitability in the year to end-September.

However, in view of the poor outlook for trading conditions in the current financial year the directors have decided not to pay a final dividend on the ordinary shares.

Turnover in the 12 months fell from R325,2 million to R265,3 million but net operating income showed a strong turnaround from a loss of R4,7 million to profits of R5,1 million.

Attributable income recovered to R397 000 (loss of R7 million), which translates to a sharp improvement in earnings per share to 4,4c from a loss of 78c.

The directors say that while the group achieved a marked improvement in full year results, deteriorating conditions in the second half affected the group's performance, with all divisions experiencing shrinking markets.

Tight controls help recovering Metcash

STAR 4/12/92.

By Stephen Cranston

Metro Cash and Carry (Metcash) continued its recovery, with earnings per share up to 14,7c, compared with 2,2c in the four months to October 1991.

A dividend of 6c has been declared.

In the year to June 1991, prior to its acquisition by Premier and the appointment of Carlos dos Santos as group MD, Metro had reported losses.

Dos Santos says that trading conditions remained difficult, but the results were "well ahead of expectations," and were largely due to the strict cost control programme, financial discipline and reduced shrinkage.

Gross profit margins were tight, but the operating margin improved from 0,45 percent to 1,49 percent.

Dos Santos attributes the improved results to a highly motivated and focused management team.

"The guys are beginning to believe in themselves and are moulding into a formidable team," he says.

"They work to well-defined goals and guidelines. Progress is monitored regularly and incentive bonuses are linked directly to performance."

Turnover rose by 20 percent on a comparable basis to R2,652 billion. Attributable income increased more than tenfold to R24,1 million.

In particular, interest payments of R9,7 million were transformed into net interest received of R6,9 million.

The group has a strong balance sheet with net cash resources of R225,8 million. Current liabilities mainly creditors rose 5 percent.

Metro expects its effective tax rate to remain at 34 percent in the second half.

During the period four small Metro stores were closed, an old Trade Centre was replaced with a new store in Pretoria and the Metro in Upington was replaced.

The group now has 178 Metro outlets, five Trade Centres, four Stax stores and 11 Metbuild outlets.

It has investments in trading operations in Malawi, Mozambique, Portugal and Hong Kong.

Dos Santos says the volatility of the environment and the poor economic conditions make forecasting difficult. But with the Christmas and Easter trading periods to come, the second half should be better than the first.

STAR 4/12/92.

Listing possible for Sowetan

(232)

By Sven Lünsche

The Argus group has agreed in principle to give up its majority control of the Sowetan newspaper in a deal which could eventually result in the Sowetan, SA's largest-selling daily newspaper, achieving a separate listing on the Johannesburg Stock Exchange

Argus chief executive Doug Band said yesterday that a new company, Sowetan Publications Ltd (Sowetan PL) had been formed, in which Argus would retain a 50 percent stake, but sell the remaining shares to the Sowetan Trust (45 percent) and to newspaper staff (five percent)

Star 4/12/92

The Sowetan Trust will be run by up to 12 trustees to be appointed so as to reflect a wide representation of the community served by the newspaper.

Sowetan PL will be capitalised with an ordinary share capital of two million shares at 100c each and 53 million debentures of 100c each, which will bear interest at the prime overdraft rate.

The capitalisation reflects the valuation of the Sowetan at between R55 million and R60 million.

In the current financial year to end-March 1993 the Sowetan is expected to report a profit of about R11 million on a R60 million turnover.

Argus will finance the trust's acquisition of 45 percent of the debentures — amounting to R23,9 million — at 1,9 percent below ruling overdraft rates

This will allow the trust to trade profitably from the start, although it will repay Argus through dividend income received from its 45 percent stake in the Sowetan.

Argus will have four seats on Sowetan PL's board, the trust three seats and staff members will elect one direct representative.

Argus and Sowetan PL will enter into a management contract in terms of which Argus will provide management for four years and favourable access to printing and distribution facilities for three years

Band said Argus was willing to give up majority control in March 1996 — three years from the effective date of the transaction.

At that time the Sowetan Trust can request the listing of Sowetan PL on the JSE, which would require that both the trust and Argus reduce their shareholding to 40 percent.

● In a separate announcement Argus said it would be offering staff with two years service an option to acquire 50 Argus Holdings shares at 800c a share, a substantial discount on the current R27 market price.

Aid scheme recipients are named

(232)

BDay 4/12/92

DUMA GQUBULE

SOME of the wealthiest companies in the country, many of them listed on the JSE, had received confidential "giveaway", non-repayable grants worth millions of rands This was shown by an analysis of recipients of the Department of Trade and Industry's (DTI) Innovation Support for Electronics programme

The DTI's recently released progress report on the ISE programme for the three years ended September included, for the first time, the names of those companies receiving support under the scheme

According to the latest issue of Engineering News, Altron, as a group, appeared to be the biggest beneficiary with R10m worth of support

Loss-making Anglovaal subsidiary Grinaker Electronics received R5m Anglo American-controlled Control Logic, Sanlam-linked Plessey Tellumat and Tecnetics, also in the Anglovaal group, received more than R3m each

Releasing the report, DTI director-general Stef Naudé said his department's ISE programme had approved grants worth R64,7m to support electronic companies over the past three years

The DTI had decided to release the names and recipients of new grants on a six monthly basis to enhance awareness of the programme

Engineering News said the DTI's decision to drop the secrecy from the "controversial" programme had set an important precedent for in the country's new quest for open government

Trust and staff to buy 50% stake in Sowetan

(232) LLOYD COUTTS

B/DAY 4/12/92

A NEW company with community trust shareholding, Sowetan Publications Ltd (Sowetan PL), is to acquire the Sowetan newspaper — currently wholly owned by Argus Newspapers — by April 1.

The sale, part of Argus's unbundling programme, has been dismissed by the ANC as "sleight of hand" for not addressing concentration of ownership

Argus Holdings CE Doug Band said yesterday the Sowetan Trust would be formed to hold a 45% interest in Sowetan PL on behalf of the community served by the newspaper

Argus Newspapers would hold 50% and 5% would be offered to staff through an employee trust. The Sowetan Trust's acquisition of its share of Sowetan PL would be financed interest-free by Argus.

A panel of "eminent individuals", including Desmond Tutu, Sam Motsuenyane, Van Zyl Slabbert, Stanley Mogoba and Sowetan editor Aggrey Klaaste had been asked to appoint between six and 12 trustees. No political party officials would be permitted to serve as trustees.

Three trustees would serve on the board, Argus would have four directors, the staff one and the GM and editor would be ex-officio board members.

Band said the publication had been valued at between R55m and R60m.

Sowetan PL would be capitalised with an ordinary share capital of 2-million shares of R1 each, and debentures of R53m which would bear interest at prime overdraft rate. Argus would subscribe for 55% of the debentures (R29,15m) and 45% (R23,85m) would go to the trust. Argus would finance the debentures.

The trust would have the right to require the listing of Sowetan PL on the JSE after March 31 1996.

Band also said Argus would consider delinking with TML, in which it has a 37% stake, band also lack participation in Argus companies, broader representation on boards and staff shareholding.

BUSINESS DAY, Friday, December 4 1992

…rt finding …onclusive

SUSAN RUSSELL

HERE was insufficient evidence to identify those responsible for the murder of ANC attorney Bheki Mlangeni, who was killed by a parcel bomb meant for renegade policeman Dirk Coetzee on May 15 last year, the inquest judge has found

Judge B O'Donovan handed down his findings in the Rand Supreme Court yesterday

BIDM

He said the court had been unable to identify who was responsible for the murder

4/12/92.

"The investigating team which was constituted to collect information with regard to the explosion did not visit Vlakplaas until three months after the explosion"

The sole issue the court had to consider was who sent the parcel bomb to Coetzee or arranged for it to be done

"In this respect the available evidence falls lamentably short of the proof required, even on the basis of mere probability," O' Donovan said

Mykonos buyers did 'phantom' deals

BIDM 4/12/92

LINDA ENSOR

CAPE TOWN — Malpractices in the operation of the Club Mykonos share block scheme meant some purchasers bought non-existent shares, which gave them rights to non-existent land, from non-existent sellers, the Nel commission of inquiry into the collapse of the Masterbond group was told yesterday

Buyers, also, were not told about existing bonds over the properties

Some of the sales contracts were deficient in not correctly identifying the land which was bought In some cases the land did not exist, and in one case a bond over the property amounting to R55m was not disclosed, attorney and shareblock adviser Mildred Curr told the commission

Curr said the effect was that the owners concerned did not own anything

Also, she said, bonds valued at R171m had been registered over land leased to the Club Mykonos shareblock company, thereby eroding the shareblock owners' title to the land and making it improbable that they would be able to secure their rights

There had been deficiencies in the articles of association of the shareblock company in that it did not comply in all respects with the Share Blocks Control Act This, also, had the effect of undermining the rights of shareblock owners

Curr said that by October 22 1990, Club Mykonos Langebaan (CML) owned 29,0679ha of land which had registered bonds over the whole or portions of the land for a total capital amount of R201m

When the land was originally acquired by CML, it had measured 1 047,6671ha and had been bonded for R5m

The commission has adjourned its hearings until further notice

□ The question whether the Masterbond curators were entitled to call up bonds held over Fancourt Holdings — which owns lodges, land and a golf course outside George — was in dispute in the Cape Town Supreme Court yesterday

The Masterbond curators have applied for the provisional liquidation of Fancourt Holdings, claiming it has total debts of R117m, R97m of which is to Masterbond investors (232)

On Wednesday Fancourt Properties, which owns the Fancourt Hotel, was provisionally wound up

Fancourt chairman Andre Pieterse said that a moratorium agreement reached in January prevented the curators calling up the bonds in the event of an act of insolvency by Fancourt

The hearing continues today

plement sections of the national peace ac- ban.

ANC concerned about farm labour issue

DIRK HARTFORD

THE ANC yesterday expressed concern that government had reopened the debate on the provision of basic conditions of employment to farm workers

The ANC said the SA Agricultural Union (SAAU) had been less then impressive on the rights of farm workers, while other bodies — like Unifruco and the Cane Growers' Association — had welcomed the extension of the Basic Conditions of Employment Act to farm workers

It criticised the SAAU for its "badly conceived and incomplete proposals" and said Manpower Minister Leon Wessels should not erode minimum standards for farm workers because of pressure from sections of the farming community

The ANC said the SAAU should depart from its "antiquated vision of employees" and develop a new vision of agricultural labour relations

Bester Homes under provisional liquidation

BDM 4/12/92 PETER GALLI (232)

BESTER Homes has been placed in provisional liquidation after an application in the Pretoria Supreme Court by its major creditor, Absa

This follows months of market speculation about the property developer's ability to meet its obligations

Bester Homes' issued share capital of R200 is held by JSE-listed Bester Investments, which was suspended by the exchange yesterday

Executive chairman Theunis Bester said yesterday total interest-bearing loans amounted to about R139m

Bester Homes owed Absa R68m through Trust Bank (R64,1m) and Volkskas (R4,15m) The firm was liable for another R35m, due on demand for sureties on behalf of companies in the Bester group, adding up to a total debt to Absa of R108,1m Boland and First National Bank are the other major creditors

"The Bester Investments 1992 annual report stated that the group was already technically insolvent and a scheme of arrangement was being considered by its creditors," Bester said As they were unable to reach agreement it was decided that the company would be placed in provisional liquidation

An Absa spokesman said yesterday that the Bester group had not paid interest on its debt since November 1991 "Most of its assets are non-income generating and the fear is that it could start to eat into its assets to service its debts eroding security held by banks"

Bester said the group had stopped doing new business It was honouring existing obligations, including completion of two retirement homes in the Cape It was likely that the liquidators would have to use some of the company's unsecured assets as security for a loan or to sell to fund completion of the developments, Bester said

He was optimistic that a scheme of arrangement could be reached "We valued our land holdings at R350m, but present market conditions are making it almost impossible to sell"

Absa was awaiting a response to the provisional liquidation application, which was unopposed

The return date was set for January 12 Bester Homes' end-February balance sheet put current assets at R206m against current liabilities and provisions of R196m — R141,2m for overdrafts, loans and acceptances

Absa rules out salvage talks

(232)

LINDA ENSOR

CAPE TOWN — There was no possibility of Absa re-entering negotiations to salvage the provisionally liquidated Tollgate Holdings (TGH) group at this late stage, an Absa spokesman said yesterday

The diversified leisure and transport group was provisionally liquidated on Wednesday with debts of R305m to Absa, and subsidiaries owing R70m to other banks

BIDPM 4/12/92

The Absa spokesman said the only possible source of finance to assist TGH would be funds raised in the liquidation of the four provisionally liquidated operating companies, provided they achieved a decent liquidation price

The four principal subsidiaries which were provisionally wound up were Motorvia, Entercor — which operates Springbok Atlas Safaris, Greyhound Citiliner, Showtime International, Six Street Studios and Moving Media — Greyhound Coach Lines and Quicksilver Coach Lines

Sanek Cape's Steven Gore and Cape Trustees Rob Walters have been appointed joint provisional liquidators Walters said last night they had spent yesterday investigating the assets and liabilities of the group and had looked into which divisions to keep operating

Talks had already been held with a party interested in acquiring a division

TGH directors were unavailable for

To Page 2

Tollgate

BDPM 4/12/92

From Page 1

(232) (58)

comment yesterday, but in a statement said the provisional liquidation of the four companies would enable them to trade in a "relatively unhindered" way

"This action had to be taken as no agreement could be reached with the bankers on the restructure of the group's debt It is the group's real hope that, notwithstanding the action that has been taken, a deal can be struck with the bankers, while simultaneously minimising any further losses to the bankers"

The statement said that at the time that the controlling consortium of TGH acquired control of the group in 1990, it inherited about ~~R600m~~ of ~~debt~~ arising from TGH's previous acquisitions

About R400m of this debt and interest had been repaid over the past two-and-a-half years

"The group, however, is no longer able to service the balance of debt out of its current earnings, particularly given the decline in earnings from the steep and deepening economic recession, high interest rates, industrial strikes amongst some of the group's major customers, political violence in the country which has reduced levels of tourism, and the drought which has severely affected the group's agricultural trading operations"

SHARE OPTIONS: *Limit losses*

Use a long strangle to hedge bets

(232)

THE third in the series of articles illustrating how share options on the JSE's Traded Options Market can be used to create relatively low-risk strategies for profiting from different market scenarios. This week the strategy for a volatile market is outlined.

Star 5/12/92

BECAUSE of continuing political uncertainty, you believe there is a good chance of a significant movement in market prices in the first quarter of 1993 However, you find it impossible to choose between a bullish or a bearish position, and you are looking for a strategy which will enable you to profit no matter which way the market moves

You also want to be able to limit your potential losses in the event that the market drifts sideways What should your strategy be?

You contact your stockbroker, who tells you that De Beers shares are trading at R57 To accommodate your view, he suggests that you consider purchasing March 10 1993 call options on De Beers at a strike price of R60 and March 10 1993 put options on De Beers at a strike price of R55 Each option is based on 100 underlying De Beers shares

This strategy, known in market jargon as a "long strangle" position, enables you to profit from a rise in the De Beers share price to more than R60 as well as a fall in the De Beers share price to less than R55

Your stockbroker tells you that the March "60" call options are selling on the Traded Options Market (TOM) for R400 each, and the March "55" put options for R500 each

Your outlay for the strategy will thus be a premium of R4 000 for the 10 call options plus a premium of R5 000 for the 10 put options, a total premium of R9 000 Brokerage and booking fees will be R324

If De Beers rises above R60 to, say, R70 before March 18, you will earn a gross profit of R10 a share on the call options less the effective cost of the option premium of R9 a share, a net profit of R1 a share

You will abandon the put options as worthless or sell them to another put option buyer on the TOM to recover some of the premium paid

If De Beers falls to less than R55 to, say, R45 you will earn a profit equal to R10 a share on the put options less the effective cost of the option premium of R9 a share, a net profit of R1 a share

You will abandon the call options as worthless or sell them to another call option buyer on the TOM to recover some of the premium paid

Sideways

Your break-even points will be R69 and R46 respectively

If the market moves sideways and De Beers remains between R55 and R60, you will have to abandon both the call and the put options as worthless or sell them to other buyers on the TOM

In this case, your loss will be limited to the combined options premiums plus brokerage and transaction fees

Before finally deciding whether to follow the strategy, you ask your stockbroker to supply an analysis of the potential profits and losses from the suggested strategy

It should look something like the table below

The seller or "writer" of these call and put options is in a similar position to the writer of an insurance policy

He receives a limited income — the option "premium" of R9 000 — but bears the risk of unlimited losses should the share price rise to more than R60 or fall to less than R55 at any time up to March 18

His position is based on the view that prices will not move significantly in either direction during the period

The writer's break-even points are R69 and R46 respectively

SUMMARY — Given a view that the market is going to move significantly upwards or downwards, establishing a "long strangle" position through the purchase of an equal number of call and put options on De Beers has three distinct advantages

(1) Your potential loss is limited to the initial premium paid for options, irrespective of what happens to the share price

(2) You obtain great leverage from a small outlay Upward and downward movements are covered, so as perceived volatility in the market rises, the value of your position increases

(3) Since brokerage is payable only on the option premium, the total brokerage and transaction fees are low (R324 in the above example)

□ *(Market prices obtained from Niall Smith of stockbroking firm Fergusson Bros)*

Profit and loss scenario

De Beers Share Price 18/3/93	R35	R45	R57	R70	R80
Strike Price (Call Options)	R60	R60	R60	R60	R60
Strike Price (Put Options)	R55	R55	R55	R55	R55
Profit/Share (Call Options)	R0	R0	R0	R10	R20
Profit/Share (Put Options)	R20	R10	R0	R0	R0
Profit/Share (TOTAL)	R20	R10	R0	R10	R20
Gross profit (1 000 shares)	R20 000	R10 000	R0	R10 000	R20 000
Premium Paid	—R9 000	—R9 000	—R9 000	—R9 000	—R9 000
Brokerage And Fees	—R324	—R324	—R324	—R324	—R324
Total Net Profit/Loss	R10 676	R676	—R9 324	R676	R10 676
Return on Outlay	115%	7%	—100%	7%	115%

NOTE The calculated return excludes any amount received from sale of the options.

Wednesday Dec 4 quotations for unit trusts

	BUY	SELL	YIELD
General Equity Funds:			
ABSA	130,53	122,09	6 05
BOE Growth	139,66	130,48	3 89
Community Growth Fund	111,61	105,80	na
Fedgro	119,45	111,56	5,17
CU Growth	107,10	99,99	4,75
Guardbank Growth	2355,83	2194,77	4,86
IGI	124,35	116,52	3,68
Momentum	221,86	207,96	4,76
Metfund	172,71	160,49	4 77
Metlife	110,92	103,64	7,62
NBS Hallmark	879,68	821,47	5,56
Norwich	322,11	300,77	4,46
Old Mutual Investors	2481,77	2313,74	3,87
Sage	2253,88	2104,98	4,27
Sanlam	1535,78	1438,60	3,60
Sanlam Index	1170,09	1095,71	4,20
Sanlam Dividend	424,06	397,81	5,05
Southern Equity	190,12	177,90	4,51
Standard	1133,74	1065,66	7,52
Syfrets Growth	268,70	251,56	4,75
Syfrets Trustee	112,28	105,16	4,83
UAL	1940,79	1822,78	5,30
Specialist equity Funds:			
ABSA Industrial	123,79	115,78	4,56
Guardbank Resources	127,15	118,62	6,31
Guardbank Industrial	117,37	110,10	6,04
Sage Resources	93,00	86,91	5,56
Sanlam Industrial	993,36	930,18	3,20
Sanlam Mining	242,03	226,70	6,04
Southern Mining	111,99	104,86	5,91
Southern Pure	110,22	103,23	na
Standard Gold	134,26	125,92	9,36
Standard Industrial	109,42	103,21	na
Standard International	98,21	92,06	na
UAL Mining and Resources	316,17	296,14	5 03
UAL Selected Opportunities	1704,86	1595,23	4,27
Old Mutual Mining	203,90	189,95	5,84
Old Mutual Industrial	329,35	306,81	4,46
Old Mutual Gold Fund	84,38	78,64	7,12
Old Mutual Top Companies	228,03	212,58	4,28
Income/Gilt Funds:			
Metboard Income	110,68	109,52	13,76
Guardbank Income	125,31	122,74	14,75
Old Mutual Income	112,04	110,81	12 96
Standard Income	94,38	93,40	14,03
Syfrets Income	111,18	110,07	14,40
Syfrets Gilt	1114,20	1103,06	na
UAL Gilt	1199,87	1187,87	13 05

Unit trusts — seize the opportunity

232

South 5/12 - 9/12/92.

Uncertainty surrounding the economic and political environment is having a negative impact on stock exchange prices at present

Despite this, more than one million South Africans are currently investing in shares through UNIT TRUSTS in order to access opportunities for inflation beating growth. This may seem a large group of people, but comparatively few South Africans truly understand how unit trusts operate

They allow a large group of people to pool their financial resources to buy a range of selected shares on the stock exchange.

For most people, buying their own portfolio of a suitable mix of top quality shares would be far too expensive. But, by combining resources with other investors, this becomes possible. One of the main attractions of a unity trust is the small outlay needed to invest — some funds need as little as R50 a month.

The money is administered by a unit trust company, employing a team of investment specialists to manage all the investments. Each unit trust fund is divided into equal portions, or units Investors are allocated units in proportion to the size of their investment The price of these units is worked out according to the underlying value of all the shares held in the unit trust fund. The unit price will rise and fall in line with the fluctuating prices of shares held in the portfolio

Because of fluctuating share prices, there is always an investment risk A unit trust addresses this risk through spreading the pool of money over a wide range of shares instead of confining the investment to one or two shares.

Investment risk can further be managed by SWITCHING funds when there is a downswing in the market. Switching refers to moving your investment from an equity fund into the company's income fund, which is a relatively secure investment in high-yielding interest bearing securities and government stocks — with minimal capital fluctuations. This costs the investor substantially less than pulling out of the market altogether and offers reasonable security until the investor decides to enter the market again

No equity fund can avoid market fluctuations and it is therefore recommended to remain invested for a minimum of five years Over time, market fluctuations iron out and the stock market has consistently beaten other investment mediums over the medium to long term. However, investors often rush into the market when equities are performing well and prices are high. As soon as performance (and prices) drop, investor confidence wavers and there is a move out of the market. In essence, the reverse should happen — investors should seize the opportunity and purchase units while share prices are low.

An additional advantage of unit trusts is the tax efficiency of this investment All dividends and the first R2 000 of all interest income earned, is tax free. Capital gains accruing to long-term investors are generally also not subject to tax

For more information on how unit trusts can help you save for the future, contact Old Mutual Unit Trusts at their toll free number 0800 234 234.

ANC works towards anti-trust policies

232

CT 5/12/92

JOHANNESBURG — ANC president Nelson Mandela says his organisation wants to create further competition in the SA economy

Opening the ANC's anti-trust policy workshop outside Johannesburg yesterday, Mandela said the country's conglomerates had a stranglehold on the economy

This had created a hostile foreign investor environment and perpetuated the feeling of the majority of the population that they were excluded from the economic mainstream

"The ANC is thus attempting to define an instrument which would both inject competition into the economy and create new ownership opportunities, which will allow us to address the legacy of apartheid," he said

The workshop is being attended by a number of international anti-trust experts, and representatives from the SA private sector, including a senior Anglo offical

Anglo has often been a target of the ANC, who accuse the country's largest enterprise owned and controlled by whites of dominating the economy — Sapa

Two-prong approach key to share analysis

STM 5/12/92

FOOTSTEPS TO FORTUNE

RICHARD Cluver

232

I AM satisfied that the only way to make really significant profits on the stock exchange is to employ a strategy that combines fundamental analysis — that is, the comparative study of my company balance sheet performance — and technical analysis, which depends on the combined behaviour of share prices and the volumes of shares traded in order to make its predictions

It is precisely this combination that, for example, enabled my ShareFinder computer system to pick out a five-share portfolio which, in the 12 months from December 1990 to December 1991, grew in value by 131,83 percent

Excellence

This was at the same time as the JSE Actuaries Index grew by 35,29 percent Also, this portfolio, in the 11 months to December 1 is up by 24,8 percent compared with a JSE Actuaries loss to date of 9,5 percent

Using the fundamental analysis techniques that I have outlined in this column, it is relatively easy to pick out companies whose historic excellence and steady growth of profits over many years make them the most likely winners of the future

Recognising, however, that all shares go through regular cycles of relative popularity and unpopularity, it remains necessary to employ technical analysis to determine the best moment to buy tomorrow's winning company and, of course, when to take one's profits and sell once more

If you are serious about stock market investment, then it follows that you will not only familiarise yourself with the techniques involved, but will also equip yourself with a computer and the necessary software to get a high degree of precision into your buying and selling decisions

If, however, you are among the large proportion of investors who believe you do not have time to do the necessary homework, then your next best timing strategy is to play things conservatively

At least make it a habit to read the financial pages of your newspaper regularly to maintain a balanced perspective on the market Then you will learn to become accustomed to both the sublime optimists who believe rising markets will keep on rising forever and the prophets of doom who are seemingly suspicious of every upward movement the market makes

Averaging

Regular reading will enable you to judge when the majority of market observers are either convinced the end is nigh or that the bear phase is over If you are prepared not to allow yourself to be greedy and hang on too long in a roaring bull market, or be too conservative and wait too long after a recovery has begun before you buy, you can be assured of quite reasonable profits

If, furthermore, you observe my simple one-third rule of averaging, you will be safer still. This rule says merely that you should always split your buying and selling phases into at least two steps each and preferably into three

When you consider the time is right to buy, you invest a third of your capital and wait a few weeks to see how things turn out Obviously, if your decision was premature and a sharp downward market slide should follow, you will have lost only a portion of your capital and you will be in a good position to average out your buying price once the market has really hit the bottom

The same approach applies to a maturing market You sell a third of your shares at the first real hint of trouble, a third a few weeks later and the last third when the alarm bells start ringing loudly

Provided, as I have already emphasised, you read the financial pages regularly to maintain a sense of balance, this averaging approach should ensure that your investment timing is always profitable

However, I would stress that in an investment world that is rapidly becoming almost totally dependent on computer decision making, the only way to be really sure of getting things right is to join them and get computerised yourself

UWC women bullish

South 5/12-9/12/92 232

The ins and outs of the Johannesburg Stock Exchange are being explained to students in an exciting new game, writes **Lynda Loxton**:

TWO women have come up trumps in a stock exchange game organised by the University of the Western Cape.

They are business economics students Ms Orienda Ntsompo and Ms Zimba Zukiswa, who recently won joint first prize in the Johannesburg Stock Exchange game organised by the business economics department

The game, which was compulsory for second-year students, was aimed at increasing interest in finance as a subject and at encouraging students to read and interpret financial columns and company results published in newspapers

The game has been so successful that there are now plans to make it an annual event open to the broader campus community, including staff However, staff will not be eligible for the R1 000 prize money.

The game was based on a similar game run by the JSE for pupils in standard eight to matric in about 860 schools throughout southern Africa

The game runs between March and September each year, during which time pupils use an imaginary R100 000 to "buy" and "sell" shares on the stock exchange.

They phone or fax buying and selling orders to the JSE. These are treated as real orders as long as the shares chosen are actually traded that day in the same volumes.

JSE assistant public relations officer Ms Marlene Kuhl said no Western Cape schools had yet signed up for the national JSE game. This was mainly because local Department of Education and Training officials had been reluctant to provide the stock exchange administration with the names and addresses of local schools.

Further details of the JSE game can be obtained from Ms Kuhl on (011) 833-6580

TOP TEAM: Business economics students Ms Orienda Ntsompo (left) and Ms Zimba Zukiswa receive their prize for winning the JSE game at the University of the Western Cape from Mr James Simpson of stockbrokers Simpson McKie Incorporated. Looking on is lecturer Mr Andre Stoltz.

HOW THE TOP 100 ARE SELECTED

S/Times (Buss) 232

Sunday Times

6/12/92.

TOP 100

THE Business Times Top 100 companies are ranked by the measure that matters — how they have performed for their shareholders

The companies' performances are measured over five years to the end of September 1992

I-Net, the financial information service company owned equally by Times Media and Ivor Jones Roy Inc, drew up the table for the first time this year.

The results were reached by taking shares to the value of R100 on October 1 1987, reinvesting dividends in shares on the payment date, taking the number of accumulated shares at the end of September this year and multiplying them by the ruling share price

This amount was compared with the original R100 and the average annual return based on the difference

This is slightly different to the way in which the table was calculated in previous years The share price at the beginning of the five-year period was then subtracted from its price at the end to arrive at a capital gain over that time

Formerly, it was assumed that dividends were invested at 12% and the total added in

SHELLS

Our one-year table is worked out on the same calculation as the five-year listing

Because some shares trade thinly and infrequently and may thus not represent a true market price, we exclude any company whose share trade has been less than R1-million in any one of the five years

We also knock out pyramids and holding companies (except where the holding company did better than the operating company), investment and property trusts, exploration and foreign companies Cash shells and companies that have changed their nature radically in the five years have also been excluded

Where companies have issued special dividends in the five years, these have been taken into account In some instances they, as in the cases of Imperial and Investec, have had a dramatic effect on the companies' position in the Top 100

Share splits have also been taken into account and shareholders in Rembrandt and Premier have benefited particularly by the hiving off of Richemont and Bevcon respectively

Also taken into account were offers of cash or bonus shares I-Net took the cash as the dividend value and reinvested it in shares

In all the calculations, the company's annual report is the basis for calculation, except where subsequent preliminary results have been declared

In their rankings of top companies other publications use total assets, but that method is predictable and unchanging Besides, some companies revalue assets regularly and others do not Some use cost and others market values Some companies consolidate Others go out of their way not to consolidate

Our rankings unquestionably identify the top performers The method of selection is dynamic and gives due credit to those listed companies which have consistently improved their shareholders' lots

It permits realistic performance comparisons between different types of companies and sectors

The Top 100 companies' rates of return can be compared with the rate of inflation (13,5%) Whereas last year all Top 100 companies beat inflation, this year our top 89 do Investing in the JSE still offers substantial returns

Business Times is aware that its Top 100 results are scrutinised by business schools at universities as well as by authors of studies of corporate performance

BEST

For those to whom size is important, we provide rankings by turnover and taxed profit in addition to several other Top 100 tables provided by I-Net — calculations and permutations for any investor to pore over

Nor do we omit to mention those companies which do not perform — this year we run the Top 50 worst performers over both five years and in the year to the end of September

We believe ours is the best measure of performance because it focuses on what business is all about — maximising wealth for shareholders

Four Royals in a row for Trencor

TOP company Trencor is a Business Times Royal again — for the fourth consecutive year. To become a 'Royal,' a company must make the top 20 for three years in a row and Trencor has done this — since 1989

This year there are only five Royals.

- **Trencor**
- **Consol**
- **Suncrush**
- **Mutual & Federal and**
- **Argus.**

Trencor has a proud record of appearing in the top 20 for the past 10 years with the exception of 1986 when it slipped to No 32

Another stalwart is Suncrush which has appeared in the top 20 since 1983 with the exception of 1989 when it slipped to No 24

Mutual & Federal is another notable Royal and has been in the top 20 each year since 1987, also making it a Royal for the fourth consecutive year (a Royal since 1989, like Trencor)

Argus and Consol are the newcomers this year Argus was No 19 in 1990, No 7 last year and No 13 this year Consol was No 12 12 in 1990, sixth last year and an impressive fourth this year.

Last year's Royals which dropped out of this year's ratings are Berzack (not in the top 100), CNA Gallo (No 27), Edgars (56), Elcentre (not in the top 100), Gentyre (74) and Times Media (25)

Those in the running for Royal status next year — if they make the top 20 again — are Pepgro, SunBop, Cadbury Schweppes, Utico and Perskor

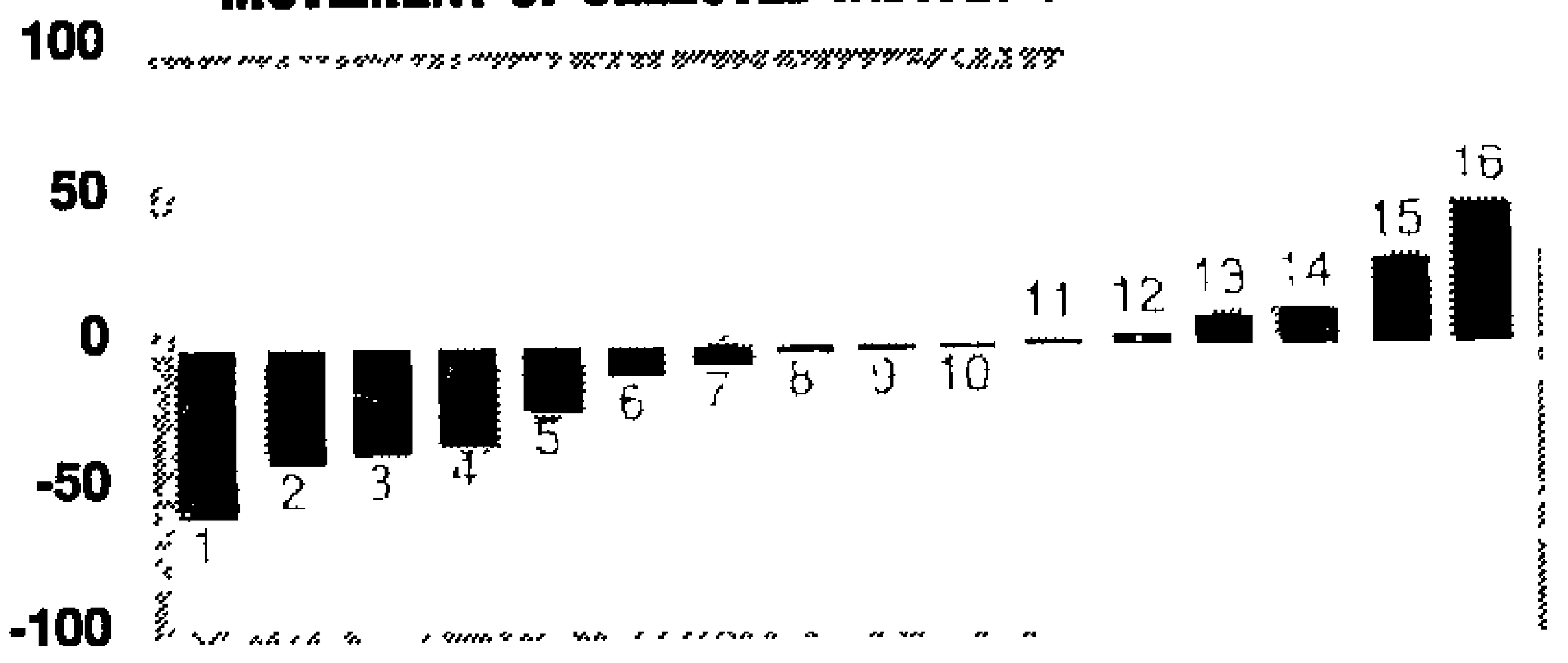
De Beers handed over its status as the JSE's most highly capitalised equity to Richemont.

Following in the footsteps of the declines in gold, diamond and most metal shares, the mining finance board likewise came under pressure as their net asset values fell. These shares have lost about 22% since the year began. We suspect the incestuous crossholding relationships in the SA economy also played a role because the boomerang effect became evident in overall net asset values.

In the industrial sector virtually all the major declines have been in durable and semi-durable goods areas. Given the extensive drop in spending in these areas, it is not surprising that the market has appropriately derated the relevant shares.

On the positive side, the

MOVEMENT OF SELECTED INDICES SINCE 1 SEPT '92



1	Steel	-58	9	Retailers	-2
2	Diamonds	-40	10	Platinum	-1
3	Gold	-37	11	Industrial Holdings	+2
4	Clothing	-33	12	Tabacco	+3
5	Mining finance	-22	13	Food	+10
6	Metal and Minerals	-10	14	Financials	+12
7	Beverages	-6	15	Pharmaceuticals	+30
8	Industrials	-2	16	Transport	+48

Source: Ed Hern Rudolph Inc.

COMPANIES EXCLUDED FOR TOO LITTLE TRADE

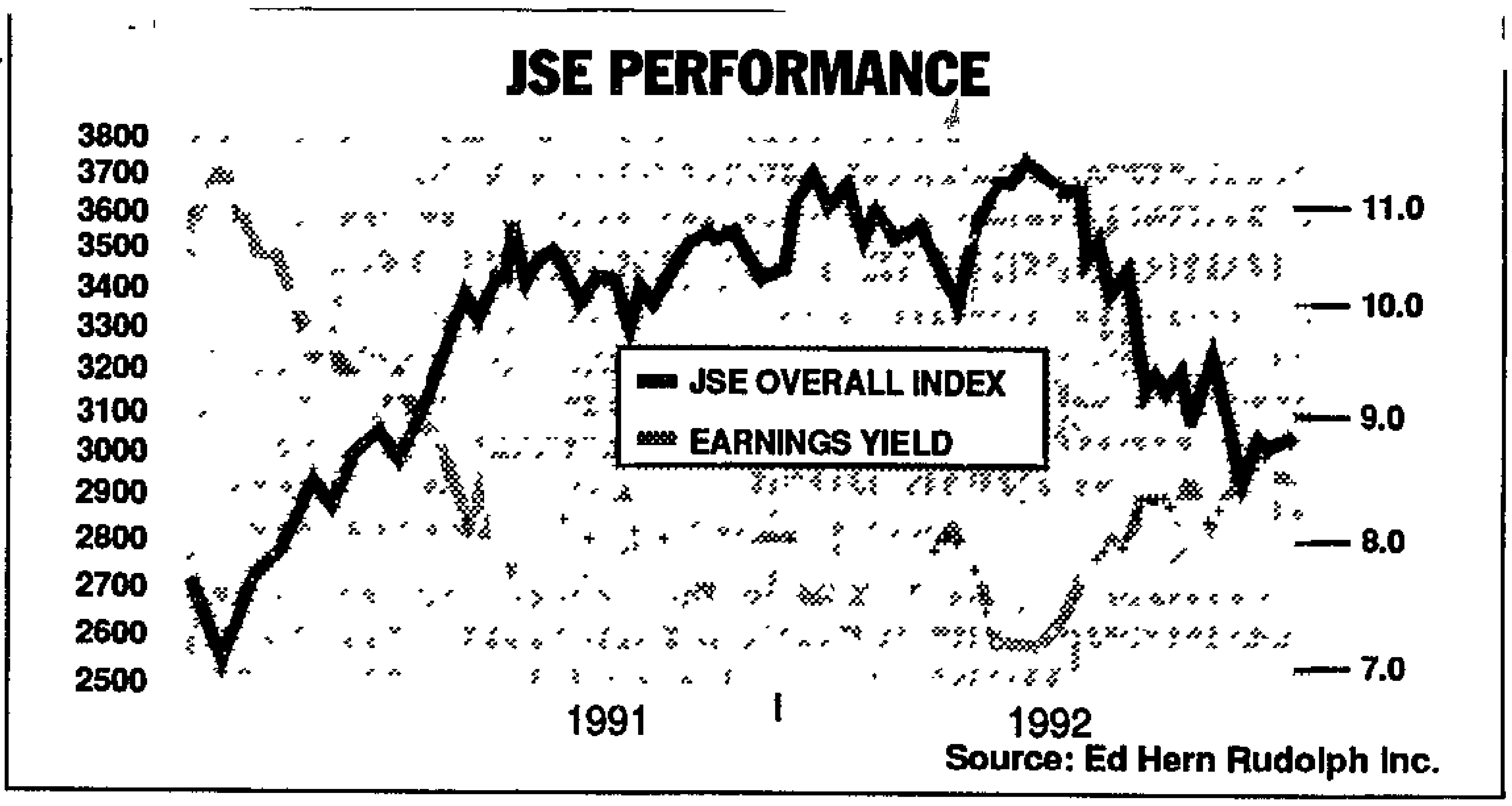
(Including pyramids, holding companies, property and investment trusts, exploration companies and non-South African companies.)

Company	Average annual return (%)
Lonrho Sugar Corporation	316,87
Mobile Industries	186,58
Bid Corporation	98,39
President Medical Investments	96,62
Carlton Paper Corporation	90,14
Coates Brothers (South Africa)	81,06
Perskor Beleggings	76,99
Sable Holdings	75,97
Shoprite Holdings	73,21
Anglo Transvaal Collieries	57,73
Commercial Union of SA	45,36
Pep	44,85
Tempora Investments	43,14
Central African Cables	40,13
Congella Federation	36,87
Medi-Clinic Corporation	35,63
Caxton	32,93
Lebowa Bakeries	32,02
Spur Holdings	31,59
GDM Finance	30,81
New Kleinfontein Properties	29,22
Protea Assurance Company	28,92
Harwill Investments	28,87
Zambia Copper Investments	28,00
Marshalls	27,41
York Timber Organisation	27,28
Guardian National Insurance Company	26,27
Board of Executors	23,66
Common Fund Investment Society	22,25
Associated Manganese Mines of South Africa	21,89
Buffalo Corporation	21,45
Fraser Alexander	19,51
Q Data	17,99
Barlow Rand Properties	17,80
Bristol Industrial Corporation	16,78
Concor	13,55
Unihold	13,38
Fenner Group SA	12,64
Crown Food Holdings	11,81
Standard Engineering	11,46
Afcom Group	10,46
Portland Holdings	10,40

INVESTMENT AND PROPERTY TRUSTS, HOLDING COMPANIES *, PYRAMIDS, EXPLORATION COMPANIES AND NON-SOUTH AFRICAN COMPANIES EXCLUDED.

Company	Average annual return (%)
Anglovaal	16,63
Canadian Overseas Packaging Industries	9,65
Centrecity Property Fund,	21,85
Charter Consolidated plc	14,09
Capital Property Fund	15,06
Dalys	117,18
Gencor Beherend	17,55
Grove Property Fund	13,04
Huntcor	25,26
Liberty Investors	61,80
Lewis Foschini Investment Company	65,03
Liberty Life Association of Africa	77,33
Murray & Roberts Investments	50,85
Pangbourne Properties	11,56
Pepkor	81,38
Sanland Property Trust	17,44
Standard Bank Property Fund	26,50
Umdoni Property Fund	13,42
Vogelstruisbult Metal Holdings	12,56

* Where a holding company has performed better than the operating company, the holding company appears on the Top 100 list



Shares still off the bottom ... but there's hope

232

S Times 6/12/92
(B4557)

By SYD VIANELLO

THE Johannesburg Stock Exchange was not kind to investors in 1992. With political uncertainty, a flat gold price, falling primary export prices and a worsening economic recession, it was inevitable that falling profitability would impact on share prices.

Thus after recording continuous growth for four years, the overall index dipped 12,2% between January and October this year. The position is as bad over 18 months, the overall index having risen a minuscule 3%.

The major losers this year have been gold shares (index off 37%), diamonds (-40%) steel sector (-58%) and a few noteworthy industrial sub-sections, such as clothing (-33%), furniture (-31%), sugar (-27%), motor (-22%) and building and construction (-23%)

The decline in gold shares has probably taken most people by surprise, given the virtually static dollar price of gold in this time and the reasonable improvement in the rand price because of currency depreciation Thus, with dividends not having declined to any great degree because of of cost controls and grade maintenance, the gold sector's dividend yield has shown a remarkable improvement in the year from 4,2% to 7%, all of it due to the drop in share prices.

Commodity-linked shares, too, have experienced a torrid year, the only exception being platinum shares The metals and minerals index fell by 10,4%, but many non-platinum shares fell by an even greater amount, the drop in the overall metals and minerals index being tempered by platinum's small 1,4% decline

Steel shares fell a huge 58% as export revenue in dollar terms came under pressure and SA's economy caused domestic demand to fall out of bed Similarly, sugar shares shed 27% in the value for similar reasons, but aggravated by the drought's impact on the crop

OVERALL

Perhaps the most dramatic decline in the year occurred in the diamond sector South Africa's most highly capitalised conglomerate and arguably most highly visible international business, De Beers, reacted somewhat severely on falling profits and a warning of a pending dividend cut (the second only since 1932) Its share price fell by more than 40% in in two months and financial sector (banks and insurance companies) again demonstrated their ability to provide stable and rising returns to shareholders — resulting in a 12,51% and 9% rise in the financial and banking sectors respectively

Manufacturing-oriented exporters also recorded better profits (particularly those qualifying for maximum incentive benefits) and were generally rewarded with better ratings The 48% growth in Trencor's price and the value of the transport sector are a good example

Other sectors bucking the downward trend by a wide margin were pharmaceuticals (+29%), fishing (+25%) and electronics (+14%)

Another feature of the market was the gradual rise in dividend and earnings yields in the year The dividend yield of the overall index rose from 3,3% to 3,8% as the year progressed and the trend is arguably due to the more restrained and conservative approach adopted by investors to the equity market in the year. The rise in gold-share yields has already been noted, but that of the mining-finance sector increased from 2,9% to 4,1% With only a few shares suffering dividend cuts in the year, the primary reason for these increases is falling share prices

On a brighter note, the market continued to assist many companies to raise new capital Rights issues in the 10 months reviewed raised R5,5-billion after eliminating crossholdings and pyramids The key components of this total were Gencor's R2-billion, Sasol's R1-billion and more than R250-million each for Plate Glass, Pepkor, Tiger Oats and First National Bank

DRIFT

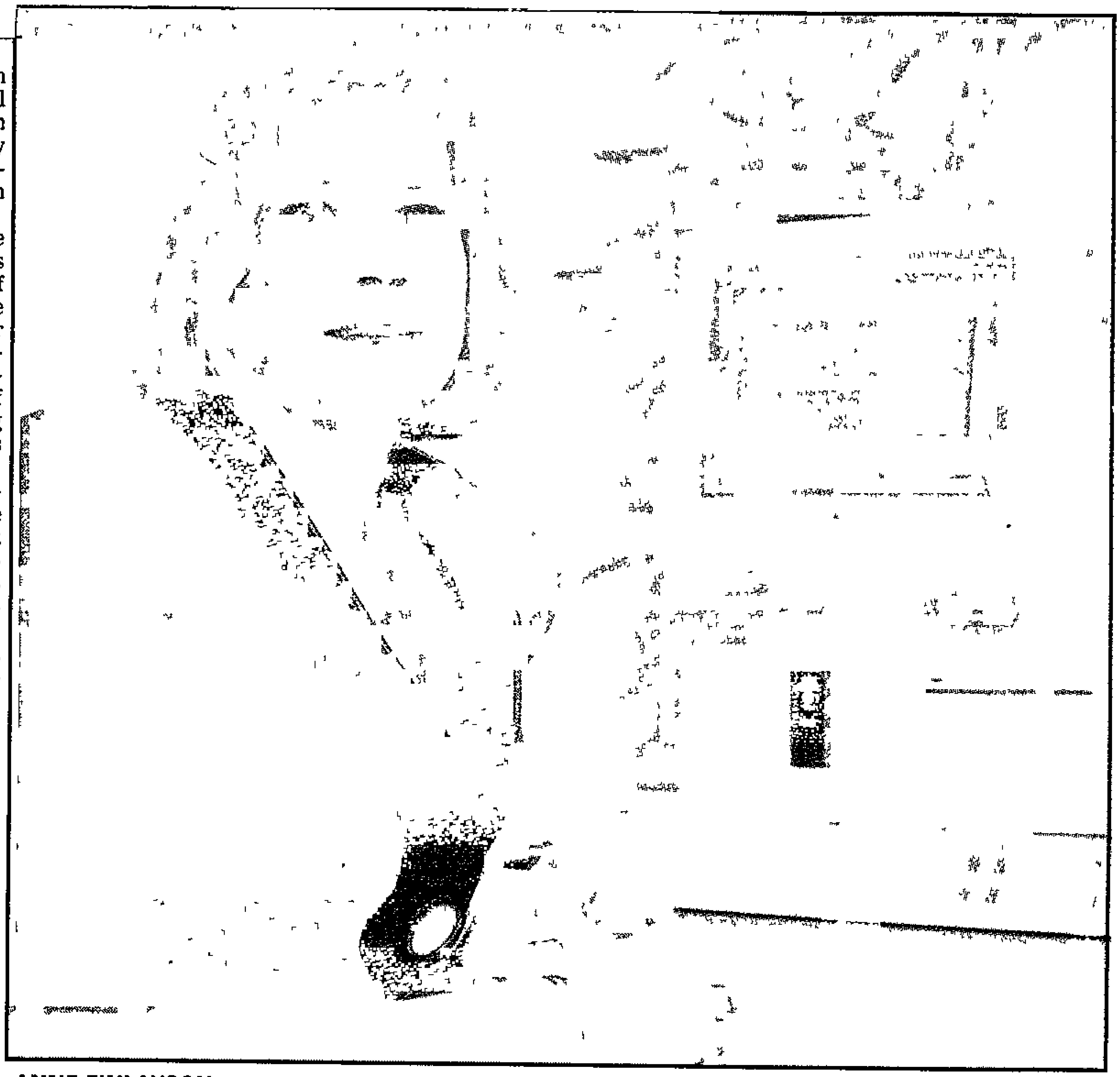
Activity in the first 10 months was mixed In turnover terms there was a fall of 18,7% in the number of shares traded. But the value of all shares traded fell by only 3,8% to R18,5-billion This means that the average value of each share traded rose by 18,2%, reflecting the increased concentration of trade among the higher-priced blue chips

Based on the above, one could conclude that the liquidity of the market has risen slightly, a good signal if any But regrettably it still leaves our liquidity well below those of other major international markets

Where to from here? With values having fallen significantly in some sectors, perhaps the argument will hold that we have reached the bottom Furthermore, the drought seems to have been broken, new-car sales are perhaps beginning to turn up and some major capital projects are receiving the green light Consumer-related activity still seems in the doldrums, but there are encouraging signals here and there.

We believe that although a 10% downward drift in the Dow Jones in the next few months (before it recovers strongly) could well bring the JSE down further, its overall index will have shown a 10% gain from current levels by this time next year, assuming the political scenario does not deteriorate

■ *Syd Vianello is a research analyst at Ed Hern, Rudolph Inc*



ANNE FINLAYSON ... the Financial Times can be read in SA before the presses stop rolling in London

All the latest on screen from I-Net

(232) STimes (Buss) 6/12/92.

Business Times Reporter

Sunday Times TOP 100

PRICE-sensitive research material from several stockbrokers is now on offer electronically through I-Net, the integrated financial information service

The latest addition to the screen-based service gives selected customers of stockbroking firms — be they fund managers or merely interested executives — market-moving information from some of Diagonal Street's leading analysts the instant it is released

The information, coupled with I-Net's up-to-date market prices and relevant corporate news, can be accessed from most PC-based networks using Telkom lines

All the tables and graphs for this year's Top 100 were compiled by I-Net using its extensive corporate database, on-line share prices, sophisticated graphic facility and electronic library of corporate news and information

BASIC

The company, which has been operating for 18 months, is a joint venture between Times Media Limited and stockbroking firm Ivor Jones Roy

According to I-Net managing director Anne Finlayson, some users are so attached to their daily dose of news — emanating from the Business Day newsroom, the SA Press Association, the Financial Times and foreign news service VWD — that I-Net has become an integral part of their lives

The Financial Times is received on I-Net overnight — while the FT presses are still printing — and can be read on screen before most Londoners have bought their newspaper

One of I-Net's strongest selling points is its vast array of on-line prices from international financial markets. Throughout the day or night, users can access spot metal prices, track currency movements or foreign bourses

All SA financial markets are monitored from an on-line price feed For example, a 24-hour link with the Reserve Bank ensures that any news from Pretoria is conveyed to I-Net users the moment it's available

Two new additions to the I-Net menu are a financial analysis package and portfolio tracking and performance system which has been developed in conjunction with Carsons Investment Consultants

The financial analysis package provides users with a seven-year financial history of industrial companies quoted on the JSE, together with an independent ratio analysis

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

TOP 100 RANKED BY FIVE-YEAR COMPOUND GROWTH IN EARNINGS PER SHARE

Compound growth in published equity accounted earnings per share over five years

232

Yearend cut-off date November 92

No	Share Name	Financial yearend	
1	OMNIA	Dec 91	53,9%
2	JD GROUP	Dec 91	52,0%
3	SABLE	Jun 92	50,9%
4	PEPKOR	Feb 92	48,1%
5	CONCOR	Jun 92	48,1%
6	MCPHAIL	Dec 91	47,3%
7	TOYOTA	Dec 91	43,3%
8	TRENCOR	Jun 92	42,4%
9	SPUR	Feb 92	40,8%
10	SUN BOP	Jun 92	40,3%
11	PRESMED	Feb 92	39,8%
12	LTA	Mar 92	39,0%
13	ARGUS	Mar 92	36,4%
14	BRIST IN	Feb 92	36,0%
15	M&R HOLD	Jun 92	35,6%
16	CONSOL	Jun 92	35,0%
17	SHOPRIT	Feb 92P	34,6%
18	KLIPTON	Jun 92	32,4%
19	COATES	Dec 91	32,2%
20	BERZAK	Jun 92	31,8%
21	FINTECH	Feb 92	31,7%
22	CADSWEP	Dec 91	31,2%
23	CARLCOR	Aug 92P	31,2%
24	BURLINGTON	Dec 91	30,7%
25	CNA GALLO	Mar 92	30,6%
26	CTP	Mar 92	30,5%
27	TIMES MEDIA	Mar 92	30,4%
28	FENNER	Aug 92P	29,9%
29	Q DATA	Jun 92	29,6%
30	SUNCRUSH	Jun 92	29,1%
31	DUIKER	Sep 91	29,0%
32	GENTYRE A	Dec 91	28,8%
33	ABERDARE	Dec 91	28,7%
34	UTICO	Dec 91	28,7%
35	UNIHOLD	Dec 91	28,5%
36	ADCOCK	Sep 92P	28,3%
37	TRNS HEX	Mar 92	28,0%
38	DELTA	Dec 91	27,1%
39	PERSKOR	Jun 92P	27,0%
40	EDGARS	Mar 92	26,7%
41	POWTECH	Feb 92	26,2%
42	ELLERINE	Aug 92P	25,1%
43	MSAULI	Dec 91P	24,2%
44	KERSAF	Jun 92	24,1%
45	IMPERIAL	Jun 91	24,1%
46	ASS MANG	Dec 91	23,6%
47	FOSCHINI	Mar 92	23,4%
48	CASHBIL	Jun 92P	23,1%
49	BTR DUNLOP	Dec 91	22,5%
50	SAFCOR	Jun 92	22,3%
51	AFROX	Sep 92P	22,3%
52	ED L BATE	Jun 92	22,3%
53	ENSIGN	Dec 91	22,3%
54	SAFREN	Jun 92	21,9%
55	MASHOLD	Feb 92	21,2%
56	C G S FOOD	Sep 92P	20,9%
57	SA BREWS	Mar 92	20,9%
58	CHEMSERVE	Dec 91	20,9%
59	GF PROP	Dec 91	20,6%
60	METAIR	Dec 91	20,6%
61	A ALPHA	Dec 91	20,4%
62	SPL	Feb 92	20,4%
63	AMAPROP	Mar 92	19,7%
64	REUNERT	Sep 92P	19,5%
65	*DE BEERS	Dec 91P	19,4%
66	SAPPI	Feb 92	19,3%
67	TIGER OATS	Sep 92P	19,3%
68	PEP	Feb 92	19,2%
69	CLICKS	Apr 92	18,9%
70	NEW CENT	Mar 92	18,8%
71	TONGAAT	Mar 92	18,7%
72	ALEXNDR	Jun 92P	18,5%
73	NAMPAK	Sep 92P	18,4%
74	PALAMIN	Dec 91	18,1%
75	GRINCOR	Dec 91	17,8%
76	C G SMITH	Sep 92P	17,7%
77	WOOLTRU	Jun 92	17,4%
78	WALTONS	Feb 92	17,2%
79	PPC	Sep 92P	17,1%
80	ANGLOVAAL IND	Jun 92	16,9%
81	SASOL	Jun 92	16,7%
82	CONGELLA FED	Dec 91	16,6%
83	JCI	Jun 92	16,3%
84	HLH	Mar 92	16,2%
85	MCARTHY	Jun 92	16,2%
86	I & J	Jun 92	16,1%
87	PUBHOLD	Feb 92	16,0%
88	INTERLES	Jun 92	15,8%
89	DORBYL	Sep 91	15,1%
90	NEW KLEINS	Jun 92	14,8%
91	PIKNPAY	Feb 92	14,4%
92	ALTRON	Feb 92	14,4%
93	ELCENTR	Jun 92P	14,1%
94	CHUBB	Mar 92	13,5%
95	TRNS NTL	Jun 92P	13,3%
96	MASNITE	Dec 91	13,2%
97	PROFURN	Dec 91	12,9%
98	AVHOLD	Jun 92	12,8%
99	HUDACO	Nov 91	12,7%
100	BASREAD	Jun 92P	12,7%

*Based on pro-forma combined financial statistics per linked unit

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

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

Source I-NET

Big money-spinners

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

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

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

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

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

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

Another 51 companies achieved profits of more than R100-million

BEST BY INDUSTRY

S/Times (BASS) 6/12/92 (232)

TRANSPORT, MOTOR

1	(1)	Trencor	246,26
2	(46)	Unitrans	43,21
3	(74)	Gentyre Industries	21,84
4	(87)	Toyota South Africa	15,27
5	(93)	Wesco Investments	11,57

CLOTHING, MANUFACTURE AND RETAIL

1	(48)	Wooltru	40,33
2	(72)	Lenco Holdings	22,97

BEVERAGES, HOTELS, LEISURE

1	(6)	Suncrush	120,68
2	(10)	Sun International (Bophuthatswana)	92,63
3	(24)	Spur Steak Ranches	67,47
4	(62)	SA Breweries	28,47
5	(86)	Kersaf Investments	15,80

MINING, MINING HOUSES

1	(35)	Samancor	54,37
2	(38)	Palabora Mining Company	51,76
3	(47)	Randcoal	43,00
4	(53)	Anglo American Coal Corporation	36,73
5	(54)	Trans Hex Group	36,09
6	(69)	Associated Ore & Metal Corporation	23,78
7	(71)	Gold Fields Coal	23,03
8	(76)	Anglovaal Holdings	20,05
9	(78)	Gencor	18,48
10	(83)	Rustenburg Platinum Holdings	16,09
11	(84)	Trans Natal Coal Corporation	16,07
12	(98)	Middle Witwatersrand (Western Areas)	9,16

WHOLESALE, RETAIL

1	(3)	Pepgro	129,15
2	(26)	Foschini	66,86
3	(27)	CNA Gallo	66,32
4	(44)	Ellerine Holdings	45,05
5	(51)	Clicks Stores	37,86
6	(56)	Edgars Stores	35,44
7	(64)	Pick 'n Pay Stores	26,15
8	(67)	McCarthy Group	25,29
9	(79)	Storeco	18,04

INDUSTRIAL HOLDINGS

1	(9)	Imperial Group	98,82
2	(20)	Royal Corporation	72,92
3	(28)	South African Freight Corporation	65,28
4	(31)	Murray & Roberts Holdings	61,92
5	(36)	Anglovaal Industries	53,40
6	(37)	Safmarine & Rennies Holdings	52,73
7	(49)	C G Smith	40,10
8	(65)	Hunt Leuchars & Hepburn Holdings	25,96
9	(70)	Barlow Rand	23,40
10	(77)	Grindrod Unicorn Group	19,77
11	(81)	Currie Finance Corporation	17,31
12	(82)	BTR Dunlop	16,12
13	(99)	Malbak	8,80

PAPER, PACKAGING, PUBLISHING

1	(4)	Consol	125,83
2	(13)	Argus Holdings	89,11
3	(19)	Perskor Groep	73,85
4	(25)	Times Media	66,87
5	(39)	Nampak	51,51
6	(57)	Holdains	33,16
7	(89)	Sappi	13,51

INSURERS, ASSURERS, BANKS

1	(2)	Investec Holdings	172,32
2	(8)	Mutual & Federal Insurance Company	100,08
3	(11)	Liberty Holdings	92,01
4	(12)	Safrican Life Investment Holdings	90,88
5	(14)	SA Eagle Insurance Company	85,41
6	(16)	Santam	81,59
7	(22)	Metropolitan Life	70,66
8	(23)	NBS Holdings	67,81
9	(40)	Standard Bank Investment Corporation	51,32
10	(42)	Southern Life Association	48,91
11	(45)	First National Bank Holdings	44,73
12	(58)	Nedcor	31,59

INDUSTRIAL HOLDINGS

1	(9)	Imperial Group	98,82
2	(20)	Royal Corporation	72,92
3	(28)	South African Freight Corporation	65,28
4	(31)	Murray & Roberts Holdings	61,92
5	(36)	Anglovaal Industries	53,40
6	(37)	Safmarine & Rennies Holdings	52,73
7	(49)	C G Smith	40,10
8	(65)	Hunt Leuchars & Hepburn Holdings	25,96
9	(70)	Barlow Rand	23,40
10	(77)	Grindrod Unicorn Group	19,77
11	(81)	Currie Finance Corporation	17,31
12	(82)	BTR Dunlop	16,12
13	(99)	Malbak	8,80

PAPER, PACKAGING, PUBLISHING

1	(4)	Consol	125,83
2	(13)	Argus Holdings	89,11
3	(19)	Perskor Groep	73,85
4	(25)	Times Media	66,87
5	(39)	Nampak	51,51
6	(57)	Holdains	33,16
7	(89)	Sappi	13,51

INSURERS, ASSURERS, BANKS

1	(2)	Investec Holdings	172,32
2	(8)	Mutual & Federal Insurance Company	100,08
3	(11)	Liberty Holdings	92,01
4	(12)	Safrican Life Investment Holdings	90,88
5	(14)	SA Eagle Insurance Company	85,41
6	(16)	Santam	81,59
7	(22)	Metropolitan Life	70,66
8	(23)	NBS Holdings	67,81
9	(40)	Standard Bank Investment Corporation	51,32
10	(42)	Southern Life Association	48,91
11	(45)	First National Bank Holdings	44,73
12	(58)	Nedcor	31,59
13	(59)	Amalgamated Banks of South Africa	31,05
14	(73)	Hosken Consolidated Investments	22,79
15	(75)	Boland Bank	20,23
16	(88)	Sechold	14,58
17	(96)	IGI Insurance Company	9,91

IRON, STEEL, ELECTRONICS, ENGINEERING AND CONSTRUCTION

1	(18)	African Oxygen	74,52
2	(30)	Autopage Holdings	62,88
3	(33)	Delta Electrical Industries	56,75
4	(50)	Pretoria Portland Cement Company	38,81
5	(55)	Blue Circle	35,59
6	(61)	Edward L Bateman	29,16
7	(63)	Aberdare Cables Africa	26,34
8	(66)	Anglo Alpha	25,91
9	(68)	Hudaco Industries	24,65
10	(80)	Dimension Data Holdings	17,49
11	(85)	Highveld Steel & Vanadium Corporation	15,90
12	(91)	Consolidated Metallurgical Industries	12,39
13	(92)	Group Five	11,61
14	(95)	LTA	10,78
15	(97)	Metkor Group	9,63
16	(100)	Dorbyl	8,59

FOOD

1	(5)	Cadbury Schweppes (South Africa)	123,51
2	(29)	W B Holdings	64,81
3	(32)	Tiger Oats	59,25
4	(41)	Premier Group	50,76
5	(43)	C G Smith Foods	45,26
6	(52)	Irvin & Johnson	36,74
7	(60)	Foodcorp	29,87
8	(90)	Oceana Fishing Group	13,44

PHARMACEUTICAL AND MEDICAL

1	(15)	Adcock-Ingram	84,67

TOBACCO

1	(7)	Rembrandt Group	102,93
2	(17)	Utico Holdings	76,89

CHEMICALS AND OILS

1	(21)	Engen	72,38
2	(34)	Omnia Holdings	55,82
3	(94)	Sasol	10,95

(011) 488-2911

STimes (BUSS) 6/12/92 (232)

Capital gain plus dividends reinvested into shares over five years as a simple return on original investment

Company	Average annual return (%)
1 Trencor	246,26
2 Investec Holdings	172,32
3 Pepgro	129,15
4 Consol	125,83
5 Cadbury Schweppes (SA)	123,51
6 Suncrush	120,68
7 Rembrandt Group	102,93
8 Mutual and Federal Insurance Company	100,08
9 Imperial Group	98,82
10 Sun International (Bophuthatswana)	92,63
11 Liberty Holdings	92,01
12 Safrican Life Investment Holdings.	90,88
13 Argus Holdings	89,11
14 South African Eagle Insurance Company	85,41
15 Adcock Ingram	84,67
16 Santam	81,59
17 Utico Holdings	76,89
18 African Oxygen	74,52
19 Perskor Groep	73,85
20 Royal Corporation	72,92
21 Engen	72,38
22 Metropolitan Life	70,66
23 NBS Holdings	67,81
24 Spur Steak Ranches	67,47
25 Times Media	66,87
26 Foschini	66,86
27 CNA Gallo	66,32
28 South African Freight Corporation	65,28
29 W B Holdings	64,81
30 Autopage Holdings	62,88
31 Murray & Roberts Holdings	61,92
32 Tiger Oats	59,25
33 Delta Electrical Industries	56,75
34 Omnia Holdings	55,82
35 Samancor	54,37
36 Anglovaal Industries	53,40
37 Safmarine & Rennies Holdings	52,73
38 Palabora Mining Company	51,76
39 Nampak	51,51
40 Standard Bank Investment Corporation	51,32
41 Premier Group	50,76
42 Southern Life Association	48,91
43 C G Smith Foods	45,26
44 Ellerine Holdings	45,05
45 First National Bank Holdings	44,73
46 Unitrans	43,21
47 Randcoal	43,00
48 Wooltru	40,33
49 C G Smith	40,10
50 Pretoria Portland Cement Company	38,81
41 Clicks Stores	37,86
52 Irvin & Johnson	36,74
53 Anglo American Coal Corporation	36,73
54 Trans Hex Group	36,09
55 Blue Circle	35,59
56 Edgars Stores	35,44
57 Holdains	33,16
58 Nedcor	31,59
59 Amalgamated Banks of South Africa	31,05
60 Foodcorp	29,87
61 Edward L Bateman	29,16
62 SA Breweries	28,47
63 Aberdare Cables Africa	26,34
64 Pick 'n Pay Stores	26,15
65 Hunt Leuchars & Hepburn Holdings	25,96
66 Anglo Alpha	25,91
67 McCarthy Group	25,29
68 Hudaco Industries	24,65
69 Associated Ore & Metal Corporation	23,78
70 Barlow Rand	23,40
71 Gold Fields Coal	23,03
72 Lenco Holdings	22,97
73 Hosken Consolidated Investments	22,79
74 Gentyre Industries	21,84
75 Boland Bank	20,23
76 Anglovaal Holdings	20,05
77 Grindrod Unicorn Group	19,77
78 Gencor	18,48
79 Storeco	18,04
80 Dimension Data Holdings	17,49
81 Currie Finance Corporation	17,31
82 BTR Dunlop	16,12
83 Rustenburg Platinum Holdings	16,09
84 Trans Natal Coal Corporation	16,07
85 Highveld Steel & Vanadium Corporation	15,90
86 Kersaf Investments	15,80
87 Toyota South Africa	15,27
88 Sechold	14,58
89 Sappi	13,51
90 Oceana Fishing Group	13,44
91 Consolidated Metallurgical Industries	12,39
92 Group Five	11,61
93 Wesco Investments	11,57
94 Sasol	10,95
95 LTA	10,78
96 IGI Insurance Company	9,91
97 Metkor Group	9,63
98 Middle Witwatersrand (Western Areas)	9,16
99 Malbak	8,80
100 Dorbyl	8,59

STAYING POWER TAKES TRENCOR TO THE TOP AGAIN!

(232) STimes 6/12/92

By KEVIN DAVIE

IT'S two in a row for Trencor The Cape-based trucking and manufacturing group has scooped South Africa's premier business award, the Business Times Top 100, for the second year running

Trencor has created the most wealth for its shareholders — a simple average annual return of 246 26% — in the past five years. An investment of R10 000 in 1987 has ballooned to R133 132

Trencor is a company with staying power It has been one of SA s top five companies for the past five years

Executive chairman Neil Jowell says he is absolutely delighted" by his company s star studded performance in the Top 100

Mr Jowell says Trencor s secret is that its decentralised structure puts decision-making in the hands of the people best able to make good decisions. "That's how Trencor does it.

He says award-winning does not feature in Trencor's game plan. "Our objective is to run our business very well. The award is tangible recognition of the efforts of our people

Although listed in the transport sector on the JSE transport makes a relatively modest contribution to Trencor s earnings

Its core business is now in exports, which along with foreign operations contribute more than 50% of net income Domestic operations include the manufacture and supply of trailors tankers tyres and containers

Runner up in the Top 100 this year is aggressive banking and financial services group Investec Its shareholders s wealth has grown by 172% a year in the past five years

In third spot is retailer Pepgro with a 129% a year increase in shareholders wealth since 1987

Other Top 10 performers in the Top 100 include packaging manufacturer and marketer Consol (125%) food and confection supplier Cadbury Schweppes (123%), softdrink supremo Suncrush (120%) diversified giant Rembrandt (102,93%) and short-term insurer Mutual & Federal (100%)

Two novices make their Top 100 debut and win spots in the Top 10, Investec and vehicle king Imperial which comes in at No 10

Also featured in this year's Top 100 are five Royals — companies which have made the top 20 in the past three years

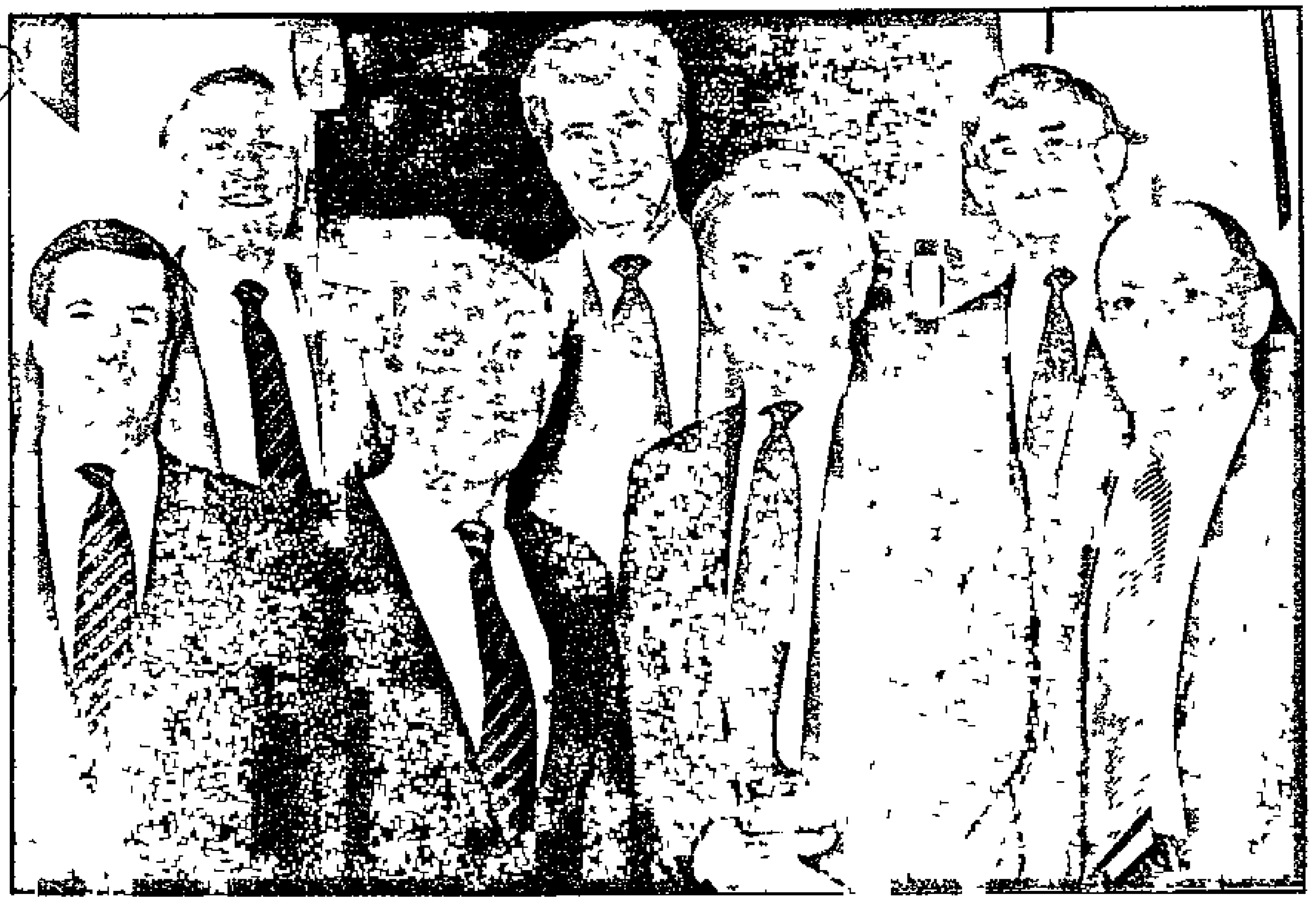
Trencor, Mutual & Federal, Consol, Suncrush and printing and publishing's Argus are the Top 100's royalty this year

The Top 100 is SA s premier measure of SA s top companies Listed companies are ranked by what matters most — how they have performed for their shareholders

We also list those which have not performed for their shareholders — the ill-fated Barplats heading this list with a -83% average annual decline in the past five years

The Top 100 does not only rank by return on shareholder's wealth in the past five years.

We also survey the best (and worst) performers in the past year and rank the Top 100 by several key variables, such as market capitalisation, taxed profit, return on sales, increase in sales over the past year return on capital, turnover and growth in earnings a share.



TRENCOR'S WINNING TEAM FRONT Rod Clinton, Neil Jowell, Cecil Jowell and Ray Hasson. BACK Jimmy McQueen, John Hoare and Deon Blignaut

TOP 100 RANKED BY RETURN ON CAPITAL

Pre-interest profit expressed as a percentage of average capital employed, including revaluations and excluding intangibles

S Times (BUSS) 6/12/92.

Yearend cut-off date November 92

No	Share Name	Financial yearend	
1	SPUR	Feb 92	264,6%
2	RAPTOR	Oct 91	93,7%
3	EDDIES	Feb 92	90,4%
4	REUNERT	Sep 92P	79,6%
5	ADCOCK	Sep 92P	72,4%
6	PALAMIN	Dec 91	70,5%
7	PRESMED	Feb 92	68,9%
8	AUTOPAGE	Feb 92	56,9%
9	Q DATA	Jun 92	55,4%
10	IMPLATS	Jun 92	51,7%
11	SUNCISK	Jun 92	51,5%
12	SHOPRIT	Feb 92P	49,6%
13	WOODROW	Feb 92P	47,5%
14	MCPHAIL	Dec 91	47,2%
15	OVCON	Mar 92	44,5%
16	CONSOL	Jun 92	43,4%
17	ASS MANG	Dec 91	41,7%
18	C G SMITH	Sep 92P	41,5%
19	EQUIKOR	Dec 91	41,4%
20	C G S FOOD	Sep 92	41,4%
21	MAST	Feb 92P	39,8%
22	OTIS	Nov 91	39,6%
23	TIMES MEDIA	Mar 92	39,6%
24	DIMENSION DATA	Dec 91	39,4%
25	ABS	Sep 92P	38,8%
26	DELTA	Dec 91	38,5%
27	PUBHOLD	Feb 92	38,4%
28	BOWCALF	Dec 91	38,0%
29	TOCO	Mar 92	37,3%
30	BIDCORP	Jun 92P	36,9%
31	CLINICS	Sep 91	36,7%
32	SAFCOR	Jun 92	35,8%
33	SONDOR	Mar 92	35,2%
34	TRENCOR	Jun 92	34,5%
35	INTERLES	Jun 92	34,4%
36	TRANSUN	Jun 92	34,1%
37	FINTECH	Feb 92	33,7%
38	PROFURN	Dec 91	32,6%
39	AFCOM	Jun 92	31,8%
40	BLOCHS	Jun 92	31,4%
41	BERTRAD	Dec 91	31,3%
42	PEP	Feb 92	30,9%
43	LENCO	Feb 92	30,7%
44	RAND MINES	Sep 91	30,4%
45	EDGARS	Mar 92	30,2%
46	GRINCOR	Dec 91	30,2%
47	SPL	Feb 92	30,0%
48	MACMED	Dec 91	29,9%
49	CNA GALLO	Mar 92	29,4%
50	HUDACO	Nov 91	29,4%
51	CHEMSERVE	Dec 91	29,2%
52	PEPKOR	Feb 92	29,1%
53	OMNIA	Dec 91	28,8%
54	DATAKOR	Mar 92	28,6%
55	IMPERIAL	Jun 91	28,2%
56	TELJOY	Mar 92	28,1%
57	AMSHOE	Feb 92	28,1%
58	LOGTEK	Apr 92	27,6%
59	CADSWEP	Dec 91	27,6%
60	SUNCRUSH	Jun 92	27,4%
61	SHOCRAF	Feb 92	27,2%
62	ARGUS	Mar 92	26,9%
63	TRNS HEX	Mar 92	26,8%
64	SAFREN	Jun 92	26,5%
65	PIKNPAY	Feb 92	26,3%
66	SA BIAS IND	Dec 91	26,0%
67	SUN BOP	Jun 92	25,9%
68	MEDHOLD	Jun 92	25,8%
69	UTICO	Dec 91	25,7%
70	SILTEK	Jun 92P	25,6%
71	ALTRON	Feb 92	25,2%
72	FOSCHINI	Mar 92	25,1%
73	LEBAKA	Mar 92P	25,0%
74	PREMPHA	Apr 92	24,8%
75	AIDA	Feb 92	24,7%
76	ED L BATE	Jun 92	24,6%
77	AMCOAL	Mar 92	24,4%
78	CUTRITE	Feb 92	24,3%
79	M&R HOLD	Jun 92	24,0%
80	TRNS NTL	Jun 92	23,9%
81	ABI	Mar 92	23,7%
82	W & A	Dec 91	23,7%
83	ALTECH	Feb 92	23,5%
84	WALTONS	Feb 92	23,5%
85	UNITRAN	Jun 92	23,5%
86	GENTYRE A	Dec 91	23,3%
87	KEELEY	Feb 92	23,2%
88	I & J	Jun 92	23,1%
89	MINVEST	Jun 92	23,1%
90	SUPALEK	Apr 92	23,0%
91	KERSAF	Jun 92	23,0%
92	METCASH	Apr 92	22,9%
93	CTP	Mar 92	22,8%
94	AUTODEK	Mar 91	22,7%
95	LTA	Mar 92	22,7%
96	LITHO	Feb 92	22,6%
97	SA BREWS	Mar 92	22,6%
98	KLIPTON	Jun 92	22,6%
99	BTR DUNLOP	Dec 91	22,5%
100	RUSPLAT	Jun 92	22,6%

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

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

Source I-NET

232

ST Times (Buss) 6/12/92

(232)

Money that works

By CHERILYN IRETON

FRANCHISING groups still dominate the list that shows how well companies are using the funds employed in their businesses

Spur is first for the second successive year Spares group Eddies has moved from ninth to third. The Development Capital Market's Raptor is runner-up to Spur following the change in control last year The ~~business is now~~ a motor garage and has a Toyota franchise

Trencor, the Business Times Top Company, boasts a return on capital employed of 34,5%

TOP 100 RANKED BY INCREASE IN TAXED PROFIT

Year-on-year percentage change in published equity accounted earnings per share

Yearend cut-off date November 92

No	Share Name	Financial yearend	
1	CONTROL INSTR	Jun 92P	5660,0%
2	CONS MRCH	Jun 92P	1932,2%
3	INVICTA	Dec 91	566,1%
4	PUTCO	Jun 92	505,6%
5	KUDU	Jun 92P	470,2%
6	AIDA	Feb 92	467,0%
7	BOUMAT	Mar 92	412,0%
8	LITHO	Feb 92	330,9%
9	ICH	Jun 92	285,6%
10	SPESCOM	Apr 92P	250,4%
11	OHIO	Feb 92	238,6%
12	SHOCRAF	Feb 92	211,2%
13	NATRAWL	Dec 91	210,0%
14	AIMARK	Dec 91	203,2%
15	MACADAM	Feb 92	177,1%
16	RABIE	Jun 92P	173,3%
17	METCASH	Apr 92	170,8%
18	METJE & Z	Jun 92	169,8%
19	MOLYSLIP	Feb 92	166,9%
20	ALEXWYT	Jun 92	155,0%
21	GUBB & INGGS	Jun 92P	150,9%
22	PUTPROP	Jun 92	150,7%
23	CLEGG	Jun 92	148,0%
24	EVERITE	Jun 92P	140,3%
25	ROYFOOD	Aug 92P	137,7%
26	BRENMIL	Feb 92	126,7%
27	CMI	Jun 92	116,9%
28	TGH	Dec 91	113,3%
29	MACMED	Dec 91	112,3%
30	USKO	Sep 92P	111,4%
31	SAFETEC	Jun 92P	110,9%
32	MAXMECH	Feb 92P	107,0%
33	NEW CENT	Mar 92	102,0%
34	UNIDEV	Dec 91	101,1%
35	RENTM BELEG	Jun 92P	98,9%
36	CHOICE	Feb 92	98,2%
37	ROYAL	Aug 92P	97,4%
38	TIWHEEL	Jun 92P	92,4%
39	MIDAS	Feb 92	88,0%
40	FREDDEV	Jun 92P	84,5%
41	HORTORS	Mar 92	83,5%
42	FIDBANK	Sep 92	82,1%
43	FORIM	Feb 92	81,6%
44	T & N	Dec 91	80,9%
45	RUHOLD	Feb 92	78,9%
46	SILOAK	Jun 92P	78,4%
47	SPL	Feb 92	73,9%
48	SHORDIT	Dec 91	71,2%
49	METAIR	Dec 91	65,3%
50	FINTECH	Feb 92	63,1%
51	CTP	Mar 92	61,5%
52	OVCON	Mar 92	59,7%
53	ABSA	Mar 92	58,1%
54	SHOPRIT	Feb 92P	56,7%
55	TIMES MEDIA	Mar 92	55,4%
56	CONS FRAME	Jun 92P	54,8%
57	MASNITE	Dec 91	54,4%
58	M&R HOLD	Jun 92	52,6%
59	LONGRAIL	Feb 92	52,1%
60	PRESMED	Feb 92	51,5%
61	SANLIC	Jun 92P	51,0%
62	REUNERT	Sep 92P	51,0%
63	PREMPHA	Apr 92	50,4%
64	INVESTEC BANK	Mar 92	50,2%
65	BIDCORP	Jun 92P	49,6%
66	ROOIBRG	Dec 91	48,7%
67	ROYCHEM	Aug 92P	46,3%
68	ROMATEX	Sep 92P	45,3%
69	AF CABLE	Sep 92P	44,3%
70	ARIES	Dec 91	43,2%
71	AMGOLD	Mar 92	43,2%
72	BERZAK	Jun 92	49,9%
73	SPUR	Feb 92	40,9%
74	SBIC	Dec 91	40,8%
75	LANGEBERG	Sep 92P	40,5%
76	TOMKOR	Feb 92	40,0%
77	MALBAK	Aug 92P	39,9%
78	OCFISH	Sep 92P	37,3%
79	CONGELLA FED	Dec 91	37,0%
80	TOCO	Mar 92	36,1%
81	HOLDAINS	Aug 92P	34,6%
82	TWEEFNT	Sep 92P	33,3%
83	LTA	Mar 92	33,3%
84	PANPROP	Jun 92P	33,0%
85	MICOR	Jun 92	32,1%
86	BRIST IN	Feb 92	32,1%
87	CADSWEP	Dec 91	32,0%
88	SHIELD	Feb 92P	30,0%
89	DATAKOR	Mar 92	29,8%
90	Q DATA	Jun 92	29,2%
91	MULTISOURCE	Feb 92	28,6%
92	SILTEK	Jun 92P	28,5%
93	MARSHAL	Dec 91	28,3%
94	GF PROP	Dec 91	28,3%
95	AFCOM	Jun 92	28,1%
96	W B HOLD	Dec 91	28,0%
97	SECHOLD	Jun 92	27,5%
98	PEPKOR	Feb 92	27,4%
99	UTICO	Dec 91	26,7%
100	DIMENSION DATA	Dec 91	25,7%

The table does not include non-operating pyramids, gold-mining and insurance companies

Where the company yearend is indicated with a 'P', the results are based on the latest preliminary results

Source I-NET

HARD TO BELIEVE

By CHERILYN IRETON

THE phenomenal increase in earnings shown by some of the companies in this table can be attributed in part to special and recovery situations.

For the rest, the economy — and the d...

managed to more than double their earnings. Last ...

tween 27% and 40%.

Although Control Instrument's 5660% increase in profits seems unbelievable, it does not come close to the Fortune 500's ...

Margins squeezed until they squeak

ST Times (BUSS) 6/12/92 (232)

By CHERILYN IRETON

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

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

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

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

TOP 100 RANKED BY RETURN ON SALES

Operating profit divided by turnover excluding turnover of associated companies

Yearend cut-off date November 92

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

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

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

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

Source I-NET

All the latest on screen from I-Net

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

Business Times Reporter

PRICE-sensitive research material from several stockbrokers is now on offer electronically through I-Net, the integrated financial information service

The latest addition to the screen-based service gives selected customers of stockbroking firms — be they fund managers or merely interested executives — market-moving information from some of Diagonal Street's leading analysts the instant it is released

The information, coupled with I-Net's up-to-date market prices and relevant corporate news, can be accessed from most PC-based networks using Telkom lines

All the tables and graphs for this year's Top 100 were compiled by I-Net using its extensive corporate database, on-line share prices, sophisticated graphic facility and electronic library of corporate news and information

BASIC

The company, which has been operating for 18 months, is a joint venture between Times Media Limited and stockbroking firm Ivor Jones Roy

According to I-Net managing director Anne Finlayson, some users are so attached to their daily dose of news — emanating from the Business Day newsroom, the SA Press Association, the Financial Times and foreign news service VWD — that I-Net has become an integral part of their lives

The Financial Times is received on I-Net overnight — while the FT presses are still printing — and can be read on screen before most Londoners have bought their newspaper

One of I-Net's strongest selling points is its vast array of on-line prices from international financial markets. Throughout the day or night, users can access spot metal prices, track currency movements or foreign bourses

All SA financial markets are monitored from an on-line price feed For example, a 24-hour link with the Reserve Bank ensures that any news from Pretoria is conveyed to I-Net users the moment it's available

Two new additions to the I-Net menu are a financial analysis package and portfolio tracking and performance system which has been developed in conjunction with Carsons Investment Consultants

The financial analysis package provides users with a seven-year financial history of industrial companies quoted on the JSE, together with an independent ratio analysis

ANNE FINLAYSON ... the Financial Times can be read in SA before the presses stop rolling in London

Sunday Times

TOP 100

Property trusts safe as a house

S Times (BUSS) 6/12/92

232

By TERRY BETTY

BARGAINS are available for investors keen on placing their funds in property through the JSE

Property unit trusts (PUTS) and property loan stocks (PLS) are classed as indirect property because they are listed on the JSE

Analysts say that now is the time to invest Property trusts are cheap compared with the financial and industrial (F&I) sector whose dividend yield is 3,1% compared with 11,3% for property trusts.

Their value is enhanced by the fact the forward dividend yields on listed property are far higher than for physical property.

Frankel, Max Pollak, Vinderine analyst John Rayner says in his Property Quarterly report that falling interest rates are another reason for for investors to switch their investments into property trusts

"There is an inverse relationship between the two.

DEMAND

"Because interest rates are likely to drop over the next year, so the index should climb as more people put their money in property trusts because the opportunity cost of holding indirect property has diminished."

Mr Rayner also sees the market being underpinned this year from increased demand by institutions which are likely to allocate about R3-billion to R3,5-billion (10% of their net annual cash flow) to property.

Investment in property loan stocks and trusts, as with physical property purchases, should be seen as a long-term investment

"In times of rising inflation, wealth protection becomes a priority. Property investment has proven to be a sound investment over time."

The 18,9% all-in yield of the past 12 years by property trusts has beaten the all-share index which has shown a 16,5% return and outstripped the consumer-price index of 14,6%

However, the property trust sector did not fare as well as financial and industrial shares which produced yields of 22,6% over this 12-year period

If indirect property is performing above average and prospects are good, why is it so cheap?

Mr Rayner says "The current dilemma of property vehicles is that they are influenced by the physical property and equity markets"

By being listed vehicles, the cautious investment mood has lent negative sentiment to the sector

NEVILLE BERKOWITZ . . analysts should look at every property in a portfolio

Property economist Neville Berkowitz says property loan stocks, which are allowed to borrow, were introduced to overcome the rigidities of the property unit trust sector

Restrictions have been eased for property unit trust sector, the more respected of the two. It is likely to gain in popularity and performance.

Mr Berkowitz says the central problem with trusts is that they are essentially property investments, but they are analysed by equity experts who know little about property investment.

AGEING

Mr Berkowitz says that when analysts investigate a large company on the JSE they break it up into each component, look at the underlying value and take into account factors such as management and future income

"But many do not do this for property trusts An indication of this is that the market capitalisation of some property trusts is well below market value of the underlying property.

"Other trusts have an ageing portfolio of unattractive properties in areas that are no longer fashionable They are unlikely to do well in the future, yet the equity market has placed a high value on them because they have performed well in the past."

Mr Berkowitz says analysts should look at every property in a portfolio, the nature of the tenants' contracts, the location of the building as well as how easy it would be to let at market-related rents.

Mr Rayner says investors should monitor the fundamentals, which include vacancy levels, provision for non-recovery of arrear rents and the abilty to increase rents at the time of lease reviews or renewals

Boomers, busters of the '87 spree

232

S Times (BUSS) 6/12/92

By JULIE WALKER

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

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

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

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

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

CRAZY

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

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

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

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

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

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

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

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

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

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

Kudu has already struck a deal with unlisted Impala Granite.

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

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

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

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

TOP 100 RANKED BY TURNOVER

Excluding turnover of associated companies

Yearend cut-off date November 92

222

S Times (Bus) 6/12/92

No	Share Name	Financial yearend	(R000s)
1	BARLOWS	Sep 92P	35 165 000
2	C G SMITH	Sep 92P	17 836 300
3	SA BREWS	Mar 92	17 698 600
4	C G S FOOD	Sep 92P	12 749 600
5	MALBAK	Aug 92P	10 992 000
6	* DE BEERS	Dec 91P	10 760 000
7	PREMIER GRP	Apr 92	9 819 916
8	TIGER OATS	Sep 92P	9 212 000
9	ISCOR	Jun 92P	8 616 100
10	ANGVAAL	Jun 92P	8 205 800
11	ANGLOVAAL IND	Jun 92	7 957 700
12	SASOL	Jun 92	7 853 900
13	ENGEN	Aug 92P	6 560 000
14	AMIC	Dec 91	6 460 000
15	PIKNPAY	Feb 92	5 911 100
16	M&R HOLD	Jun 92	5 841 876
17	AECI	Dec 91	5 280 000
18	OK	Mar 92	5 044 793
19	METCASH	Apr 92	4 889 810
20	SAFREN	Jun 92	4 698 300
21	NAMPAK	Sep 92P	4 364 200
22	PEPKOR	Feb 92	4 265 818
23	TONGAAT	Mar 92	3 968 297
24	WOOLTRU	Jun 92	3 804 400
25	TOYOTA	Dec 91	3 466 947
26	TRADEGRO	Feb 92	3 322 754
27	W & A	Dec 91	3 227 630
28	METKOR	Sep 91	3 215 524
29	MCARTHY	Jun 92	3 072 674
30	RUSPLAT	Jun 92	2 910 100
31	DORBYL	Sep 91	2 896 025
32	SAPPI	Feb 92	2 843 700
33	EDGARS	Mar 92	2 748 500
34	ALTRON	Feb 92	2 645 461
35	SENTRACHEM	Aug 92	2 433 168
36	HOLDAINS	Aug 92P	2 316 387
37	REUNERT	Sep 92P	2 277 588
38	IMPLATS	Jun 92P	2 263 800
39	GRINAKR	Jun 92	2 161 181
40	ICS	Sep 91	2 109 259
41	CONSOL	Jun 92	2 097 600
42	SAMANCO	Jun 92	2 063 904
43	KERSAF	Jun 92	2 050 216
44	ARGUS	Mar 92	2 011 539
45	PLATE GLASS	Mar 92	1 981 341
46	AMCOAL	Mar 92	1 895 646
47	LTA	Mar 92	1 876 000
48	RAND MINES	Sep 91	1 755 800
49	FOODCRP	Aug 92	1 704 706
50	I & J	Jun 92	1 638 490
51	RANDCOL	Sep 92P	1 620 863
52	TRNS NTL	Jun 92P	1 564 100
53	SAFICON	Mar 92	1 530 996
54	RAINBOW	Mar 92	1 510 923
55	PEP	Feb 92	1 467 621
56	STOCKS	Apr 92	1 438 702
57	RUSFURN	Jun 92P	1 422 727
58	SA DRUG	Aug 92P	1 388 194
59	GROUP 5	Jun 92P	1 380 296
60	HIVELD	Dec 91	1 378 434
61	GRINTEK	Jun 92	1 235 209
62	VOLTEX	Jun 92P	1 226 571
63	PREFCOR	Jun 92	1 218 698
64	CURRIE FIN	Jun 92P	1 210 323
65	SAFCOR	Jun 92	1 201 618
66	HAGGIE	Dec 91	1 181 571
67	BOUMAT	Mar 92	1 163 235
68	POWTECH	Feb 92	1 151 758
69	C G SUGAR	Sep 92P	1 143 409
70	AFROX	Sep 92P	1 113 248
71	PALAMIN	Dec 91	1 106 081
72	SEARDEL	Jun 92	1 058 679
73	SCOCLIK	Apr 92	1 056 609
74	ISG	Sep 92P	1 048 500
75	ABI	Mar 92	1 045 400
76	AMREL	Mar 92	1 003 124
77	SUN BOP	Jun 92	1 000 397
78	SILTEK	Jun 92P	978 956
79	ALTECH	Feb 92	929 997
80	GRESHAM	Apr 92P	928 836
81	FOSCHINI	Mar 92	922 815
82	ADCOCK	Sep 92P	914 997
83	PPC	Sep 92P	899 000
84	CNA GALLO	Mar 92	840 359
85	NEI AFR	Dec 91	797 327
86	AFCOL	Mar 92	791 488
87	SHIELD	Feb 92P	782 042
88	IMPHOLD	Jun 92	781 253
89	WALTONS	Feb 92	748 163
90	LANGBRG	Sep 92P	741 800
91	MICOR	Jun 92	731 181
92	A ALPHA	Dec 91	728 226
93	ROMATEX	Sep 91	722 400
94	CLICKS	Apr 92	717 273
95	HLH	Mar 92	693 724
96	STD ENG	Aug 92P	688 433
97	PERSKOR	Jun 92P	673 328
98	BTR DUNLOP	Dec 91	671 980
99	CONS FRAME	Jun 92P	652 170
100	TRENCOR	Jun 92	643 766

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

The table does not include non-operating pyramid companies, gold mining companies, insurance companies and banks Where the company year-end is indicated with a "P", the results are based on the latest preliminary results

Source I-NET

Barlows a world leader

(180) (232)

STimes 6/12/92

By CHERILYN IRETON

INDUSTRIAL conglomerate Barlow Rand and its food subsidiaries are far ahead of corporate South Africa when it comes to sales, as shown by the table.

The group's dominance is in part due to double counting. Barlows' main earnings generator is CG Smith, which in turn holds CG Smith Foods and Tiger Oats.

Barlows is not only a heavyweight in South Africa. Fortune magazine, which uses sales to measure the world's largest industrial corporations, this year ranked the group 118th in its Global 500 list. The top Fortune company was General Motors with sales of $123,8-billion.

RETAILER

In spite of taking strain from the recession, 77 of the listed companies generated sales of more than a billion rands. This is six more than managed this last year.

The top listed retailer is Pick 'n Pay with sales of R5,9-billion. OK is not far behind with R5-billion. Pepkor, Wooltru and Tradegro make it into the top 30.

Toyota is top motor manufacturer with sales of R3,4-million.

Other companies to make the Fortune global list are De Beers, ranked 349th, Sasol 450th and Iscor 476th.

The Business Times top company Trencor scrapes into the Turnover Top 100 with sales of R643,8-million.

FRONT ROW (left to right) Sydney Press (Edgars, 1974), Stephen Koseff (Investec, 1992) Gary Maude (Gengold, 1992) Brian Joffe (Bidcorp, 1992), Mervyn King (Tradegro, 1987) Eric Ellerine (Ellerine Holdings, 1972), Natie Kirsh (Kirsh Industries, 1981), Jeff Liebesman (W&A Investment, 1990)

SECOND ROW Chris Stals (Reserve Bank, 1992), Nic Wiehahn (Labour Law Reformer, 1981), Kobus Loubser (SA Railways, 1976), Clive Menell (Anglovaal 1979) Derek Keys (Gencor, 1987), Donald Gordon (Liberty Life, 1970), Ian MacKenzie (Stanbic, 1978), Aaron Searll (Seardel Investment, 1982), Conrad Strauss (Standard Bank 1986) Len Miller (OK Bazaars, 1968), Bert Cottrell (NCR 1971) Eric Samson (Macsteel, 1989)

THIRD ROW Peter Wrighton (Premier Group, 1991) Michael O'Dowd (Anglo American, 1985), Francis Le Riche (Sentrachem 1980), Henri de Villiers (Standard Bank Investment Corporation, 1985), Ronnie Lubner (Plate & Glass, 1985) David Brink (Murray & Roberts, 1991), Ian McRae (Eskom, 1989), Leslie Boyd (Anglo American Industrial Corporation 1988), Gavin Relly (Anglo American 1981), Brian McCarthy (McCarthy Group 1987), Piet Badenhorst (UBS, 1986) Eugene van As (Sappi, 1990)

FOURTH ROW Neil Jowell (Trencor, 1991), Cecil Jowell (Trencor 1991), Ton Vosloo (M Net, 1992), Christo Wiese (Pepkor, 1988) Louis Shill (Sage, 1969), Grant Thomas (Malbak 1989), Peter Joubert (Afrox 1991) Vic Hammond (Edgars, 1990), Chris Saunders (Tongaat 1970) Bill Venter (Allied Technologies 1977)

Fixing the debt trap, the doubt trap, the down and out trap

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

(232)

Business Times Reporter

TRUCKING and manufacturing company Trencor scooped — for the second time in a row — top prize in the Business Times Top 100 company award

Accepting on behalf of the company at a black tie function at the Carlton Hotel on Monday night group managing director Ray Hasson attributed success to the efforts of Trencor staff many of whom never get to don a tux and attend lavish affairs

He said most of the staff had stuck with the company since its infant years in the transport industry and remained dedicated to it

Trencor has rewarded investors with a simple average annual return of 246.26% over the past five years

Hot on its heals is Investec with 172.32 and Pepgro with 129.15%

The awards excluded companies that showed too little trade on the JSE as well as trusts holding companies pyramids exploration companies and non SA companies

Paying tribute to Business Times Five Businessmen of the Year Finance Minister Derek Keys said four — Brian Joffe Stephen Koseff Gary Maude and Ton Vosloo — were in the business of making worthwhile money while Reserve Bank governor Chris Stals was trying to make making money worth while

Mr Keys says SA faces three traps a debt trap a doubt trap and a down and out trap

He says a recent confidential report on SA by the IMF criticised the growing budget deficit saying that it was feared that it may be as high as 6% or 7% of GDP

Mr Keys says latest estimates show that the deficit is likely to be about 8% which will mean that Government's interest bill the second highest item of expenditure after the R23-billion spent on edu

DEREK KEYS
Keynote speaker at this week s Top 100 banquet

cation is likely to jump from R18 billion to R22 billion next year

This is a higher rate of growth than any other item of expenditure

The solution to the debt trap was to cut expenditure raise taxes or allow inflation to take its course

The third option was not acceptable but raising taxes and cutting expenditure required the mustering of the necessary political will and required national consensus

Mr Keys says capitalism has its periods when it loses its way when people start losing confidence in what tomorrow may bring

He says the US economy under George Bush is a case in point and that in SA we have plenty of this doubt

The lack of investor confidence has had added to it a lack of consumer confidence

Mr Keys says sales of beer and cigarettes dropped in August for the first time in living memory This is doubt

He says the economy needs to be restarted to take SA out of the cumulative doubt trap 'We need to do this before too long"

Mr Keys says there is an enormous cost to delayed growth one percent growth forgone is social pensions for one million people for ever

We ve thrown away more than 1% during the pas few years

Mr Keys says underdevelopment has firmly established itself in SA during the past few years This sector is characterised by low incomes high fertility poor nutrition bad health poor work potential and poor education

This Mr Keys describes as the down and out trap

He says that when he came to government he was fond of saying he was there to do deals The deal he is offering to business is simple I ll fix the debt trap you fix the doubt trap and together we ll fix the down and out trap

FERDI BARNARD WILL SOON KNOW HIS FATE

ST Times 6/12/92

By CHARLES LEONARD

232

BY THE end of January, Mr Justice Michael Stegmann will tell South Africa whether former Civil Co-operation Bureau agent Ferdi Barnard was involved in the murder of Wits academic Dr David Webster

For eight weeks, the burly ex-vice squad cop, who once served time for murder, has been a central figure in the inquest into the anthropologist's death on May 1 1989, outside his Troyeville home

On Thursday, the final evidence was heard in the Rand Supreme Court — but it will not be until January 25 before the judge considers his verdict

After 50 days of testimony — much of it behind closed doors — Ferdi Barnard has become a household name

Identified by several witnesses as one of two men in the car from which the fatal shots were fired, he has also been a key figure in events leading to the Goldstone commission's raid on a top secret Military Intelligence installation in Pretoria.

The son of a retired policeman, Barnard served three years for the murder of two drug dealers, then went to work for West Rand businessman Willie Smit — chief executive of President Insurance, which was liquidated last month.

But Barnard found his duties as a claims assessor boring, and contacted a fellow former prisoner who had links with the military, to make inquiries about an "intelligence-gathering" job

"That was a job that you as a man of action would enjoy?" asked Mr Eberhardt Bertelsmann for the Webster Trust

"As a man who does not like office work," Barnard responded

Thus he found himself one of the shadowy characters working for the CCB, becoming a full member in March 1988

He was under no illusions that violence "which ranged from the breaking of a window to the killing of a person", would be used and that the focus of the CCB's Region Six was the PWV area

But a year after joining the CCB, Barnard was fired because of a security breach on a Zimbabwean operation

In April 1989 a man called George Mitchell, who had been introduced to Barnard by his long-time friend, Eugene Riley, lent the sacked agent a sawn-off shotgun

"He showed me his shotgun," Barnard told the court "It was unique, it was a beautiful little gun"

BAKKIE

Mr Mitchell testified that Barnard said of the weapon "It is so short, it will shoot nicely from a moving vehicle"

Barnard said he meant nothing more by this observation than "you can shoot guinea fowl when they fly up — just like out of a bakkie" He had, he said, taken the shotgun with him on a trip to Natal to test "whether it shoots nicely from a moving vehicle"

Mr Mitchell claimed that Barnard returned the shotgun to him before the date of Dr Webster's death

Barnard's former employer, Mr Smit's mother, Johanna, and his brother-in-law, Andrew Voster, all said he had boasted to them about killing Dr Webster

"I told him it was terrible that they are killing people like dogs in the street," testified Mrs Smit

Barnard's response, according to ~~Mrs~~ Smit, was "But he is a dog Tannie, when Webster was shot the police said that Ferdi Barnard had shot him Tannie, you should have seen how he flew through the air — five yards high"

Mrs Smit, her son and Mr Voster all said they recognised Barnard from a police identikit released at the start of the inquest

Mr Smit and Mr Voster also identified a second identikit as resembling Eugene Riley — who subsequently turned out to be Barnard's brother-in-arms during MI's dirty tricks campaign against the ANC, exposed by the Goldstone commission

Eyewitness Corrie du Plessis also identified Barnard as one of the men in the car from which Dr Webster was shot

He did so in camera, after telling the judge "When I walked into the building on the first day, I saw a group of three big men standing in the passage in front of court 4F When I approached them I saw a fourth person, also heavily built, at the back of the courtroom. He had a two-way radio in his hand

"I immediately recognised him as the person who on May 1 1989 sat in the back of the white Opel Ascona and who fired the fatal shot at Dr David Webster"

Barnard's CCB handler, Lafras Luitingh, told the court — also in camera — that Barnard confessed to the Webster murder three days after it happened

"Ferdi Barnard paged me to go to see him I expected that he was going to ask me for money but he communicated that he had killed Dr Webster I asked whether it was a CCB project and he said no Then I told him I was not interested in discussing the matter any further ..." Mr Luitingh testified

CCB information officer ~~Derrick Louw~~ (an alias) confirmed that Mr Luitingh had given him this information

Former CCB managing director Joe Verster said he went as far as former Defence Minister Magnus Malan with the information that he believed Barnard had killed Dr Webster

TESTED

Barnard told the court that after being sacked by the CCB in 1989, he carried out two monitoring assignments "as a freelance"

"I thought I was being tested to see whether I should be taken back into the CCB," he said

Mr Verster said he believed Barnard had killed Dr Webster to prove his worth to the CCB so that he would be re-hired

The question now is whether or not the judge believes that Barnard was involved in the murder

If he does, the next step will be up to the Witwatersrand attorney-general, who will have to decide if there is enough evidence for a prosecution

EUGENE RILEY he lent Ferdi Barnard a shotgun

HIGH-FLYERS THAT FELL FROM GRACE

STimes (BUSS) 6/12/92.

232

Sunday Times TOP 100

By JULIE WALKER

THE only good thing to be said about the worst performers on the JSE in five years is that at least they have not gone into liquidation

Predictably, gold and mining exploration shares dominate the 50 worst performers table, but the wooden spoon goes to Barplats Mines (Barmines)

This noble venture started its life in 1987 as Lefkochrysos. It was to be the first producer of platinum from the UG2 Reef only at a mine near Brits

In the same year, Rand Mines began development at Barplats Investments near Kennedy's Vale in the Eastern Transvaal It, too, was to produce platinum from the UG2 Reef The reef had never been mined and treated in isolation, although established platinum operations were tapping their own reserves of the ore to blend with easy-going Merensky Reef.

Barplats' go-ahead added credibility to the would-be pioneer of UG2 mining — Lefkochrysos When Lefko's management failed to raise more capital to complete development of the Brits mine, control of the company passed to Rand Mines Barplats became the pyramid holding company of Lefko, which was renamed Barmines.

STREAM

But Rand Mines itself had underestimated the capital requirements of bringing the two operations on stream. First, it mothballed Kennedy's Vale and was then obliged to sell to Impala Platinum Holdings, which mothballed the Crocodile River mine near Brits

Revolt from minority shareholders in the group is all that prevents the delisting of the shares Their worth is only speculative at the moment. From R25 the Barmine price has crashed to 15c and Barplats from more than R22 to 45c

Barmine was not the only platinum mine to struggle Messina Investments underwent a major change by selling its assets other than the rights to a platinum deposit at Zebediela Impala took 55% control of Messina, but progress at the mine was frozen because of the low platinum price

Over a single year, JCI's Lebowa Platinum Mines has shown the fourth-worst return Its price has dived on the mine's inability to meet production targets and make a profit. JCI is developing the Potgietersrust Platinums mine on the Platreef which has better prospects than does Lebowa Plats

But no fewer than 27 out of the 50 worst-performing shares since 1987 are gold-mining companies and a tenth are in mining exploration

No amount of mining-house backing, management, endorsement or integrity could halt the decline in heavyweights, such as Vaal Reefs, Harties, Winkelhaak, Randfontein, Durban Deep and Deelkraal

Independents also suffered badly — Cons Modder, East Dagga, West Wits and Rand Leases illustrate the point.

POOR

If producing mines ailed, there was even less future for the likes of Freddev and New Central Wits, where prospects of a new gold-mining development receded.

Poor mining fortunes were merely one of the reasons behind the showing of AECI — which incurred a negative return of more than 10% a year for shareholders

Competition in explosives, drought-hit fertiliser, a strong challenge from certain imports and unfavourable tax dispensations made life tough for South Africa's premier chemicals and allied business

The Frame group's downsizing was not accompanied by improving profits because of the absurdities of SA's structural adjustment programme (SAP) Aimed to boost exports, it was much abused and turned into a nightmare for textile companies such as Frame and Da Gama.

Frame was caught in a Catch-22 position SA's new-found business philosophy dictates that companies must stand on their own, but not the farmers SA's cotton-growers have to be paid well above world prices for their crop, yet Frame et al must make fabrics in competition with Far Eastern exporters whose governments subsidise the cotton price

Amendments to the SAP have been suggested almost since its launch, but nothing has been done about the iniquitous position.

Engineering group NEI Africa fared 17th-worst over five years Significant fraud was uncovered in the former pale-blue chip in 1990, such as accounting entries of bank balances that were actually borrowings

DELIVER

A total of R55-million had to be written off in 1991 and recessionary conditions in general have been compounded by cutbacks in electricity-generating capacity — a business which was the backbone of NEI Africa Profit remains elusive, and the share has dived from R45-plus to R3,25

Unidev and Tollgate were Cape Town companies that failed for various reasons, principally overborrowing There are signs tha Unidev might start to come right under new management after a dive from glamour-stock status in the early years

Tollgate is also on an asset-selling exercise to reduce debt. Now controlled by SA-boy-made-good-in-England Julian Askin, the group has yet to deliver

Borrowings certainly cause doubts in investors' minds. Take W&A — the Business Times top company two years in a row as recently as 1990, and now the 38th-worst.

Its businesses are holding up well in spite of the recession, but R1-billion of borrowings caused alarm in a long spell of high interest rates. W&A has sold its hosiery division for R200-million and has other disposals in the pipeline. But until the bottom line looks consistent, investors will shy away from the company

ABSURD

Construction groups Basil Read and Grinaker fared worst of their sector, but on different counts Basil Read has never been really well capitalised and has always struggled with high gearing, whereas Grinaker's electronics investments were hit by cutbacks in the defence industry

If ever a listing hit absurd heights, Fintech was it. On a euphoric wave of electronic-share hype, Fintech's share price hit R87 — about 10 times its worth But after the 1987 crash it fell to R3 by 1990 It has since rallied to a realistic R17 on steady profit growth.

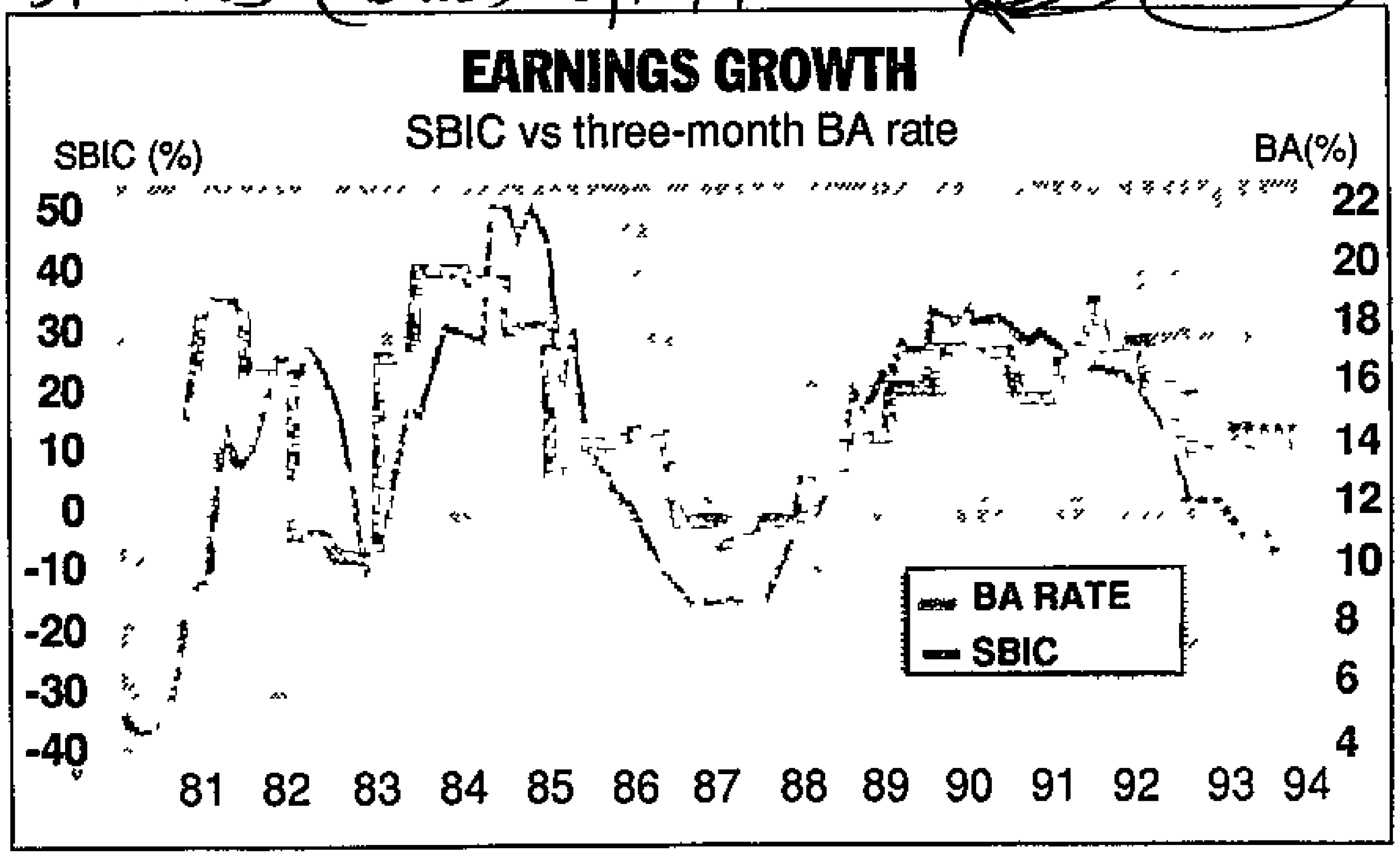
Over one year, granite share Keeley gave the poorest return to investors Its share price held up well while those of other granite producers — Kudu and Marlin — were falling, but eventually it succumbed to the same pressure. World recession is hampering the export-oriented granite market.

Other features among the one-year decliners include Iscor (for failing to meet profitability forecasts), Anglovaal Insurance Holdings (for a disastrous investment portfolio and actuarial shortcomings), Saambou on write-offs and Board of Executors on perceptions of too much property; Berzack, Voltex and Elcentre, and Afcol as well as many gold mines

No fewer than 27 out of the 50 worst-performing shares since 1987 are gold-mining companies

Banks prosper, but they could falter

S Times (Buss) 6/12/92. (88) (232)



By DAVID SOUTHEY

ONCE again investors will have been well rewarded by being overweight in selected bank shares in 1992

The recent index level of 2 860 is about 6% up on its mark in November 1991

This is decidedly unspectacular compared with the nearly 50% appreciation in 1991, but it should be borne in mind that the industrial index has declined by about 6% since the end of 1991

All indications at the beginning of 1992 were that it would to be a very tough year for business and the economy generally Reserve Bank Governor Chris Stals repeatedly warned that there would be no significant relief on retail interest rates until the inflation rate fell materially

DRASTIC

Chances of this happening so soon after the introduction of VAT in October 1991 were, of course, minimal After the previous two years of highly restrictive monetary policy it had gradually begun to sink into the collective business consciousness that what the governor said could be taken at face value

Institutional portfolio managers had already absorbed all the signals and wasted little time in bolstering their holdings of bank shares Around mid-year it became clearer than ever that what every market analyst had been predicting for about a year had to happen soon the industrial market was far too expensive, given the deteriorating economy and gloomier outlook for profit growth and would have to "correct"

At the time of writing, the correction has been nowhere near as drastic as many expected and the economic news has been considerably worse than forecast, to say nothing of the continuing violence in the black community

The poor economy has sent bad-debt levels spiralling up, most banks increasing provisions sharply over the high amounts set aside in 1991

OMINOUS

Judging by experience, the actual incidence of bad debts continues to accelerate for several months after a turning point in the economy Since there is no evidence yet that we have turned the corner — apart, perhaps, from reasonable early summer rains — this is indeed an ominous pointer for banks in 1993

So far there have been no major corporate collapses, although a couple of big retailers are thought to be teetering on the brink Most bad-debt experiences have been in the small and medium business category Individual bad-debt incidence has been horrific

Two important differences between the current situation and that of 1985-86 are that the currency has remained reasonably steady so there are no major foreign-curency losses and banks have been wary of boosting lending growth against the run of the economy

However, doubts do arise about the quality of mortgage portfolios of those banks which expanded aggressively into this market in the past two years "Safe as houses" simply doesn't hold when — as has happened in the UK — many home-owners find themselves sitting on properties worth less than the outstanding mortgages

Property prices in SA have weakened significantly in the past two years and could well decline further in unstable political conditions

Overall, though, the widening of interest-rate margins this year has outweighed the negative of increased bad-debt provisions All banks have seen significant improvement on this score — thanks entirely to the Reserve Bank's determination in maintaining high real interest rates at the retail level while market forces have driven down short-term rates at the wholesale level

HUMMING

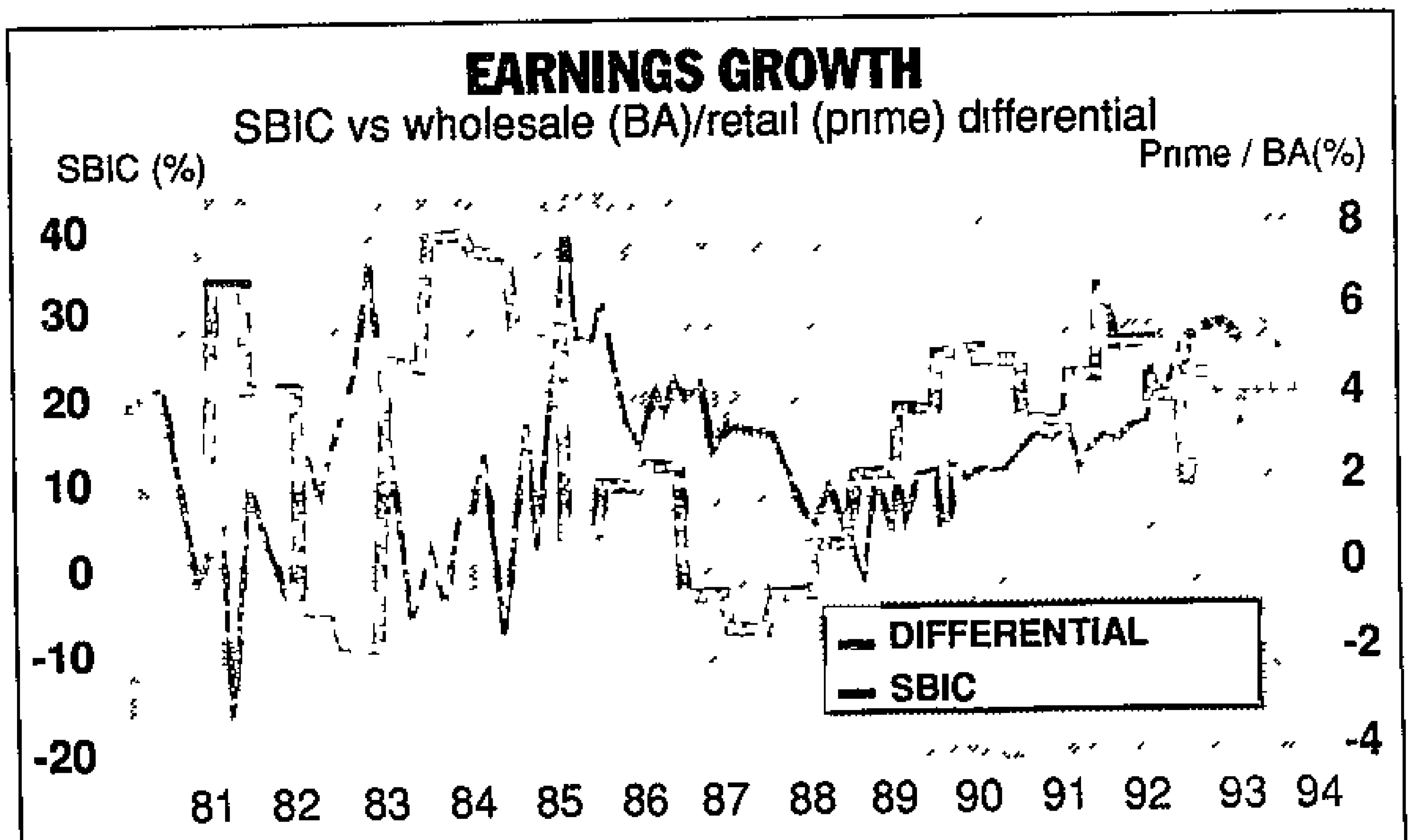
This beneficial effect can clearly be seen in the graph showing bank earnings growth (using Standard Bank as a proxy for the sector because it has the least distortion to earnings over the past decade) against the wholesale-retail differential

The other graph, earnings growth against the BA rate, shows how closely the two are correlated high interest rates generally mean healthier earnings for banks and vice versa

The importance of this picture is that, with retail rates expected to fall by at least two or three percentage points before mid-1993 — after similar declines in the inflation rate — the outlook for bank earnings growth in 1993 is less sanguine than it has been for the past two years

What has tended to keep bank shares humming along in the face of this prediction is that the outlook for earnings growth among industrial companies in 1993 has worsened progressively

■ *David Southey is investment analyst at Edey, Rogers & Co Inc*



BEST OVER ONE YEAR

232

S/Times (Bus) 6/12/92

No	Company	Return to shareholders (%)
1	FARM-AG	326,47
2	CROWN FOOD HOLDINGS	218,18
3	PREMIER PHARMACEUTICAL CO	132,68
4	SECHOLD	110,17
5	DATAKOR	110,12
6	ROYAL FOODS	103,39
7	ROYAL CORPORATION	101,57
8	SPL	98,92
9	SHIELD TRADING CORPORATION	90,29
10	PUBLICO	87,50
11	AFCOM GROUP	85,22
12	SIMMER AND JACK MINES	81,59
13	DIMENSION DATA HOLDINGS	78,66
14	SOUTH AFRICAN EAGLE INSURANCE COMPANY	78,23
15	TRENCOR	77,95
16	PRESIDENT MEDICAL INVESTMENTS	77,33
17	BID CORPORATION	72,06
18	C T P HOLDINGS	64,57
19	SANTAM	64,02
20	IMPHOLD	63,64
21	NORIMED	61,39
22	HARWILL INVESTMENTS	59,78
23	OZZ	57,17
24	SPUR STEAK RANCHES	55,41
25	METROPOLITAN LIFE	54,42
26	PREMIER GROUP	53,00
27	STANDARD BANK INVESTMENT CORPORATION	50,57
28	MUTUAL AND FEDERAL INSURANCE COMPANY	47,21
29	INVESTEC HOLDINGS	45,17
30	LIBERTY HOLDINGS	45,12
31	GROOTVLEI PROPRIETARY MINES	44,19
32	OTIS ELEVATOR COMPANY	43,35
33	RUSTENBURG PLATINUM HOLDINGS	42,16
34	AFRICAN OXYGEN	41,85
35	ENGEN	41,58
36	PICARDI BELEGGINGS	41,03
37	ALLIED TECHNOLOGIES	38,79
38	BENGUELA CONCESSIONS	37,14
39	MOMENTUM LIFE ASSURERS	36,79
40	SCHARRIGHUISEN HOLDINGS	35,78
41	COMMERCIAL UNION OF SA	35,42
42	LEWIS FOSCHINI INVESTMENT COMPANY	35,12
43	OMNIA HOLDINGS	34,66
44	TRADEHOLD	33,54
45	TIGER OATS	33,21
46	SABLE HOLDINGS	31,87
47	W B HOLDINGS	31,33
48	PEPKOR	31,29
49	PERSKOR BELEGGINGS	31,09
50	AUTOPAGE HOLDINGS	29,06
51	NAMPAK	28,36
52	FIRST NATIONAL BANK HOLDINGS	27,95
53	LENCO HOLDINGS	27,79
54	SOUTHERN LIFE ASSOCIATION	27,03
55	CADBURY SCHWEPPES (SOUTH AFRICA)	27,00
56	WOODROW HOLDINGS	26,84
57	HUDACO INDUSTRIES	26,40
58	OCEANA FISHING GROUP	26,27
59	FOODCORP	25,61
60	REUNERT	25,27
61	C G SMITH	25,04
62	HOSKEN CONSOLIDATED INVESTMENTS	25,03
63	NEDCOR	24,97
64	ANGLOVAAL INDUSTRIES	24,48
65	Q DATA	24,38
66	SAPPI	23,56
67	ALLIED ELECTRONICS CORPORATION	22,94
68	SOUTH AFRICAN FREIGHT CORPORATION	22,82
69	ABS HOLDINGS	22,63
70	BLUE CIRCLE	22,16
71	C G SMITH FOODS	21,45
72	MURRAY & ROBERTS INVESTMENTS	20,98
73	FINTECH	20,78
74	REMBRANDT GROUP	20,59
75	SAFMARINE & RENNIES HOLDINGS	20,47
76	FEDSURE HOLDINGS	20,46
77	MALBAK	19,22
78	GENREC HOLDINGS	18,63
79	IRVIN & JOHNSON	18,09
80	AMALGAMATED BEVERAGE INDUSTRIES	17,85
81	RACY GROUP HOLDINGS	17,68
82	SA DRUGGISTS	16,87
83	METKOR GROUP	16,66
84	SILTEK	16,61
85	SAGE GROUP	15,64
86	TIMES MEDIA	15,60
87	AFRICAN LIFE ASSURANCE COMPANY	15,00
88	KUDU GRANITE HOLDINGS	13,85
89	AMALGAMATED BANKS OF SOUTH AFRICA	13,73
90	ASSOCIATED ORE & METAL CORPORATION	13,62
91	MERHOLD	13,40
92	FREE STATE CONSOLIDATED GOLD MINES	12,74
93	CLICKS STORES	12,31
94	STORECO	12,18
95	ADCOCK-INGRAM	12,14
96	POWER TECHNOLOGIES	12,05
97	CORPORATE MANAGEMENT SERVICES	12,00
98	GDM FINANCE	11,30
99	TOMKOR	10,85
100	IGI INSURANCE COMPANY	10,77

This table excludes pyramids, holding companies, investment trusts, property trusts, non-South African companies and exploration companies

Source: I-NET

UPHILL AHEAD FOR INDUSTRIALS

S Times (Buss) 6/12/92

By ZILLA EFRAT

THE harsh conditions encountered by companies listed in the JSE's industrial sector are likely to continue well into next year

Uncertainty on the political and business fronts in 1992 undermined their ability to plan for the future.

The operating environment was overshadowed by the the recession which has lasted longer than the Great Depression and has been exacerbated by last summer's drought.

Nonetheless, various sectors of the JSE industrial index did well in spite of the negative factors.

FISHING

According to Ed Hern, Rudolph Inc analyst Syd Vianello, the transport sector, boosted by Trencor, showed the largest growth of 48% from January to October. The pharmaceutical index was up 29%, fishing 25% and electronics 14%

The steel sector suffered the biggest drop of 58%, followed by clothing and textiles, down 33%, and furniture 31%. Other poor performers included motoring, building and fishing

Looking ahead, industrialists have little to be cheerful about Sacob economist Keith Lockwood says Christmas sales are expected to fall by 2,6% in real terms this year. Some products will do better than others, but there is a danger that several firms will close early next year.

Economists and businessmen expect tough trading conditions to persist and say growth prospects will be limited.

Some believe that 1993 will be a time of consolidation in preparation for better times from 1994 onwards.

Trading conditions in the third quarter of 1992 were particularly tough after the breakdown in political negotiations, Boipatong and the ensuing mass-action campaign. Gross domestic product fell 5,7% in this quarter and economists expect economic activity to fall again in the fourth quarter.

BELTS

Companies have been pulling in their belts, cutting back on staff and delaying investment decisons. Foreign investors generally are keeping away from SA because of political uncertainty.

Total fixed investment in the first half of the year was more than 10% lower than in the same time in 1991.

Most manufacturers faced increased competition in their markets and their margins came under pressure In the first half, real consumer spending was 3% down on a year ago Absa says real disposable income will decline by an average of 4,5% this year.

Sluggish conditions in world markets dented the growth in export sales World commodity prices lost their upward momentum in the third quarter

Mr Lockwood says some SA industrialists have underestimated competition on the world market. Although the general export incentive scheme (GEIS) has helped sales abroad, its future is clouded in terms of how long it will last and whether it will be affected by the Uruguay round of the General Agreement on Tariffs and Trade

However, as the world continued to open up to SA, some industrial sectors recorded large export growth this year They include transport equipment, chemicals, plastics and rubber.

Mr Vianello says the effects of improved export sales are beginning to filter through from several industrial companies.

The lifting of sanctions has also brought new threats Mr Lockwood says some SA companies have been hurt by increased competition from foreigners.

Industrialists have also had to deal with extremely high wage expectations from workers, backed by unprocedural industrial action, says Andrew Levy of labour consultants Andrew Levy & Associates.

FORCE

Strikes accelerated rapidly in the third quarter, bringing total mandays lost for the first nine months of the year to 3,1-million compared with 2-million in the same time in 1991

Mr Levy believes that SA manufacturers face the most militant labour force in the world. The poor economy has, however, blunted trade-union action

Wages have shown a real decline for the first time in a decade. The average pay rise has fallen from 16,5% last year to 12,1%

This has helped curtail production costs. Producer-price inflation dropped to 8,8% in September from 9,5% in August.

But Mr Lockwood says staff and other cutbacks in industry may improve manufacturing productivity. The question is whether these improvements will be better than those of SA's major trading partners who are also in recession

AHI president George Huysamer says much will depend on Trade and Industry and Finance Minister Derek Keys' economic model, how much confidence it will generate and how much uncertainty it will eliminate

Mr Huysamer says balancing of the next Budget will have an import influence Investors are concerned that increases in the VAT rate and petrol price could fuel inflation

An interim government and improved labour stability are needed to restore confidence, he says.

LATER

232

Export growth will depend on world market conditions According to Safto, signs are that an upturn in world global economic activity will be later and less dramatic than previously hoped

Mr Lockwood says wage and salary increases in 1993 are likely to be below the inflation rate and this will lower disposable income. Higher unemployment is probable

Mr Levy expects industrial action will continue at high levels next year because of trade-union growth and political uncertainty

Newspapers get the message — and prosper

232

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

By CIARAN RYAN

IN THE mid-80s the prophets of doom predicted a steady but certain decline in the fortunes of the print media. Advertisers were deserting newspapers for the immediacy and reach of electronic media.

Newspapers publishers responded by diversifying into the information business: radio, television, specialised publications and premium-rate subscription phone services. Income streams were also protected by spreading investments. Times Media, Argus and Perskor emerged in the late 1980s leaner and healthier with earnings and share-price growth well above the JSE average.

Investments in M-Net, which has strong subscriber support, protected the revenue of newspaper publishing houses from declining advertising revenue. The groups have shown surprising resilience against declining advertising revenue in the past three years, reporting increases in earnings a share of 59%, 56,6% and 61% respectively.

Pressure is growing for an unbundling of the media empire, starting with the sale of 45% of the Sowetan — SA's largest circulation daily paper — to a trust and 5% to staff. There is speculation that Argus is considering unbundling itself from TML. In a democratic SA, control of the media is likely to become contentious although all political groups stress the need for an independent media.

Times Media, under former managing director Stephen Mulholland was transformed from a unwieldy bureaucracy with underperforming assets and high gearing into a strong cash generator with few assets and low gearing.

It reported a 15% increase in earnings a share to 98c for the six months to September.

KEY

Argus' interests in CNA Gallo (33%) and TML protected it against shrinking advertising revenue in some of its key publications. Circulation of the Sowetan has rocketed and this message is now being broadcast to advertisers trying to penetrate the black market. The results of 46% associate CTP, publisher of knock-and-drop papers, are commendable.

Perskor's 15,4% stake in M-Net provided a welcome lift in both dividend receipts and share price. It has started to enter the black market with publications such as Thandi and Bona. The Citizen remains a strong performer in the English-language market.

Strong performances among publishing groups in the past financial year belie the tough conditions prevailing this year. Advertising revenues fell sharply after Boipatong and Bisho and a clear signal from the politicians is required to reverse the situation.

Results throughout the JSE printing and publishing sector were boosted by false expectations of economic recovery in 1991 — a recovery which looks as if it will be delayed until late 1993. Things could change rapidly, however, if a political settlement is achieved.

Trencor subsidiary Henred-Fruehauf designs and builds a range of truck trailers and road tankers, like this 40 000-litre stainless steel fuel tank.

PREVIOUS WINNERS

(232)

1991	Trencor
1990	W & A Investment Corp
1989	W & A Investment Corp
1988	National Bolt
1987	Waltons
1986	Waltons
1985	Metair Investments
1984	Metair Investments
1983	Toyota SA
1982	Toyota SA
1981	Toyota SA
1980	Goldfields of SA
1979	Metro Cash & Carry Holdings
1978	Otis Elevator Company
1977	Metro Cash & Carry Holdings
1976	Metro Cash & Carry Holdings

S/Times (BUSS) 6/12/92

TOP 100 RANKED BY MARKET CAPITALISATION

As at November 23 1992
Banks excluded

232

S/Times (BUSS) 6/12/92

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

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

Plunge from the peak

S/Times (BUSS) 6/12/92 232

By CHERILYN IRETON

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

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

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

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

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

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

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

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

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

IMPERIAL GROUP IS A LISTINGS BOOM WINNER

S/Times (BUSS) 6/12/92

(232)

BY DON ROBERTSON

A CONTINUING policy of expansion from within and acquisitions in the core business has placed Imperial Group in tenth position in the Top 100

Imperial Group turned out to be the top performer among a large number of independently owned family businesses which came to the market in the listings boom of 1986-87

The group pyramid structure was formed in July 1989 when Imperial Group became the holding company of Imphold Two years later, the founders of the group the Abelkop and Wilder families, sold their stakes to management and institutions, making Imperial Group a truly public company with no controlling shareholder structure.

SPREAD

The average annual simple return for the five years is 98,82% Turnover rocketed from R321 3-million in 1988 to R781,2 million in the year to June last. Pre-tax income increased from R15 9-million to R62 7-million.

After finance costs which have been well contained at R10 3 million in spite of the capital-intensive nature of the group's vehicle-renting activities, attributable profits rose to R27 6-million from R8,5-million

The balance sheet is equally good shareholders' funds rising to R117 4-million in June 1992 from R30 6-million in 1988 Interest-bearing debt now tops R60-million or 41% of shareholder s funds up from R10 7-million (36%) Net assets have soared to R232 4-million from R51 8-million

All this has allowed an increased in dividends from 6 2c a share covered 2 4 times in 1988 to 17 5c, covered 2 6 times In the same time the net asset value has climbed to 181 6c a share from 54 5c

The group is a broadly based industrial holding company involved in car rental motor retailing transport and trucking, insurance, finance and property

Bill Lynch, chairman of Imphold and managing director of Imperial Group, says "We have an excellent spread of activities all of which have a strong and continuous management team"

Acquisitions in the past year by Imphold included Mercurius Holdings for R18 6-million Mercurius has three Honda and Mercedes Benz outlets

Quattro Carriers engaged in long-distance transport, was bought for R6 8 million and Van Zyl's Springs for R6 4-million. They were all paid for in Imphold shares which were either placed with institutions or retained by the sellers of the businesses

Mercurius expanded the motor division from a pure Toyota franchise to Mercedes-Benz and Honda Quattro is a long distance haulier and Van Zyl s makes automotive springs

These aquisitions although consolidated for only part of the year contributed 30% to turnover

STRONG

Mr Lynch says that without them, turnover would have increased by about the inflation rate.

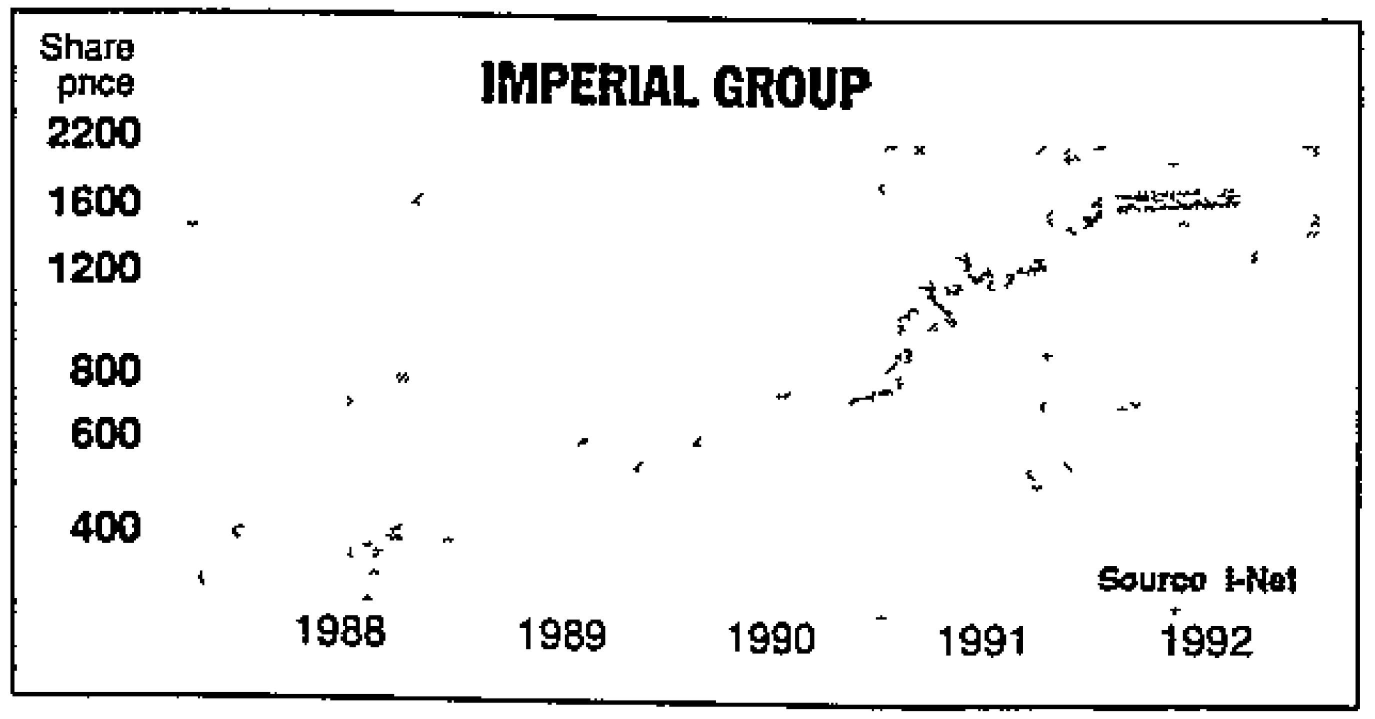
Since the end of the financial year Imphold bought the remaining 30% of Prime Car Leasing from Nedfin Bank for R30-million inclusive of loan accounts of R22,7-million The deal was also settled with the issue of shares.

These acquisitions contributed to group debt rising from R38-million in 1991 to R60-million last year But interest cover remained strong at seven times operating income

In recent years, the company has undergone major changes in its direction and management control

In 1989 shareholders in Imperial Group were offered one share in Imphold free of charge for every share held Imphold came to the market at 175c in July of that year when Imperial Group was trading at 520c This left Imperial Group with about 65% of operating company Imphold

Another change in management of Imperial Group took place in mid-1991 In May 3 3 million shares in Imperial Group were sold to financial institutions from previous owners, the Abelkop and Wilder families



TOP 100

NUMBER 9

1987: R10 000 1992: R59 412

MORALE

Mr Lynch bought 27-million shares The transactions done at a price of R12,50, gave Mr Lynch 23% of the company the institutions holding most of the balance

Mr Lynch says results in the first four months of the current year are satisfactory

'We can expect another pleasing set of results for 1993 The business is in good shape morale is good and we seem to be able to escape the mood of gloom around us

Mr Lynch says the motor division had sufficient stock during the mid-year Toyota strike and that at the end some was still available

"Overall the division plans for a year of improved performance

Volumes in the car-rental division have fallen, partly because of the decline in tourism caused by violence in SA

Imperial Car Rental including Tempest Car Hire is now the largest car-rental company in SA with a market share of about 45%

MODEST

' We expect lower interest rates to impact favourably on the division and profits to be at least maintained he says

The truck divsion has a large and dedicated system in operation Many vehicles are on long-term contracts. About 86% of the 1 650 trucks are committed to fixed contracts

The division should have another good year '

Regent Insurance was bought in 1987 and has focused itself on the short-term business, operating with a modest infrastructure and low overheads

The five panel-beating shops housed in this division are good profit contributors The property portfolio of R35-milion is a steady contributor

'The division is expecting to make further progress says Mr Lynch

BILL LYNCH Far from being in a rut in straitened times, Imperial marches imperially on

ANC debate on business

C/Pres 6/12/92

SENIOR management from private companies sparred with the ANC on Friday over the organisation's movement towards anti-trust legislation.

Opening the ANC's workshop on the issue, ANC president Nelson Mandela said anti-trust policies would help create competition in the economy.

He also believed such strategies would help address the distorted patterns of ownership that arose out of apartheid government and had contributed to the conglomerates' stranglehold.

However, private sector officials suggested anti-trust laws would decrease the country's international competitiveness and domestic investment ability.

Adviser to Anglo American Corporation chairman Michael Spicer said high inflation, interest rates and exchange controls created a "parlous investment climate".

However, the big companies had access to large amounts of capital at lower costs and ensured good returns on investment and were therefore crucial for the good of the country, he said. 232

ANC tax advisor Dennis Davis said it was difficult for smaller companies not within the conglomerate stable to gain access to investment funds. – Sapa

Pro-business slant to ANC anti-trust policy

By Sven Lunsche (232)

STAR 7/12/92

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Palladium rises to 18-month high

By Neil Behrmann

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

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

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

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

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

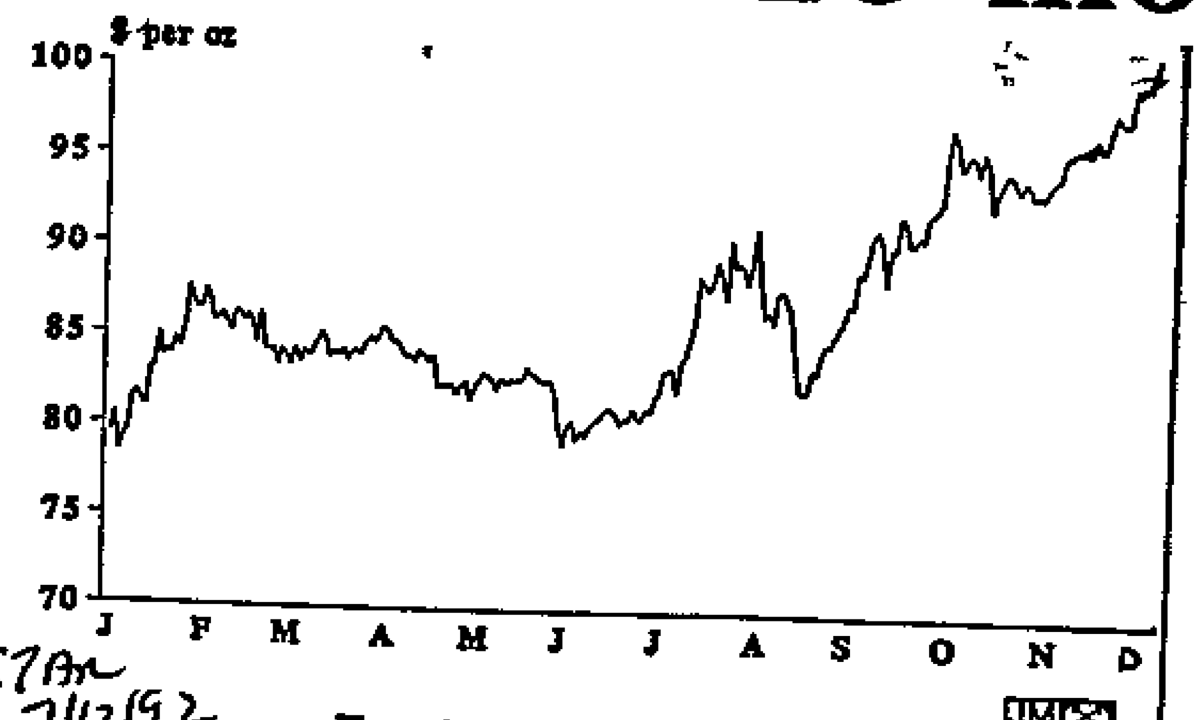
For each $10 increase in the palladium price, revenue for Rustenburg, Impala, Western and others rises by $12,8 million — not an insignificant sum.

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

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

Yet actual revenue gains will depend on contract prices.

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



STAR 7/12/92.

The price of palladium this year

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

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

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

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

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

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

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

Robbie Williams taxing food is untenable

IDC disposes of Senchem shares

STAR 7/12/92

Finance Staff

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

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

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

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

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

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

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

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

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

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

Williams favours export incentives

By Stephen Cranston

STAR 7/12/92

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

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

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

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

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

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

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

Tiger Oats should narrow its focus

STAR 7/12/92

By Stephen Cranston

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

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

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

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

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

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

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

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

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

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

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

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

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

Pharmaceuticals now contribute a quarter of operating profit.

Forefront

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

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

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

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

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

Mining houses balk at ANC speech

CT 7/12/92

232

Own Correspondent

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

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

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

Mr Jourdan said De Beers and Anglo each owned about a third of each other, and if these equity stakes were nationalised, no private shareholders or other corporate holders would be affected

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

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

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

Anglo American public affairs consultant Mr Michael Spicer, referring to the De Beers situation in Botswana, said the Botswana government's equity rights had been paid for by a variety of means — including policy on taxation and royalties — that he could not envisage in South Africa

Absa 'may lose R250m on TGH'

BIDAY 7/12/92. 232

LINDA ENSOR

CAPE TOWN — Sources close to the liquidation of Tollgate Holdings (TGH) suggested at the weekend that Absa might have to write off as much as R250m of its R305m loan to the provisionally liquidated company.

But an Absa spokesman said it was premature to speculate on a figure as much would depend on the prices fetched on liquidation.

TGH chairman Julian Askin said that if the bank had accepted the group's reconstruction proposals rather than taking the "totally unnecessary" action of applying for provisional liquidation, then no write-offs would have had to be made.

Regarding a report yesterday that Absa was investigating TGH's sale of Motor Racing Enterprises to former TGH director Merwyn Key, Askin said the deal was a proper commercial, "arm's length" transaction which had been approved by Absa.

The deal had served to reduce debt and generate real cash flow at a time when TGH had been threatened by a lack of sponsorships after government withdrew tax concessions. "The allegations of undue preference are absolute nonsense," Askin said.

TGH director Lawrie Macintosh said Absa's court action had taken the directors totally by surprise as they were busy negotiating a debt reconstruction package and were awaiting a response from Absa.

It was apparently when Askin was forewarned about the planned attempt by Absa to gain possession of the group's main operating subsidiaries, that TGH made the pre-emptive application, in the interests of all creditors, for the provisional liquidation orders on the subsidiaries.

Sources suggested that creditors and shareholders could not hope for large payouts from the liquidation, given the fact that TGH's liabilities exceeded its assets by R134m; that prices fetched for the sale of operating subsidiaries under liquidation would be lower than normal; and that the sales would take place in a recessionary environment in which businessmen were reluctant to invest.

Macintosh felt that the main Tollgate operating subsidiaries — Motorvia, Entercor, Greyhound Coach Lines and Quicksilver — should be allowed to continue operating, at least until an economic upturn, when good prices could be fetched for them. The sale of the four companies in the right circumstances would offset a substantial part of Absa's R305m debt, Macintosh said.

He said they were sound, well-managed businesses but the taint of a provisional liquidation would make suppliers and consumers nervous and the businesses would fetch much less than they were worth.

Macintosh still held out the hope that Absa and TGH directors could work out a solution which would be in the interests of creditors, shareholders and staff. Despite the public statement by Absa that no salvage deal was possible, Macintosh believed an attempt should at least be made to find one.

He estimated there were about 3 000 people employed by the group whose jobs would be jeopardised by a liquidation, apart from the spinoff effects of such an event.

Meanwhile, speculation — denied by Absa — mounted as to the behind-the-scenes machinations which led to Absa's altered view of its TGH liability. Some sources said that with the Absa-Bankorp merger, control of the TGH account had passed from Senbank executives to Volkskas men.

The move against TGH was seen as part of a fierce political battle taking place within the Absa group between its the Trust Bank and Volkskas contingents.

● Comment, Page 6

European coal buyers push SA producers for price cuts

Blom 7/12/92

JONO WATERS

LOCAL coal producers have come under increased pressure as European buyers lean on them to accept substantial price cuts for 1993 exports But marketing directors are reluctant to discuss likely price reductions

Price negotiations, the coal owners claim, are confidential However, market sources expect the average export price of a ton of coal could be as much as $6 less in 1993 than in 1992 This implies decline in export earnings of about $300m, or 20% of 1992's dollar total, if other world buyers squeeze the SA producers as mercilessly as the Europeans

The rand's persistent decline against the dollar is expected to help sustain rand revenues, but not to protect them completely Last week's announcement of retrenchments and a halving of production at Ermelo, a colliery owned jointly by Total and Trans-Natal, underscored the extent of the pressures

One SA marketing director said 1993 FOB prices were between 5% and 10% lower than in 1992 in dollar terms He believed that despite the fall in the rand, the rand value received by SA coal exporters would be lower in the coming year

He added that European utilities were at present buying more spot coal and less on contract

US market sources said major SA producers were being offered lower prices by European utilities and one company had dropped its price for 6 000 kcal/kg to below $30/t FOB

Reports say the Europeans have targeted South Africans first because they are in the weakest position If SA prices can be forced down from just more than $30/t FOB Richards Bay to $25/t, market strategists believe attention will then be turned to Colombia and Venezuela, perceived to be the next weakest

But while most SA exporters agree 1993 will be very difficult, one cheerfully says prices will be higher next year. Italian-owned Agipcoal MD Johan Jooste-Jacobs said his company was in the process of finalising its first long-term contract and that the price was "significantly higher" than $30/t There had been a slight reduction in the contract price, but that was dictated by the market "My view of the market is that conditions are a lot better than anticipated"

Traders, who were reluctant to be named, wondered whether Agipcoal was able to negotiate such an attractive price because it had preferential access to the Italian market Enel, the Italian state electricity utility was, apparently, recently offered SA coal at $25/t FOB Richards Bay Duiker is said to be the most aggressive price cutter

Anglo American Coal Corporation (Amcoal) MD James Campbell said his group had not accepted prices around $25/t FOB for 1993 contract. Amcoal had concluded prices with some regular customers and in some cases the prices had been lower, but the prices were confidential.

However, as far as he knew, SA producers had not accepted lower prices as none had been put on the table by the major buyers

Trans-Natal director Bobby Jurd said his corporation had concluded a number of contracts for next year — some were rollover agreements and some had lower prices Trading and price setting, he said, reflected the extremely competitive environment which had developed because of the state of the economies of the industrialised countries "1993 will be an extremely difficult year"

Lower prices were prevalent among all producers and not just SA exporters, but price trends would become clear only in February when most of 1993's contracts would have been finalised "You cannot look at the prices offered by one company as being indicative of those negotiated by all exporters," Jurd added

Randcoal marketing director Robin Turner said the market was weak and prices had come under pressure, but he would not say whether the group had accepted lower prices He added that he had seen Enel officials in Rome earlier this week but that the Italian utility had accepted no coal prices for the coming year

Riccia makes its debut on JSE today

Blom 7/12/92.

(232)

ROBERT WICKS

RICCIA Property Holdings makes its debut on the JSE today with separate listings of more than 36-million shares in the property and property loan stock sectors

Riccia owns a selected portfolio of newly built prime commercial properties with a value of about R146m

The overall effect of the dual structure means income in Riccia loan stock would be comparable with income received had Riccia been a property unit trust

The capital structure comprises a combination of 10-million ordinary shares of 10c each listed in the property sector and 24 197 479 unsecured, subordinated, variable rate debentures of 500c each issued at staggered premiums in the property loan stock sector

Directors put the expected internal rate of return on the property portfolio during the next 10 years at 22,92%

Riccia director Venter Odendaal said the portfolio was assembled to fill a specific niche in the property investment market.

Future debentures will also be issued at variable premiums so as not to dilute the income and capital growth enjoyed by existing debenture holders

"All properties are located in high growth areas adjoining major metropolitan centres and feature quality low-maintenance design and construction," he said

The reason for the separate listings is that the ordinary shares will be classified as equity in terms of the prudential investment guidelines which would provide little interest to the institutional investor

Odendaal said the primary distinction within the listing was that Riccia would be liable to pay income tax on income not paid out to investors by way of debenture interest

"Given the relatively small proportion of total income affected, we feel the operating flexibility afforded as a result of this structure outweighs the effective cost of the additional income tax payable," he said

The debentures will be classified as 100% property loan stock, distributing its entire income to unitholders annually

"Riccia's flexible structure should enable management to acquire additional properties at attractive yields, enhancing the overall profitability and value of the company," Odendaal said

Properties in 1993 will be located in Midrand 72% (65%), Witbank 11% (11%), Sandton 9% (9%), Brits 3% (5%) and Nelspruit 5% (10%)

IDC plans to keep remaining interests

BDAY 7/12/92 (232)

EDWARD WEST
and PETER DELMAR

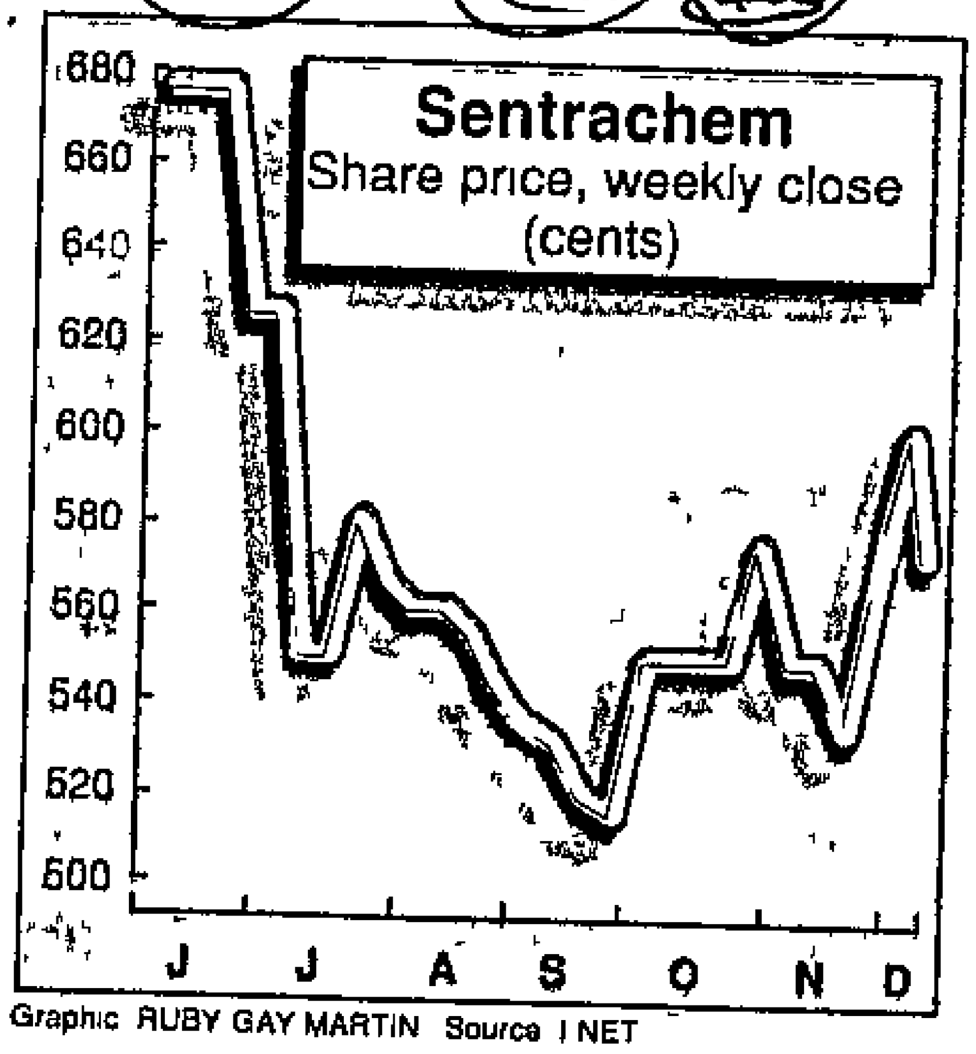
THE Industrial Development Corporation (IDC) had no immediate plans to sell its remaining interests in other companies despite selling its 12,2% stake in Sentrachem on Friday, a spokesman said.

More than 14-million of Sentrachem's 115-million shares in issue traded on Friday in 15 deals valued at R80,9m. The shares changed hands at 575c, 100c lower than 1992's annual high of 675c and 25c lower than Friday's opening price of 600c

The IDC's decision to sell its Sentrachem stake came days after it announced that it planned to unbundle its two investment trusts, Industrial Selections (Indsel) and National Selections (Natsel)

A spokesman confirmed yesterday that the two moves were aimed at raising finance for the Alusaf expansion and other projects in which the IDC is involved, but ruled out the possibility that the corporation would soon sell other interests.

Sentrachem financial director Robert Morris said the IDC sold its JSE-listed shares in the group to various institutions because the parastatal, which had industrial development and promotion as its main aim, regarded Sentrachem as a "mature" investment Sentrachem also wanted to "spread" more of its shares with private institutions, he said.



Graphic RUBY GAY MARTIN Source I NET

The IDC also planned to sell approximately 1,5-million additional shares held in Sentrachem's holding company, Central Chemical Investments, to Sankorp, Morris said.

□ To Page 2

IDC

BDAY 7/12/92 (232)

□ From Page 1

The IDC announced last week that it intended unbundling Indsel and Natsel in a move which will free up more than R600m for investment in a number of projects The parastatal holds 52% of Indsel and 50% of Natsel

IDC financial markets GM Louis Kingma said yesterday the IDC sold the Sentrachem shares to raise money for Alusaf and other projects The Indsel and Natsel announcement represented "a move in the same way"

He said, however, that there was "no urgency to raise further funding at the moment"

Kingma said the IDC did not plan to sell its remaining 20% stake in Sasol or its small shareholding in Sappi Selling its 16% share in Iscor was out of the question because of the share's low price

Tollgate in more trouble

STAR 8/12/92

CAPE TOWN — A further four subsidiaries of Tollgate Holdings were placed in provisional liquidation by the Cape Town Supreme Court yesterday after applications from Absa

This follows a court order last week allowing the bank access to movable assets of Tollgate Holdings as security for debt followed by its provisional liquidation and that of four subsidiary companies a day later

(232)

The ~~companies~~ provisionally liquidated yesterday by Mr Justice Cooper are Travelcor Cape (previously Springbok Atlas Travel), TGH Group, Fetlar Foods and Norths Industries Limited

Absa said Travelcor Cape owed the bank R2,46 million — Sapa

JSE could gain from Hong Kong crash

STAR 8/12/92

By Neil Behrmann

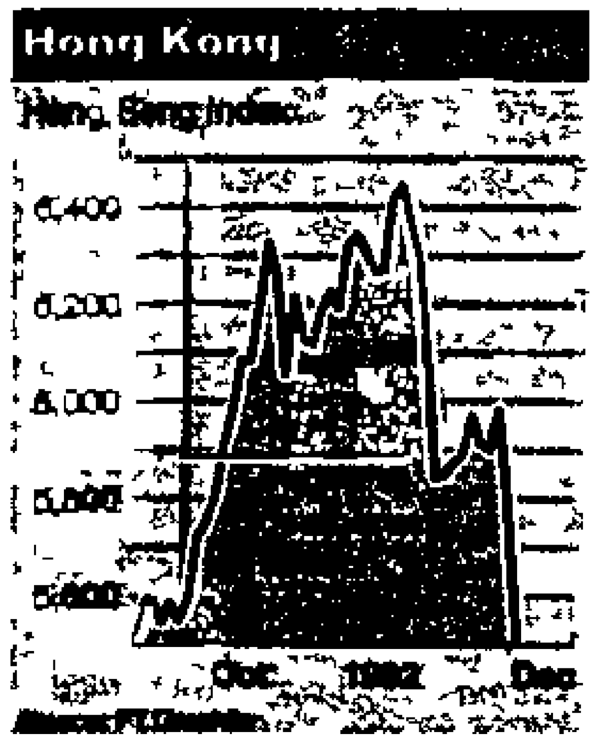
LONDON — The crash on the Hong Kong share market might benefit the Johannesburg Stock Exchange indirectly

International investors may begin to perceive that the abnormally high international returns of South African investments are compensating for the risks, while Chinese citizens may well buy more gold.

Since its low point of 2 300 points on the Hang Seng index in mid-1989, the Hong Kong market has been oblivious to political risk and soared to a peak of 6 70 points three weeks ago It was up by 50 percent on the year at that time.

Since then the market has tumbled by 20 percent because international and local investors are concerned about China's intentions towards the colony The transfer of power to the Communist regime takes place in 1997

Fund managers who sold Hong Kong shares in 1989 when the Beijing regime ruthlessly



suppressed a democratic movement, poured money into the market this year Before the crash, average price-earnings of Hong Kong shares topped 15, compared with norms of 10 in the past.

Foreign fund managers, on the other hand can buy rand government bonds on yields of 23,5 percent, giving a real return of nearly 12 percent after inflation and an income payback on capital of just over three years

Shares such as Anglo American and De Beers, huge multinationals by any standards, are on price-earnings ratios of four and five and leading gold share dividend yields are between 12 and 15 percent.

Those returns illustrate that South Africa is still being shunned But developments in Hong Kong may well be a catalyst for a change in thinking.

The high SA returns may reflect excessive pessimism, particularly since much lower returns in "emerging markets" do not truly reflect their risks.

The crisis in Hong Kong accelerated in October when the new governor, Chris Patten, proposed some minor democratic changes to basically a benevolent colonial dictatorship of Britain

The Beijing regime, which continues to repress its own citizens brutally, was furious.

It made an ominous threat "Contracts, leases, and agreements signed by the Hong Kong government which are not approved by the Chinese side will be invalid after June 30 1997"

Projects affected are a $1,2 billion container terminal, power station investments, tunnels, telecom, television, bus and ferry franchises.

Earlier during the dispute, optimists argued that the China would concentrate on politics and not threaten the economy

Now there are deep concerns and many vested Hong Kong and international businessmen want Patten to back down and continue previous British policies of appeasement.

The market is worried The United States, Britain and others are deeply concerned about Beijing's human rights record President-elect Clinton is threatening to end China's favoured nation trade status.

Once again the market is becoming aware that Hong Kong's economic growth rate of six percent may not continue at such a pace.

UK fund managers whom I interviewed were cautious about the Hong Kong market's short-term prospects

London brokers, who do not have axes to grind, say that Hong Kong price-earnings ratios, currently 12, should be lower because of political risk

International banks will be wary about exposure to Hong Kong They do not like China's threats to Hong Kong government projects

If loans are not forthcoming, Hong Kong's economic growth will be adversely affected, say brokers

Faster rate

SA securities are beginning to recover on international markets because the government and ANC are negotiating for a power-sharing agreement.

Hong Kong is growing at a far faster rate than depressed South Africa, but at least SA is moving towards democracy

The Beijing regime, on the other hand, is out of step with the rest of the world and after the latest jolt, international investors are asking what will happen to Hong Kong in four years time?

And what average price-earnings ratio reflects political risk?

DP shoots down ANC proposal

(232)

The ANC suggestion that the cross-holdings of large conglomerates be nationalised should be rejected out of hand, says Democratic Party (DP) finance spokesman Ken Andrew

An ANC economist put forward over the weekend at the organisation's anti-trust policy workshop that such a move could help to address the large imbalances in ownership patterns in white-controlled mining finance houses. STAR

"The ANC professes concern about the economy and low levels of investment, but it is irresponsible statements such as this that contribute significantly to our economic woes," Mr Andrew said yesterday

"The mere fact that one of the ANC's economists made such a suggestion will be enough to scare off investors"

Economists say the adoption of such recommendations would cause a further outflow of capital from South Africa, which already has perilously low levels of investment.

— Sapa. 8/12/92

Close corporation registrations on rise

STAR 8/12/92

Despite the recession there was a net increase in the number of new close corporations formed in the first five months of this year, says the credit information organisation Kreditinform

Central Statistical Service figures for January to May 1992, with the total for 1991 in brackets, were:

New proprietary limited companies formed — 2 981 (7 233).

De-registered and dissolved proprietary limited companies — 2 985 (6 800).

New close corporations — 13 895 (33 069).

De-registered and dissolved close corporations 3 076 (5 521)

Ivor Jones, managing director of Kreditinform, says: "The balance of newly formed CCs versus de-registration and dissolutions leaves a net gain of some 10 000 CCs, while fewer proprietary companies are being formed.

"It appears that as CCs are easier to establish and control and require less red tape, more are being established.

"Retrenched people setting up their own businesses will have also contributed to the figure."

However, Jones warns that researchers compiling credit and business information reports have noted that CCs are also a vehicle to formalise an association and relationship between the members of various CCs.

In business, especially those extending credit, it is vital for companies to know who they are dealing with and their creditworthiness and operating credentials.

"The trick for credit-granting companies is to find the relationship between CC members and other CCs and companies — especially if they have been involved previously in liquidation.

"Fortunately, the modern systems for the database management of business information enable users to establish instantly any relationship between the directors of existing and new Pty Ltd companies and CCs.

— STAR 8/12/92.

JSE could gain from Hong Kong crash

STAR 8/12/92 (232)

By Neil Behrmann

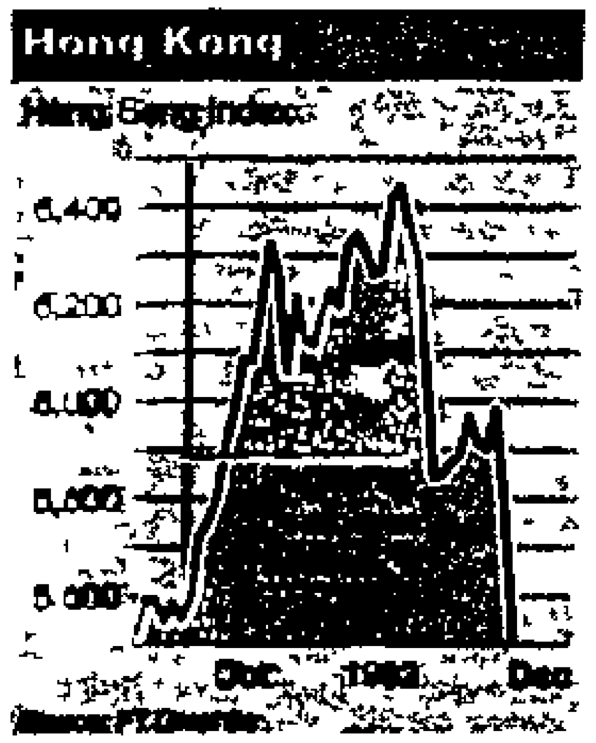
LONDON — The crash on the Hong Kong share market might benefit the Johannesburg Stock Exchange indirectly

International investors may begin to perceive that the abnormally high international returns of South African investments are compensating for the risks, while Chinese citizens may well buy more gold.

Since its low point of 2 300 points on the Hang Seng index in mid-1989, the Hong Kong market has been oblivious to political risk and soared to a peak of 6 70 points three weeks ago It was up by 50 percent on the year at that time.

Since then the market has tumbled by 20 percent because international and local investors are concerned about China's intentions towards the colony The transfer of power to the Communist regime takes place in 1997

Fund managers who sold Hong Kong shares in 1989 when the Beijing regime ruthlessly suppressed a democratic movement, poured money into the market this year Before the crash, average price-earnings of Hong Kong shares topped 15, compared with norms of 10 in the past.



Foreign fund managers, on the other hand can buy rand government bonds on yields of 23,5 percent, giving a real return of nearly 12 percent after inflation and an income payback on capital of just over three years

Shares such as Anglo American and De Beers, huge multinationals by any standards, are on price-earnings ratios of four and five and leading gold share dividend yields are between 12 and 15 percent.

Those returns illustrate that South Africa is still being shunned But developments in Hong Kong may well be a catalyst for a change in thinking

The high SA returns may reflect excessive pessimism, particularly since much lower returns in "emerging markets" do not truly reflect their risks.

The crisis in Hong Kong accelerated in October when the new governor, Chris Patten, proposed some minor democratic changes to basically a benevolent colonial dictatorship of Britain.

The Beijing regime, which continues to repress its own citizens brutally, was furious.

It made an ominous threat "Contracts, leases, and agreements signed by the Hong Kong government which are not approved by the Chinese side will be invalid after June 30 1997"

Projects affected are a $1,2 billion container terminal, power station investments, tunnels, telecom, television, bus and ferry franchises.

Earlier during the dispute, optimists argued that the China would concentrate on politics and not threaten the economy

Now there are deep concerns and many vested Hong Kong and international businessmen want Patten to back down and continue previous British policies of appeasement.

The market is worried The United States, Britain and others are deeply concerned about Beijing's human rights record President-elect Clinton is threatening to end China's favoured nation trade status.

Once again the market is becoming aware that Hong Kong's economic growth rate of six percent may not continue at such a pace.

UK fund managers whom I interviewed were cautious about the Hong Kong market's short-term prospects.

London brokers, who do not have axes to grind, say that Hong Kong price-earnings ratios, currently 12, should be lower because of political risk

International banks will be wary about exposure to Hong Kong. They do not like China's threats to Hong Kong government projects.

If loans are not forthcoming, Hong Kong's economic growth will be adversely affected, say brokers

Faster rate

SA securities are beginning to recover on international markets because the government and ANC are negotiating for a power-sharing agreement.

Hong Kong is growing at a far faster rate than depressed South Africa, but at least SA is moving towards democracy

The Beijing regime, on the other hand, is out of step with the rest of the world and after the latest jolt, international investors are asking what will happen to Hong Kong in four years time?

And what average price-earnings ratio reflects political risk?

DP shoots down ANC proposal

The ANC suggestion that the cross-holdings of large conglomerates be nationalised should be rejected out of hand, says Democratic Party (DP) finance spokesman Ken Andrew

An ANC economist put forward over the weekend at the organisation's anti-trust policy workshop that such a move could help to address the large imbalances in ownership patterns in white-controlled mining finance houses. STAR

"The ANC professes concern about the economy and low levels of investment, but it is irresponsible statements such as this that contribute significantly to our economic woes," Mr Andrew said yesterday

"The mere fact that one of the ANC's economists made such a suggestion will be enough to scare off investors"

Economists say the adoption of such recommendations would cause a further outflow of capital from South Africa, which already has perilously low levels of investment. — Sapa. 8/12/92

Close corporation registrations on rise

STAR 8/12/92

Despite the recession there was a net increase in the number of new close corporations formed in the first five months of this year, says the credit information organisation Kreditinform

Central Statistical Service figures for January to May 1992, with the total for 1991 in brackets, were:

New proprietary limited companies formed — 2 981 (7 233)

De-registered and dissolved proprietary limited companies — 2 985 (6 800).

New close corporations — 13 895 (33 069)

De-registered and dissolved close corporations 3 076 (5 521)

Ivor Jones, managing director of Kreditinform, says: "The balance of newly formed CCs versus de-registration and dissolutions leaves a net gain of some 10 000 CCs, while fewer proprietary companies are being formed.

"It appears that as CCs are easier to establish and control and require less red tape, more are being established.

"Retrenched people setting up their own businesses will have also contributed to the figure."

However, Jones warns that researchers compiling credit and business information reports have noted that CCs are also a vehicle to formalise an association and relationship between the members of various CCs.

In business, especially those extending credit, it is vital for companies to know who they are dealing with and their creditworthiness and operating credentials.

"The trick for credit-granting companies is to find the relationship between CC members and other CCs and companies — especially if they have been involved previously in liquidation.

"Fortunately, the modern systems for the database management of business information enable users to establish instantly any relationship between the directors of existing and new Pty Ltd companies and CCs.

— STAR 8/12/92.

Tollgate in more trouble

STAR 8/12/92

(232)

CAPE TOWN — A further four subsidiaries of Tollgate Holdings were placed in provisional liquidation by the Cape Town Supreme Court yesterday after applications from Absa

This follows a court order last week allowing the bank access to movable assets of Tollgate Holdings as security for debt followed by its provisional liquidation and that of four subsidiary companies a day later

The companies provisionally liquidated yesterday by Mr Justice Cooper are Travelcor Cape (previously Springbok Atlas Travel), TGH Group, Fetlar Foods and Norths Industries Limited

Absa said Travelcor Cape owed the bank R2,46 million. — Sapa

---

ned

ransvaal
ected to
a protest
rld con-
ophutha-
holds re-
n rights
okesman
ts were
out the
eporter

Close corporations growing in number

(232)

ROBERT WICKS

IN SPITE of the recessionary conditions, there has been a net increase in the number of new close corporations formed, CSS statistics show, says Kreditinform

Figures released yesterday indicated that 13 895 new CCs were formed between January and May 1992 More than 2 900 new Pty Ltd companies were formed during the same period.

B/DAY 8/12/92

About 2 985 Pty Ltd companies were deregistered and dissolved in this period (7 233 in 1991)

The number of deregistered and dissolved CCs for the January-May 1992 period was 3 076.

More than 5 500 CCs were deregistered and dissolved during 1991

Kreditinform MD Ivor Jones said "The balance of newly formed CCs versus deregistration and dissolutions leaves a net gain of about 10 000 CCs

"It should also be noted that fewer Pty companies are being formed

"It would appear that as CCs are easier to control and require less red tape, more are being established."

Retrenched people setting up their own businesses also contributed to the figure

Jones warned, however, that researchers compiling credit and business information reports had noted that CCs were also a vehicle to formalise an association and relationship between the members of various CCs.

"In business, especially those extending credit, it is vital for companies to know who they are dealing with — their creditworthiness and operating credentials.

"The trick for credit-granting companies is to find the relationship between CC members and other CCs and companies — especially if they have been involved previously in liquidation," Jones said.

He said while the growth in new CCs was most welcome, it was important to remember that not all newly established businesses would be successful or reflect true entrepreneuralism, the ability to create wealth and contribute to the overall growth of the economy.

NEWS FOCUS

Will 1993 be any better?

BDM 8/12/92 (232)

Returns from equities failed to beat inflation in 1992 — one of the few years in the past three decades that it has failed to do so What lies in store for investors in the coming year? MERVYN HARRIS asks leading stockbrokers to look into their crystal balls and offer some suggestions.

FERGUSSON Bros, Hall, Stewart & Co's Paul Ferguson said 1992 was not a happy year for investors on the JSE Although a brief surge in May took the overall index to a new peak of 3749, this strength was short-lived and the trend from then until mid-October was downwards, knocking more than 20% off market capitalisation in just over four months.

Since then prices had recovered nearly 10%, but the index was still 7% below the level at which it had started the year The present rally would need to continue through December if the market was to end the year where it had begun for nominal returns to be positive

"But it is almost certain that 1992 will go down as one of the few years in the last three decades that returns from equities have failed to beat inflation "

Disillusionment with the pace and vitality of economic recovery stood out as the feature of investment fundamentals over the past year both for the JSE and international markets

"At the end of the day, performance in equities depends on earnings and the persistent failure of the economy to move into upswing has meant that expectations of earnings growth have regularly been cut in size and rolled back in time With very few exceptions, forecasters have been guilty of premature and misplaced optimism."

"Fortunately, it seems that the building blocks for a stronger equity market performance are falling into place With economic recovery under way in the US, the local economy should respond from about mid-1993 to the improving international environment," he said

Further strength was likely to be seen in the dollar relative to other major currencies and also relative to the rand This would be of particular benefit to SA companies exporting dollar-priced commodities

Domestic interest rates were expected to continue falling, especially at the short-end as monetary policy eased The agricultural sector should recover as the drought broke

Liquidity of institutional investors rose and in the absence of substantial rights issues or other calls, was likely to exert upward pressure on share prices as it was switched into equities in the face of declining returns on cash

The wild card was politics and its pervasive effect on consumer and business confidence Latest developments were at least an improvement on the tragic events of Bisho and the depressing litany of accusations and counter accusations that was the feature of political life in SA after the breakdown of Codesa

Movement towards the establishment of an interim government and constitution-making body seemed to be gathering pace

"On balance I am optimistic that equities will generate inflation-beating returns in 1993 and investors should do some selective buying now," Ferguson said

□□□□

Edey, Rogers & Co's Franco Busetti said prospects for equities over the coming year were largely flat Despite the 12% decline in the industrial index from its peak in early June, the market remained expensive and a further downward rerating of the order of 15% was possible

If this derating were to occur gradually over the next two years it would counteract forecast average earnings and dividend growth of around 7% and 15% in these years and result in growth in the index itself of -1% and 6% respectively, or a rather uninspiring 2% a year over this period, he said

The stocks in this sector showing the best value were the deep cyclicals However, they were unlikely to perform strongly until global and domestic economies recovered, which was not expected to occur to any material extent in 1993

"Until this happens the defensive stocks and sectors, particularly financials, will enjoy continuing support although their attraction will steadily diminish "

Busetti said the gold market continued to disappoint and only a nominal improvement in the dollar bullion price was expected over the next year Despite an anticipated acceleration in the depreciation of the rand against the dollar, returns from this sector were expected to remain depressed

Platinum stocks showed greater value with stronger fundamental reasons to support the platinum price Even a mild rerating of diamond stocks toward past levels would result in real returns from this sector It was questionablewhether this rerating would be completed full within the next 12 months

"With prospective returns from the various sectors of the equity market being unexciting, a high level of liquidity remains advisable," Busetti said

□□□□

George Huysamer & Partners' George Huysamer said uncertainties which existed on the JSE in 1992 would still be highly prevalent in 1993 and should therefore still influence expectations

The uncertainties included a struggling SA economy, a stop-start fashion political negotiating process while violence was prevalent, general investment confidence and sentiment remained negative, international economic activity remained low and commodity prices remained under pressure

But, emerging indications pointed to a rapid turnaround in some of these factors

"Wall Street appears to be discounting the release of more positive economic data and expectations that the Clinton administration will stimulate economic activity "

The more representative S&P 500 index was also at a high level,further confirmation of economic recovery A note of caution was that the Dow Jones remained expensive in fundamental terms at a dividend yield of 3,25% when compared with an average dividend yield of 4,43% since 1972

"Major market indices have not been very kind to investors this year, particularly those in the gold sector The all gold index was down 20%, the all share index off 4% and the industrial index up 3% "

The best three market sectors were transport (+59%), pharmaceuticals (+38%) and insurance (+38%) The worst three were metals (-66%), steel (-58%) and coal (-42%)

In 1993 gold shares should have a better year on the back of the weaker dollar-rand exchange rate even though the finrand discount seemed likely to reduce De Beers had probably seen the worst

Good industrial shares continued to be in chronically short supply Institutional investors could push them to over-priced levels again in 1993 as economic recovery was discounted after mid-year

"Financial shares are unlikely to repeat their good 1992 performance and political developments will continue to be a key market variable," Huysamer said

Buyers follow up Fancourt liquidation

(232)

LINDA ENSOR

CAPE TOWN — Interested parties, including an international group, are investigating the acquisition of the Fancourt hotel and resort complex outside George following the provisional liquidation order granted for Fancourt Holdings in the Cape Town Supreme Court yesterday

Fancourt Holdings, which owns the golf course, land, private lodges and other facilities at the resort, had debts of R117m Fancourt Properties, which owns the hotel, was provisionally wound up last week

The curators' consultant, Donald Slade, confirmed there were potential buyers but said no negotiations had started.

The applications were brought by the curators of Masterbond on the basis of combined debts of the two companies totalling R121,5m. Of this, R97m was owed to Masterbond investors

In addition to its suretyship obligations to Fancourt Holdings for R97m, Fancourt Properties owed R4,5m to Masterbond investors in its own right, while Fancourt Holdings owed R15,1m to Group Five and R5m to concurrent creditors, curator Willem Wilken said in an affidavit

The return date is February 8.

Fancourt chairman André Pieterse said yesterday he would oppose the liquidation of the resort and would apply for leave to appeal if a final order was granted

BDay 18/12/92

Investors' seasonal spree lifts JSE

(232) MERVYN HARRIS

BD 17/12/92

THE end-of-the-year rally of blue chips accelerated on Diagonal Street yesterday as fund managers, worried about being too liquid and underinvested in industrial shares, continued to pile into the market

"Fund managers have been sitting on money over the last couple of months and it will not do any harm to portfolios if indices look better at the end of the year," a dealer said

A spurt in the industrial index of 61 points to 4 357 helped propel the JSE overall index 42 points higher to 3 282, with share advances leading declines by more than three to one

The industrial index has gained almost 11% or 425 points since bottoming at 3 932 in mid-October, with nearly 300 points of the upsurge coming in the past two weeks.

The mining financial index strengthened 66 points to 3 370, bellwether De Beers climbed 165c (2,8%) to R59,65, but gold shares were the laggards as the index eased five points to 859

Dealers noted that private investors were active in the market to push up prices on small buying orders

A buoyant platinum price left shares in the sector largely unmoved Platinum rose $3,50 to a London morning fix of $368,75, its highest level since early August, and then firmed to an afternoon setting of $369,20 The rise came on the back of the continued rally in palladium and concern over the spreading violence in SA

Secure sales practice backed

ROBERT WICKS

SUPPLIERS who reserve ownership when supplying goods on credit might not endear themselves to liquidators or other creditors, but they do give themselves a fighting chance of protecting their interests.

So says Ernst & Young Liquidations & Insolvencies partner Philip Reynolds. B|DA4

Opinion is divided on the acceptability of the practice of reserving ownership until goods are paid for in full, but Reynolds argues that it provides suppliers with a good shot at securing their debts due. 9/12/92.

He suggests that if this strategy is contemplated some basic principles must be applied.

"It is essential to have a proper supply agreement drawn up and signed by a person, able to contractually bind the customer."

Suppliers should bear in mind that only goods in the possession of creditors on the date of liquidation could be considered as security. In addition, they would have to positively identify goods not yet paid for. If practical, goods should be marked with serial numbers.

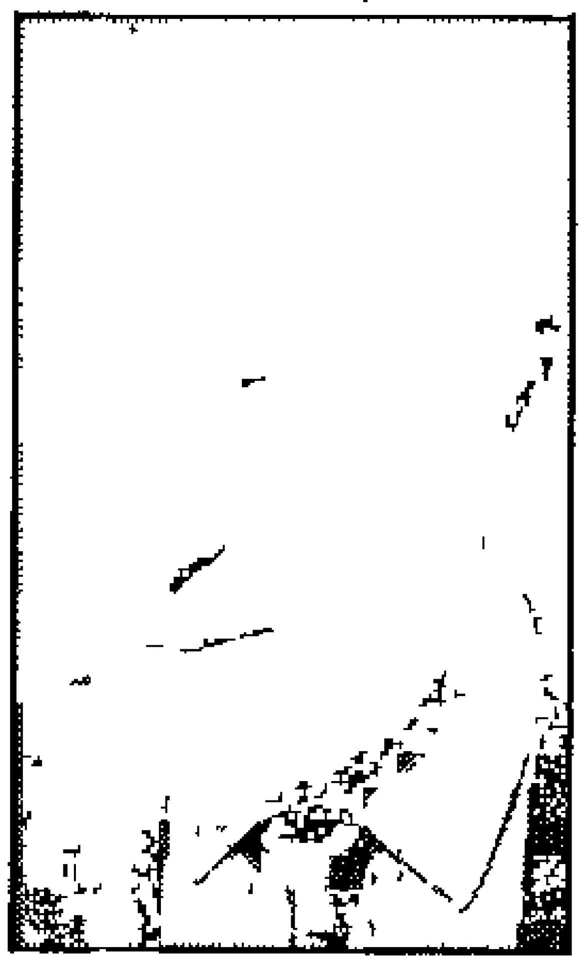
The supplier should also be able to identify invoices not paid. So good accounting records were essential. (232)

Lonrho to make rights issue as Tiny sells shares

STAR 10/12/92 (232)

LONDON — Roland (Tiny) Rowland, the mercurial entrepreneur who runs Lonrho, stunned the City of London last night by announcing that he was selling nearly half his shares in the conglomerate he built up to Dieter Bock, a German businessman with extensive interests in property and construction.

In another surprise move Lonrho is to make a rights issues to raise up to £181 million from shareholders in an effort to reduce the borrowings of Rowland's troubled trading empire, which earlier this year were more than £1 billion



Chief executive Roland Rowland . . securing future of the group

Tycoon factor

Lonrho intends to issue three new shares for every 10 at 85p a share to raise the cash to reduce debt

Rowland, 75, stays on as chief executive but he made clear the deal with Bock was designed to secure the future of a group long weighed down by the so-called "tycoon Tiny" factor

Rowland's decision to dispose of his shares will spark a serious row among the group's other shareholders as Rowland is selling 43,2 million shares at 115p a share, which will add £50 million to his personal fortune

This compares with the group's present share price, which closed yesterday at 79p, up 5p in London — and at 545c, down 5c, in Johannesburg.

In the rights issue plan, a Dutch company owned by Bock, 53, will underwrite up to 100 million of the new shares and buy Rowland's 43,2 million shares.

He has also given Bock an option to acquire a further 45,5 million shares of Rowland's personal stake after three years or, if later, when Rowland ceases to be a director.

Bock's business interests, if they take up their shareholding fully and buy a further block of Rowland's shares, could emerge eventually with a 25 percent holding in Lonrho and leave Rowland with a holding of around 3 million shares

Until these latest developments Rowland held around 14 percent in Lonrho

Reduce debt

In further efforts to reduce Lonrho's debt, Rowland announced that he was selling his Volkswagen and Audi vehicle distribution company to Volkswagen of Germany for £124 million

As Bock became the latest character to play a part in the uncertain future of Lonrho, Lonrho announced that its profits for its financial year ending in September had slumped £205 million to £79 million

The full dividend payout is to be cut sharply from 13p to 4p

● The proceeds of subscriptions from shareholders in South Africa will be used by Lonrho to provide additional capital to its operating subsidiaries in South Africa

In the rights issue announcement the Lonrho board said it understood that the retention of these proceeds in South Africa would not influence the financial rand market in any way.

It added that the group expected to benefit in 1993 from the strengthening of the US dollar, and the lower cost of finance as a result of the UK's lower interest rates. — The Independent and Sapa-Reuter.

Liquidation rocks computer industry

STORY 10/12/92

(232)

Reports by
MELANIE SERGEANT

THE liquidation of major dealership PC Warehouse has rocked the computer industry, coming at a time when fewer dealerships are failing than last year

One liquidator said the dealership owed some Siltek subsidiaries about R2,5m, with Customs and Excise claiming unpaid ad valorem duties of R1,1m Other creditors are filing claims, and the close corporation's books are being investigated.

An auction has been held, and about R600 000 was realised for stock recovered.

The liquidators are attempting to recover more stock, as well as debts, but many debtors say they have paid in full.

One source says the liquidation is a nightmare, and creditors have indicated they want an inquiry in the new year.

The liquidation comes at a time when clone vendors are being challenged by branded product vendors who now have high quality products at prices which almost match those of "no-name" clones.

Last year, SA was estimated to have about 3 000 dealers, but this number has been trimmed significantly since the formation of the Computing Industry Protection Association. The association is a group of suppliers that monitors dealers' payment patterns and ensures they do not "round-trip" by buying from several sources without paying

Association chairman Mervyn Tucker says better credit control has been instituted by suppliers. "If dealers do experience problems, we either call them in to discuss them and attempt to assist, or make a joint decision that it is in the best interests of suppliers to allow them to close down."

The common trend where dealers closed their doors, did not pay, and opened up again is also being stamped out.

"We are more careful about checking the directorships or memberships of companies or close corporations to ensure this practice becomes less prevalent," says Tucker.

At the association's most recent meeting, about 35 doubtful debtors and bad payers were listed. Common reasons for their listings were dud cheques, or summonses — or even closures

"This is a far better picture than last year, when we had about 170 dealers on the list," he says.

However, it could grow again in January "We monitor advertising and evaluate which dealers are selling computers or related equipment below cost When this occurs, it's probable they are attempting to boost turnover in December, but will experience problems when it comes to paying their bills in January."

Mustek's Erica Hoch says this year has seen a number of dealers closing down, and an increase in time taken to handle collections. "We have also experienced a larger number of bad cheques, although we have become stricter with debtors in an attempt to control the situation"

(232)

UNION COLD STORAGE (232)

Development plans

Activities: *Investment holding company and financier*
Control: *Finger family* FM 11/12/92
Chairman: *M H Finger*
Capital structure: *1,3m ords Market capitalisation R11,7m*
Share market: *Price R9 Yields 11,1% on dividend, 13,9% on earnings, p e ratio, 7,2, cover, 1,1 12-month high, R17, low, R9 Trading volume last quarter, 6 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	0,002	—	—	—
Shareholders' interest	0,9	0,9	0,9	0,8
Return on cap (%)	1,3	0,4	—	—
Pre-int profit (Rm)	0,2	0,08	(0,01)	(0,01)
Earnings (c)	82,7	92,3	120,9	105,7
Dividends (c)	70	70	80	*100
Net worth (c)	1 340	1 468	1 544	1 294

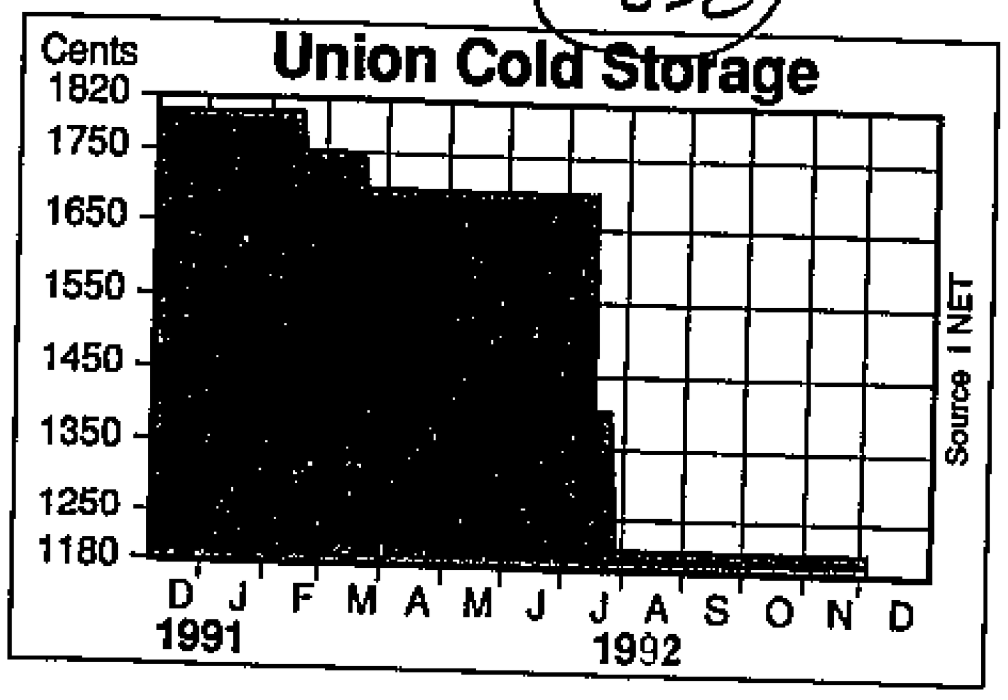
*Excludes special dividend

A name like Union Cold Storage does not bring to mind share portfolios and building sites Investors are probably even more puzzled at a listing in the pharmaceutical sector A change in sectors is being discussed with the JSE, says financial director Rupert Hoffman The JSE is not insisting on a name change but the company is considering one

Cash and short-term deposits accounted for 69% of year-end total assets, shares (at book value) 21% and properties (at cost of R306 000) 6% The directors value the properties at about R2m

Earnings shaded lower, mainly because less interest was earned But, given the liquid position, the board declared a special dividend of R2 a share as well as the annual R1

Through wholly owned Mayday Estates, Union Cold owns sites in Hyde Park, Sandton, zoned for townhouses Management is to apply for office rights for a site adjoining the William Nicol Highway The R11m cash balance will prove useful developing this Hoffman says a final decision will be taken when the economy picks up, the company has already entered into a joint agreement with a well-known developer



Fifteen companies, including blue chips like De Beers and SA Breweries, make up the broadly based portfolio June 30 market value of listed shares was R6,3m This, with the cash, makes the company highly liquid

The four major shareholders collectively hold 89% of the equity, limiting tradeability However, the counter is favourably rated on a 7,2 earnings multiple and there are income attractions in an 11,1% yield *Kate Rushton*

MICOR FM 11/12/92 (232)

Return to sender

Micor may not be a bluechip industrial but it is at the summit of the Micor Group pyramid — a pyramid soon to be removed

Subject to shareholders' approval, the Micor businesses are to be disposed of to a consortium of Micor executive directors, including chairman Cecil Kaplan and deputy chairman Mark Kaplan, for cash The proceeds will be distributed to shareholders, who will also be given the opportunity of acquiring their proportionate share of Micor's 91,8% interest in Micor Industrial (Micind) Micind's listing will be retained and the group's core operations contained within Micind After the disposal, Micor will have net assets of R15m cash — or 91c a share

Reasons for the disposal are two-fold Micor's directors say a continued listing serves no real purpose Tradeability is thin and unlikely to improve, given limited institutional interest and recent trading results

Second, additional funding is needed for growth Kaplan says this cannot be satisfied in terms of Micor's present structure and facilities — particularly in respect of the

FM 11/12/92 FOX (232)

foreign finance business

Micor is exempted by the Registrar of Companies from making disclosures about foreign subsidiaries, so shareholders remain in the dark as to what the consortium is buying out

Micor will distribute 29,859c per share to shareholders registered on Friday January 15 by reducing the ords' par value from 10c to 0,001c Shareholders will later receive a 60,86c cash dividend and have the right to buy their share of Micor's interest in Micind in the ratio of 130 Micind shares for every 100 Micor held at 20c — a 65% discount to NAV Finally, Micor will be delisted

Kate Rushton

COPI FM 11/12/92 232

A safe rand hedge

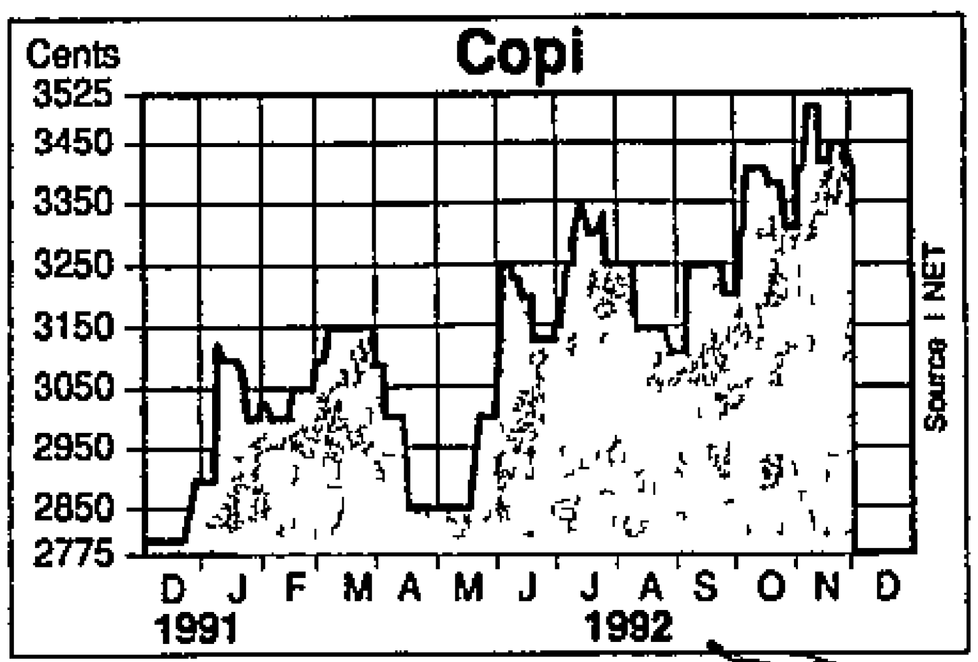
Depreciation of the Canadian dollar, after some years among the world's strongest currencies, helped Canadian Overseas Packaging Industries (Copi) to achieve a strong profit performance The share price responded on the JSE, rising 25% to a record R35

Earnings from manufacturing operations advanced by more than 20%, while investment and other income declined 19%

Foreign currency gains were C$3,4m, up from 1991's C$2,2m Depreciation of the Canadian dollar is reflected in the balance sheet by a reduction in the cumulative translation adjustments deficit from C$7m to C$5,5m The deficit results from the conversion into Canadian dollars of assets held in countries in which Copi operates

The directors' report is peppered with phrases like "satisfactory" and "excellent" There is certainly evidence of profound self-satisfaction. Jamaican Packaging Industries did well enough, Trinidad-based Caribbean Packaging Industries didn't. The Jamaican dollar weakened substantially and the coun-

continue



Activities: *Packaging in the Caribbean, UK and East Africa Also invests in securities and currencies*
Control: *The Kalmanson family* 232
Secretary: *M C Johnston*
Capital structure: *17,6m ords Market capitalisation R598m*
Share market: *Price R34 Yields 3,7% on dividend, 9,0% on earnings, p e ratio, 11,1, cover, 2,5 12-month high, R35, low, R28 Trading volume last quarter, 85 000 shares*

Year to Jun 30	**'89**	**'90**	**'91**	**'92**
ST debt (C$m)	6,9	8,3	5,8	9,5
Shareholders' interest	0,85	0,86	0,86	0,84
Int & leasing cover	14,6	10 6	9,9	12,5
Return on cap (%)	7,8	7,8	9,6	8,4
Turnover (C$m)	100,0	93,1	106,6	104,0
Pre-int profit (C$m)	17,6	18,1	22,4	22,1
Pre-int margin (%)	17,6	19,4	21,0	21,2
Earnings (Cc)	65,4	88,7	120,8	132,9
Dividends (Cc)	44	45	50	55
Net worth (Cc)	1 088	1 134	1 143	1 264

C$ Canadian dollars Cc Canadian cents

try's interest rates of 40% a year (something for SA businessmen to ponder) rose to 55%

East African Packaging Industries (Kenya) proved the plum in widely spread activities, it turned in a substantial improvement in profitability Profits from Encase, in the UK, are described as "satisfactory"

The lion's share

In 1991, investment income provided the lion's share of profits, but in 1992 manufacturing contributed more than half of total C$25m earnings

Combined market value of quoted investments and cash, including short-term deposits, rose by almost C$22m

Market value of investments improved In June the portfolio was valued at C$93,6m, against a cost of C$86,6m This would have been higher but for the disappointing performance of the Japanese market, which has since partially recovered Year-end combined investments and cash were held in North America (70%), Europe (19%) and the Far East (11%)

Management remains cautious on prospects for manufacturing this year Moreover, if world interest rates continue to decline and economic conditions remain difficult, investment income will fall

As a rand hedge, the share has long been rated favourably on the JSE A p e of 11,4 and dividend yield of 3,6% compare with the paper and packaging sector average p e of 12,8 and yield of 7,8% — though this may not be the best yardstick *Kate Rushton*

IDC

(~~180~~) (~~250~~)

Unlocking wealth

FM 11/12/92. (232)

Government's directive last year — that the IDC should realise assets to mobilise finance for industrial development — is probably behind its decision to unbundle two investment trusts, National Selections (Natsel) and Industrial Selections (Indsel), and lighten its investment in Sentrachem

The move is expected to free more than R600m for investment in several major projects A number of these will require substantial cash injections this financial year the IDC is expected to fund R800m for the Alusaf expansion, R370m for Anglo's Namakwa Sands, and about R1bn for the Columbus stainless steel project

The IDC has also placed its 13,5% stake in Sentrachem with 14 financial managers who are committed to following a 40-for-100 rights issue if the chemical company's offshore acquisition is finalised This will raise about another R250m The IDC holds 50% of Natsel, whose market capitalisation is R690m, it has 52% of Indsel, with a market cap of R807m

The IDC could use two methods to unlock the value of investments within these companies The first is a dividend *in specie*, whereby it would offer to its 20 major shareholders the value quoted in shares To the 3 000-plus minority shareholders, a cash offer close to NAV of the underlying investments would seem the most feasible This method is unlikely to be practical

The second is the formation of what one source calls a market portfolio Listed shares in it would be sold, unlisted shares absorbed by the IDC, and the proceeds distributed to shareholders

Both Natsel and Indsel have traded at big discounts to NAV in recent months In mid-November they gained 20%, perhaps on advance information about the announcement This was followed by a further 25% increase following the cautionary

The JSE tends to impose discounts to NAV when valuing holding companies, Anglo American is a good example of the refusal to value a counter anywhere near the worth of its underlying assets It is this ten-

FM 11/12/92.

(~~180~~) (~~150~~) (232)

dency which moved Gencor ex-chairman Derek Keys to suggest that unbundling might be necessary to unlock wealth in these companies for shareholders' benefit

The most recent example of unbundling is JCI's Dabi On announcement of the pending liquidation of its portfolio, 4 100 shares, worth almost R56 000, changed hands in five deals The share rose 37% in two days

The IDC's decision may be a precursor to a rash of similar actions, all designed to realise underlying wealth *Marylou Greig*

TOLLGATE HOLDINGS FM 11/12/92 232

The coach was always a pumpkin

Investors want serious answers to the question of why they have lost all

The bad news for shareholders, here and in London, where Tollgate Holdings (TGH) is also listed, is that there is no good news All indications are that shareholders' funds have been wiped out and creditors will be fortunate to realise more than a few cents in the rand At its peak early last year, TGH's market capitalisation was about R200m

TGH shareholders are not the only ones involved Absa shareholders can't be pleased with the prospect of yet another few hundred million rands of write-off, even though that is becoming commonplace in the context of Bankorp and Volkskas

It all adds up to two critical questions with so much at stake, did it have to end this way? And if it did, was there ever a chance that the disparate collection of businesses TGH chairman Julian Askin put together at substantial cost could survive?

Askin led a consortium that "rescued" TGH when it was a debt-ridden organisation, floundering under the chair of Johan Claasen and MD Hennie Diedericks in 1989

To try to arrive at answers, the *FM* approached Absa CE Piet Badenhorst and Askin Their responses fuel speculation rather than provide clarity

Badenhorst would not reply directly, preferring to use a PR firm as intermediary

The *FM* asked why no scheme of arrangement could be preferred to liquidation The answer "The primary reason is that TGH is insolvent Secondly, the group is highly 'intertwined' with numerous cross-guarantees and similar arrangements, which weaken its case for a restructuring of debt"

The *FM* asked how much Absa expects to write off The answer "Absa cannot divulge at this stage what it anticipates writing off from amounts owed to it by TGH, however provision has been made for exposures of this nature in keeping with Absa's normal policy regarding provisions"

Askin

In the light of facts put to the court to support Absa's application to wind TGH up, these answers are simplistic

The founding affidavit lodged by Absa's Daniel Brits claims Absa is owed R305m Later, it is claimed that the indebtedness — presumably as at the date of the affidavit — consisted of overdrafts of R94m, a further R174m "approximately due on specific dates some of which are already overdue and others fall within the next few months" and "possible claims against the (TGH group) of approximately R116m" These total R384m

The affidavit adds that other banks are owed about R70m, taking TGH's total exposure to roughly R450m

Brits also submits that Absa calculated last month that TGH's liabilities exceeded tangible assets by about R134m This suggests that TGH's net tangible assets are about R316m and include businesses of substance, which, if refinanced, might remain self-standing and profitable Askin claims that, even now, excluding the top company's interest costs, every underlying business is profitable and cash positive

It was no doubt under this impression that Askin submitted two debt restructuring proposals to Absa, the first in August and another in November Absa rejected both and chose instead first to apply to the courts for possession of the movable and immovable assets of certain profitable subsidiaries, secondly, to apply for the liquidation after TGH had been granted provisional liquidation of its main subsidiaries the day before

Askin maintains that Absa never formally

continue

FM 11/12/92. (232)

responded to either proposal and that he was kept under the impression that Absa was still considering the November proposal when he got wind of its plans to apply to perfect its preferred security To pre-empt this, he filed for the provisional liquidation of the subsidiaries minutes before Absa filed

Effectively, all this did was to block Absa's effort to perfect its security as preferred creditor against statutory creditors Concurrent creditors' rights were not affected

The *FM* asked Badenhorst why, at the eleventh hour and with so much at stake, a scramble developed between Absa and TGH to reach the courts first

The answer "Askin anticipated Absa's response to his application to liquidate four TGH subsidiaries He chose not to inform Absa of this action prior to taking it and so breached an agreement in terms of which TGH management/directors would obtain Absa's prior approval of any actions such as the liquidations The liquidations were pursued to jeopardise Absa's perfection of security with regard to notarial bonds over certain TGH assets It should be stressed that Absa's security position was not materially damaged by Askin's actions"

Askin contends he was left with no alternative Until 2 pm on Tuesday, December 1, he says, he had been led to believe that his second (November) refinancing proposal was to be discussed at Absa's offices in Johannesburg on Friday, December 4

This, dubbed a "buyout" in Absa's affidavit, in essence asked Absa to cut TGH's exposure to R180m in exchange for certain specific assets and the release of certain sureties It proposed to convert R182m to redeemable pref shares with a coupon of 50% of prime bank rate, and that Absa provide a further R30m working capital in bankers' acceptances It involved a possible offer to minorities and then delisting It said that the only options were a controlled liquidation or immediate liquidation

This suggests that Askin himself was prepared to raise the bogy of liquidation, even if only as a bargaining ploy He can hardly object if the bank took him seriously

Askin says he and other shareholders were prepared to inject further funds but only if a suitable arrangement could be made with Absa Accordingly, he asked Absa how much debt it was prepared to restructure Brits's affidavit notes that "Applicant (Absa) rejected such a suggestion as that would have involved substantial write-offs"

Absa's decision not to compromise may end up in its losing more than if it had pursued TGH's second proposal But it must be asked whether TGH stood any chance of survival

In early 1990, with R70m fresh capital, Askin's consortium effectively took control, assuming management control in June

At the end of 1990, TGH's net borrowings were R193m Several businesses had been sold and the group completely restructured A year later, in spite of the sale of the business of Gants, net borrowings had risen to R224m, mainly because of buying in minority shareholdings Jaton, a UK operation in which Askin had an indirect 25% interest, had been bought for shares worth £12m (R66m) after an evaluation by an independent London institution

Adjusted for the disposal of Cape Tramways, end-1991 net interest-bearing debt was only R156m but, by the *FM*'s adjusted calculation (excluding goodwill, trademarks and the like), negative net tangible assets were R63,8m TGH claimed an operating profit of R43,5m

Where Askin lives *fortunate man*

This year, rationalisation continued But everything took longer and realised less than expected Budget-Rent-A-Car was sold Motor Racing Enterprises (which operates but does not own Kyalami race track) was sold to Mervyn Key, one of the original consortium and a TGH director until a year ago in a deal which Absa may still probe

According to papers submitted to court, in the six months to June 1992 there was an operating loss of R7,8m and net asset value fell by R47,7m Given the latest debt figure, it's clear that liquidity continued to deteriorate in the six months to June and later

Interest charges on a total exposure of R450m at the present prime rate of 17,25% (and who would lend to TGH at prime?) would absorb R77,6m, even were the entire amount restructured into prefs at half prime rate, to take advantage of tax losses (and who would rate a TGH pref at 8,6%, when even SA Breweries prefs yield 12%+ on the JSE?) it would still take R38,8m

There is simply no reason to think that, in current economic conditions, TGH could generate a profit turnaround that could handle that — and other corporate expenses

Certainly local and international political and economic woes made the past two years the worst possible time to salvage a debt-bloated organisation It has been suggested also that TGH became a pawn in in-fighting between executives of what is now Absa

When Askin put together his consortium in late 1989 and early 1990, he approached TrustBank's London office for funding

Claasen and Diedericks are rumoured to have fought a power struggle at that time Diedericks left and returned to his former employer, Volkskas — which he recently left again, to become MD of the Post Office TrustBank was then only too pleased to assist Askin, who had scored some notable corporate coups in the UK, and agreed to fund the consortium on a one-for-one basis

The consortium raised £5m, of which Askin claims to have put in £2m (others don't believe he personally committed anything like this) — whether equity or loans, and with or without recourse, is not known Through the financial rand, this amounted to about R35m TrustBank contributed a similar amount, and it is not implausible that Absa could consider this yet another TrustBank blunder to be cleaned up at any cost

Even if Absa's wish to perfect its security can be justified, its timing is unfortunate

Already Springbok-Atlas Safaris, one of SA's largest tourist carriers, has been acutely embarrassed in the peak holiday season Hotels have insisted that guests pay cash up front for rooms It is also the busiest time of the year for Greyhound The liquidators have reinstated proper business terms and believe that no damage has been caused

Askin still argues that, with more finance, TGH could have traded out of its problems Absa retorts that only three significant trading operations are left (Springbok-Atlas/Greyhound, Motorvia and Jayton) and that funds have been forthcoming from no-one — including Askin and his consortium Absa has met their working capital needs

As a Parthian shot, Askin says that before Absa's formation, Bankorp was TGH's banker A solid understanding had been established along with a debt reduction programme Since Absa took over, he says, TGH couldn't establish an effective communication channel — which Absa denies

Askin's opulent new house (in his wife's name) and lifestyle should remain unchanged Others will be less fortunate

He claims that Absa stands to lose between R250m and R300m (if that's so, could any restructuring have hoped to succeed?) and that this should have been much less At least banks have provisions against this sort of thing Investors will lose the lot

Of course, everyone knows (or should know) that equity investment is risky, and it's salutary to have a concrete reminder from time to time But that does nothing to ease the pain for those who put money into their belief that Julian Askin possessed some sort of magic wand that could convert TGH's pumpkin into a golden coach

Gerald Hirshon & Michael Coulson

Absa acts on more Tollgate subsidiaries

STAR 8/12/92

(232)

Finance Staff

CAPE TOWN — Four more Tollgate subsidiaries have been provisionally liquidated.

Urgent applications were made to the Supreme Court yesterday by Absa for the winding up of TGH Group (a subsidiary of the provisionally liquidated Entercor) and Norths Industries (a subsidiary of TGH).

Fetlar Foods and Travelcor Cape, previously named Springbok Atlas Travel, were also provisionally liquidated All are ultimately subsidiaries of Tollgate Holdings, which was provisionally liquidated last week

Guaranteed

Absa regional general manager, Dudley Davies, said in affidavits TGH owed Absa R8,7 million.

TGH had also guaranteed to a maximum of R17,5 million the debt to Absa of former Tollgate Holdings chief executive Johan Claassen and certain trusts of which Claassen was a trustee or a beneficiary

Claassen and the trusts owed Absa about R30 million and it was unlikely that Absa would recover the money from them.

Norths Industries, which was dormant, owed Absa about R22,1 million

Fetlar Foods, the owner of the old Gants factory in Somerset West, owed Absa R19,4 million The factory could, at best, be sold for R10 million

Travelcor Cape, which traded as travel consultants independently from the Tollgate Group, owed Absa R2,46 million

ROYAL/DEL MONTE

FM 11/12/92 (232)

In the can, at last

Was it all worth it, and how much did it cost? As you would expect, Royal chairman Vivian Imerman says that of course, in the long run, acquisition of Del Monte Foods International (DMFI), whose completion was finally announced late last week, will prove a vital factor in the growth of the Royal group

As for the thorny question of cash, the exercise cost about R75m That is a lot to spend on another company, even though negligible against the R2bn-plus bill for the operation "And," says Board of Executors' Richard Derman, "that embraces all aspects of the exercise, from travelling to the costs of due diligence examinations, and attorneys and solicitors fees" Commissions too, he

FOX FM 11/12/92 (232)

Imerman *food for thought*

might have added, but then that's always a sensitive issue with merchant bankers

As expected by the *FM (Fox* December 4), key issues on which consummation hinged included an undertaking by Anglo American to double its commitment to the scheme to R800m, a significant reduction in the purchase price, and confirmation that Imerman's timing couldn't have been better

That Anglo's commitment is unreserved is made clear by its agreement to increase its exposure to R875m Of this, R400m is a direct contribution to funding, a further R400m in respect of Anglo's agreement to underwrite a portion of the funding requirement, and the balance of R75m from Anglo's agreement to underpin minorities in Royhold and Royal who want to sell

When the deal was originally stitched together with the UK vendors, it was on the basis of a debt-free £360m However, life is rarely that simple, as the sellers were about to discover First, the terms of the original transaction which took DMFI out of Nabisco returned to haunt the vendors Second, Anglo wasn't convinced, in view of deteriorating equity markets, that the purchase price was beyond a little tweaking

When DMFI was taken out of RJR Nabisco in May 1990 in a leveraged buy-out led by Charterhouse Bank, the terms provided a window of disposal to permit repayment of borrowings Royal's negotiations, which spanned four months, ran into this period Unhappily for the sellers, the negotiations coincided with a growing imperative to sell to satisfy the original lending terms

At the same time Anglo, faced with requests for more financial support, took the view that the pain should be spread around equitably, that led to a renegotiation

DMFI's vendors, pressed now from both sides and acutely conscious that failure would mean touting the company around the international marketplace for the second time, always injurious, caved in, the result was a £15m cut in the debt-free purchase price That may not sound much but converted through a financial rand rate of 7,5 to the pound it adds up to about R112m

The final purchase price of £345m will be funded by equity of £270m and a rearrangement of loan finance of £75m At a financial rand exchange rate of R8 to the pound, the rand equivalent is R2,17bn However, at current levels there should be a sizeable saving in the final amount required, perhaps as much as R150m

In a comprehensive circular to shareholders, the Royal group confirms speculation that it will seek name changes its three pyramid companies are to incorporate the Del Monte name, if approved at general meetings scheduled for December 29

The effect of the DMFI acquisition on Royfood, for example, is calculated by one broking analyst to be virtually neutral despite a massive increase in issued capital Royfood's issued equity will rise by 244m shares — a fourfold expansion However, the analyst calculates that projected 1993 earnings of 62,6c a share will fall to 60,1c after DMFI's inclusion, a derisory reduction considering the huge increase in issued capital

There's never a good time to buy or sell companies, but Imerman says DMFI fitted his bill because the strength and depth of its management has enabled it to return solid operating performances despite acutely difficult recessionary conditions And the quality of DMFI's management has attracted Imerman more than almost any other factor "The LBO imposed extraordinarily difficult constraints on them (management) Now that we've got those problems out of the way, management will be able to concentrate on expanding markets and keeping costs down — and those are things it does well"

Imerman says his long-term strategy is to develop a worldwide integrated foods business, concentrating on producing, making and marketing branded products DMFI fits this admirably And SA produce can be integrated into DMFI's European markets and expanded as European volumes grow

Another considerable attraction is that the acquisition will have a dramatic impact on the source of earnings about two-thirds will be translated through sterling and large sales are denominated in D-mark and French francs So the Royal pyramid will become a significant rand hedge, combining as it does exports from SA and earnings from Europe

Now there's food for thought *David Gleason*

Mystery man's eyes on Lonrho

B/DAY 11/12/92 (232)

LONDON — Dieter Bock, the German financier who is ready to invest £135m of his personal fortune in Lonrho, is regarded as a mystery man In Germany his dealing skill earned Bock, 53, a reputation as a Mr Fixit as he built a property and construction group from small beginnings

After qualifying as a lawyer in 1970 Bock trained as a tax accountant and went into property development in Munich in 1974 Outside Germany he invested in properties in SA and the US and in 1986 consolidated his businesses in the Advanta Group, of which he owns 80%

Advanta caused a stir in 1989 when it bought 10% of Philip Holzmann, Germany's biggest construction firm Last year it took over Holzmann's 25% share in another building group, Dywidag and sold it to Walter Bau, the second largest construction firm

This gave Walter Bau control and Advanta now has an option to take up 10% of the enlarged DM10bn annual sales group when it is floated on the Frankfurt stock exchange next year

Bock also surprised the financial markets when he acquired 50% of Kempinski, which owns 18 international hotels, after its failure to merge with Meridien, the hotel arm of Air France. The deal cost an estimated DM300m, provoking questions about the source of Advanta's funds

While Advanta has grown rapidly, its profit last year was only DM63,5m before tax and net assets totalled DM200m

Bock fended off questions about what plans he might have for Lonrho, saying only that he did not intend to mount a takeover and that the group had attracted him because of its undervalued assets

He stressed that the stake of up to 25% in Lonrho would be put into his privately owned interests and not Advanta The funds would come from recent sales of property and of part of his holding in Advanta to German institutions

Meanwhile, JSE dealers and analysts greeted the announcement of the Lonrho rights issue with scepticism, uncertainty and suspicion yesterday

JOHN CAVILL

They said it was unusual for the issue price of a rights offer to be set at a premium to the share price The issue would have been disallowed by the JSE as the premium on the share price not only diluted minority interests, but was viewed as a manoeuvre to take control of a company without having to make minorities an offer "Lonrho has always been a law unto itself," said one

It was unlikely that SA shareholders would follow their rights, the analysts said Local shareholding in Lonrho was about 10%

Spokesmen for two shareholders, Old Mutual and Sanlam, reacted cautiously when questioned about the rights issue A Sanlam spokesman said details of the issue would have to be studied closely before any decision was taken to follow their rights A spokesman for Old Mutual, which has about 2,5%, declined to comment.

JSE dealers generally said the market had not reacted favourably to the news of the rights issue

The share price was traded in a wide range over the day, hitting a high of 650c before finally closing 5c up at its low of 550c, with 196 603 shares valued at R1,18m traded in 27 deals

"The share rose sharply at the start of business on the back of short-covering, but soon fell back on wary market sentiment Many of the institutions have been burnt heavily before and are not prepared to increase their exposure," a dealer said

Local interest in the share had traditionally been driven by its holding in unlisted Western Platinum and Eastern Platinum — which together operate three mines near Rustenberg — but this was insufficient to sustain local interest in the group, he added

Another broker said the volatility in the share trade indicated market uncertainty about the group and the proposed deal There was a lack of trust in the company and its management and an unwillingness by investors to commit themselves further

FM 11/12/92 (232)

JSE

Insurers get cold feet

Investors will be disappointed by the JSE's announcement late last week about payments it will make in respect of defaulting member firms It is now paying out about R1,9m against general claims relating to two of the four defaulters Limited claims of up to R1m per firm will be paid once the final liquidation and distribution account of each firm is confirmed by the Master of the Supreme Court and when insurance proceeds (if any) are received by the JSE

However, total claims against three of the firms are estimated at nearly R23m (claims against one of them await verification by auditors) Claims against the fourth have not yet been quantified

To compound matters, the JSE is gearing up for arguments with its insurer over its Fidelity Insurance Policy (FIP) The position is further complicated by the nature of the various funds that protect investors

The JSE Guarantee Fund was established in terms of the Stock Exchanges Control Act and has assets of more than R80m However, the protection it gives is limited to the buying and selling of securities in normal trading conditions or, as the JSE puts it, "in a statutorily prescribed manner " This means that any transaction outside normal buying and selling, such as deals for a managed account, is not covered

That's where FIP comes in Complementing the Guarantee Fund, it has cover of up to R100m in aggregate, all held on behalf of member firms, covering the loss of securities or money from theft, fraud or other dishonesty

All of which is well and good, until there are problems with interpretations of what it is to be used to cover — which is what seems to be happening

In the case of the largest defaulter, Andrew Forbes, the JSE says that the local insurer has taken the view that the claim cannot be progressed as now formulated "The JSE is reformulating the claim "

The serious news is the warning that if the claim is repudiated, the JSE "may be compelled to institute legal proceedings against its insurers " JSE president Roy Andersen won't reveal who the insurer is "I don't want this matter to be debated through the columns of the press," he says

The issue is fraught with technical difficulties The JSE refers to the "fundamental issue of public policy that no-one may insure himself against his own unlawful acts " If that's true, it sets the cat among the pigeons in any number of areas

The JSE doesn't believe the principle applies in the Forbes case and has counsel's opinion to that effect But it indicates the line the insurer seems to be following

On another defaulting firm, Crosby, the JSE says merely that a response to its claim "is awaited from the insurers." All of which makes for uneasy reading

The firms are Hilary Crosby, which failed last December with claims of R2,8m, Andrew Forbes and Ben Janse van Rensburg, both provisionally liquidated in June, with claims against Forbes of R16,5m and R3,5m estimated against Van Rensburg, and Kritzas, a single-member firm which defaulted last month, against which claims are unquantified but should not be great

Andersen says the JSE will do everything possible to protect the investing public That's of little comfort to those who've already had to wait long periods — a year, in the case of Crosby — and are now faced with the possibility that payments on some claims may be limited

David Gleason

Restructured ISM split into smaller units

MELANIE SERGEANT 232

ISM, the main subsidiary of JSE-listed Information Services Group (ISG), has split into smaller business units as a final move in the company's restructuring programme started 18 months ago.

Although the details were announced to staff last week — originally they were to have been announced in January — the move takes place with immediate effect, says ISG CE Brian Mehl.

Logically, the management structure of the "old" ISM falls away, and Mehl says certain positions have disappeared. Previous ISM MD Bob Shepherd is taking a group executive position with ISG and will continue to report to Mehl, while also being responsible for other functions and business units.

Mehl says full details of the restructuring will be released in January, as names and other details of the individual, niche-market focused business units have not yet been finalised.

Cash-settled options in a rising market

STAR 12/12/92.

232

THE fourth in the series of articles illustrating how share options on the JSE's Traded Options Market (Tom) can be used to create strategies to profit from different market scenarios. This week the strategy for profit-taking in a rising market is outlined.

THE market has risen steadily in recent months and let's say you are holding a portfolio of 2 000 De Beers shares You believe that the rise will continue in the short term but will begin to run out of steam by the new year.

You are looking for a strategy which will enable you to take your profits at a slightly higher price level You also want a slight cushion in case the market begins to fall earlier than expected.

What should your strategy be?

You contact your stockbroker, who tells you that De Beers is currently trading at say R62. Your broker suggests that you take your profits by selling or "writing" call options on De Beers.

He suggests that you write March 20 1993 "cash-settled" call options on De Beers at an exercise price of R65.

Since these options are currently selling on the Traded Options Market (Tom) for R300 each, you will receive an option premium inflow equal to 20 times R300, or R6 000

Each of the 20 "call option" contracts give you the potential obligation to sell 100 De Beers shares at a price of R65 if the option is exercised

If De Beers rises to say R70, the options will be exercised and you will be required to pay in to the Tom clearing house the difference between the market price of R70 and the exercise price of R65, multiplied by 2 000 shares. This would amount to R10 000.

Simultaneously, however, you will have earned a profit of R8 (R70 less R62) on each of your 2 000 shares, a total of R16 000. This gives you a net profit of R6 000 or R3 a share. Adding the option premium received, your total net profit is R6 a share or R12 000.

Since the options are cash-settled, you will not be required to deliver any underlying share certificates

However, you will effectively be in the same position as if you had sold your shares at a price of R65 each.

If De Beers falls below R65 to say R60, the options will not be exercised and you will simply retain your option premium of R6 000. The premium of R3 a share will more than compensate for the loss you have suffered on your De Beers shares of R2 a share

Before following the strategy, you ask your stockbroker for an analysis of the potential profits and losses Ignoring brokerage, it should resemble the accompanying table

SUMMARY: The strategy of writing call options against an underlying portfolio of shares has the following distinct advantages

(1) It enables you to take your profits automatically when the share price reaches the option exercise price.

(2) The option premium received provides a cushion against a falling market

☐ For the sake of consistency in the illustrations used in this series of articles, the example deals with cash-settled options. Tom offers both cash and scrip-settled options on De Beers

Profit and loss scenario

De Beers Share Price 18/3/93	R40	R50	R60	R70	R80
Strike Price	R65	R65	R65	R65	R65
Gross P/L (options)	R0	R0	R0	–R10 000	–R30 000
Gross P/L (shares)	–R44 000	–R24 000	–R4 000	R16 000	R36 000
Premium Received	R6 000	R6 000	R6 000	R6 000	R6 000
Total Profit/Loss	–R38 000	–R18 000	R2 000	R12 000	R12 000
Return (without options)	–35%	–19%	–3%	+13%	+29%
Return (with options)	–32%	–15%	+2%	+10%	+10%

Bank probes Tollgate dividends

By JEREMY WOODS (232)

THE Reserve Bank is investigating dividend payments made to overseas shareholders in whizz-kid Julian Askin's Tollgate Holdings, the conglomerate now in provisional liquidation with debts of more than R320-million.

"We are not just looking at the dividend applications made by the respective shareholders in Tollgate Holdings," says John Postmus, general manager of the Reserve Bank. "We are also looking at the cash generated from subsidiary companies that made payment of any dividends possible"

It is understood that a significant chunk of Tollgate shares is owned offshore by Mr Askin and his supporters through various companies and trusts Total dividends paid out over the last two years by Tollgate were close to R9-million

Mr Postmus said his investigators were following up information contained in an affidavit given to the Supreme Court by Danie Brits, group executive of Absa Bank's risk control department.

Absa is owed more than R320-million by Tollgate Holdings and its subsidiaries and was instrumental in placing the group in provisional liquidation

Mr Askin, a prolific communicator to the press in the past, was not in the mood to give interviews on Thursday from his luxurious Cape Town home as he prepared to fly to London

Asked if he could offer any consolation to shareholders, Mr Askin answered. "Shareholders will get what they are entitled to under the terms of liquidation" S|Times (Buss)

Did he consider his last chairman's statement over-optimistic, bearing in mind the company was already in dire financial straits? 13/12/92.

"I really can't comment about things like that."

Had the last accounts not been misleading?

"Of course not," and he hung up

Pressed further on another call, Mr Askin shouted: "Stop pestering me!" And hung up

Tollgate Holdings is currently being examined by a team of Cape Town liquidators, who believe ordinary shareholders will receive nothing from any liquidation as Absa Bank has a prior claim on all the company's assets

Neil Carter, director of operations for the JSE, says there will be no investigation into Tollgate Holdings so far as the JSE is concerned. "We have not seen any information which would have indicated anything was seriously amiss The Tollgate collapse took everyone by surprise."

In his affidavit, Mr Brits says investigations by Absa into the financial activities of Tollgate revealed that the total dividends for the two financial years terminating December 30 1990 and December 31 1991 were "in excess of the amounts which might legally have been distributed by its subsidiaries" to Tollgate

The affidavit continues: "Had the dividends from the subsidiaries conformed to legal limits, the respondent (Tollgate) would have had insufficient distributable reserves out of which to declare the dividends which it, in fact, paid to its own shareholders"

Plan to help Mykonos investors

S Times (Buss) 13/12/92 (232)

By TERRY BETTY

FEDLIFE and other parties are investigating avenues to assist 350 investors who two years ago between them borrowed a total of R18-million to buy into a Club Mykonos scheme

Investors borrowed an average of R50 000 each from Fedlife and took out an endowment policy with the assurer to repay their loan on death or maturity

Fedlife general manager Bernie Goldman says Fedlife is working with Mark Galbraith, the broker who sold many of the policies and who is acting on behalf of many of the investors

Investors spent a further R9-million of their own funds in the scheme devised by financial advisors to buy debentures and shares in Club Mykonos Langebaan Holdings

Fedlife took cession of both the Mykonos debenture certificates and the policies and got a personal surety from the investors as security for the loans

Some of the investors have repaid the full amount to Fedlife, some are continuing to pay their premiums on the endowment policies, but Mr Galbraith says many cannot afford the premiums as they were meant to be paid out of the income from the investment in Mykonos

Mr Goldman says Fedlife is looking at various options to assist policyholders and that it has held back on levying interest on the loans for the time being

"Each policyholder's situation is different and must be taken fully into account As developments evolve, we will work closely with the investors to work out the best way to deal with the circumstances of each client in accordance with the merits of the particular case"

Fedlife sent a letter to investors reminding them that, despite the problems with Mykonos, they should continue to pay their premiums

Mr Galbraith says Fedlife should assist the investors by looking to Club Mykonos rather than the investors for the recovery of its money

"This is possible, as Fedlife has taken possession of all debenture certificates"

A scheme of arrangement was accepted overwhelmingly by Mykonos creditors last month Two-thirds of their investment will be repaid over the next five to eight years and one-third will be converted into share capital in the company that will be formed to manage the newly structured Masterbond group

Masterbond curators' legal representative, Graham Liebenberg, says the scheme of arrangement should be formalised within the next month

Mr Goldman says such an achievement would be very satisfactory, and Fedlife will assess the extent to which the scheme will help investors to recoup their investments

Equities favoured as best investment

(232)

By Stephen Cranston STAR 14/12/92

Equities may yet turn out to be one of the best investments in 1993 as the JSE moves ahead on the back of a US economic recovery and more positive local political developments

Old Mutual Senior Portfolio manager Adrian Allardice takes the view that the JSE is in a bottom area and the chances are better than 50 percent that it will move up in the new year

"Sentiment will definitely improve and over and above the seasonal year-end buying is already becoming more positive

Bull factor

"If one examines the charts, it is clear that contrary to common perceptions, the Industrial Index has not been in a major bear market but has actually been in a consolidation phase"

"The mood next year is likely to satisfy neither the rampant bears nor the rampant bulls, but the overall tone should be positive."

The major bull factor has been the unexpected strength of the American economic recovery

"Many of the funds which had raised their liquidity in line with their own bearish forecasts are now trying to buy back into markets."

"Cash flows are strong and the fact that the market has remained firm in the face of events such as the Apla attacks highlights the strong demand for equities Alternative investment channels such as fixed interest are far from enticing and less tax efficient than equities"

Allardice believes that sectors such as the electronics sector and commodity shares should firm further with the latter being helped by overseas demand.

"Fundamentally the market is not cheap Some shares viewed as expensive 12 months ago have already risen by 50 percent"

For the medium to long term investor, the current market can be expected to begin attracting a larger percentage of cash flows

STAR 14/12/92.

Minorities getting a raw deal

By Leigh Hassall 232

Many South African companies are not giving their minority shareholders the respect they deserve

Timeous financial statement reporting is important to all shareholders yet a recent survey of the top 100 companies shows that over half the companies held their annual meetings four months or more after the year-end

Directors' approval of the financial statements was equally slow — in 1991, 42 percent of the companies surveyed obtained approval more than two months after the year-end

These are the findings of a survey among the country's top 100 companes produced for the SA Institute of Chartered Accountants (SAICA) by the Department of Acounting at Wits University

The survey, released last week, was undertaken to determine and identify trends in accounting thought and practice

Standards

It aims to raise the standard of financial reporting in South Africa.

The survey also found that there is little support by preparers of financial statements for comprehensive inflation accounting Encouragingly however, an increasing number of companies are disclosing an inflation adjusted earnings per share figure

Also of interest is the fact that 87 of the Top 100 companies were audited by one of the "big six" audit firms Deloittes & Touche topped the list, followed by Aiken & Peat and Ernst & Young

The return of South Africa to international markets emphasises the need for local accounting standards to harmonise with the international standards South Africa still has a long way to go

Challenges facing the standard setters include giving legal backing to accounting standards, upgrading existing standards and ensuring a system of monitoring compliance with the standards is in place

"A Survey of Financial Reporting in South Africa 1992" is the fourth in the series

Competition Board halts R600m merger

(232) CT 14/12/92

Own Correspondent

JOHANNESBURG — The Competition Board has halted the proposed R600m merger between SA's two largest copper operations, Haggie subsidiary Copalcor and Non-Ferrous Metals (NFM).

Haggie MD Chris Murray said on Friday the board had recommended that the merger should not go ahead as it felt the deal was not in the public interest.

Copalcor and NFM smelt 60 000 tons of scrap a year, producing about R600m worth of semi-finished products, of which R200m is exported. The industry supports about 50 000 jobs.

Competition Board chairman Pierre Brooks said the deal was not in the public interest because the merged company would hold a monopoly on both ends of the market — purchasing scrap metal and selling downstream.

Furthermore, local markets were protected from cheaper imports through tariffs which, because of higher local prices, affected other downstream copper product manufacturers' export competitiveness.

Brooks said Copalcor and NFM

Copper giants' deal 'not in public interest'

had increased [illegible] prices directly after the announcement of the deal in anticipation of the proposed merger.

Board regulations permit parties to appeal against its recommendations to Public Enterprises Minister Dawie de Villiers. Copalcor MD Piet Malan said at the weekend he would try to convince De Villiers the merger was in the public interest.

"We do not believe the board has considered all the [illegible] of the proposed merger nor the [illegible] rious implications for the SA copper products industry if the merger does not go ahead."

Malan said the merger, which was to have [illegible] January 1, would have [illegible] an additional R100m [illegible] exports within the next two years because of improved competitiveness [illegible] of scale.

The [illegible] export revenues would have [illegible] savings for the local [illegible].

"The [illegible] competitiveness in an international copper product market where size and economies of scale are the major criteria for [illegible] and prosperity," [illegible].

Murray [illegible] the board's rejection of the merger "was unexpected and [illegible] the road to renewal and growth in international markets. Industr[illegible] ment requirements for entry into global markets were [illegible] and could not be afforded by [illegible] company he [illegible]."

However, Brooks [illegible] nothing [illegible] the [illegible] companies from continuing their export operation.

Murray [illegible] that from an investment point of view Copalcor did not [illegible] in [illegible] and [illegible] under [illegible] little benefit would be derived from cheaper imports.

The board began investigating the proposed merger this year because of the dominant position which the new company would have held.

MONEY MARKETS by Hilary Gush

Three-month paper rises in quiet market

.B/DM .14/12/92. (232)

WHILE the average rate on Reserve Bank Treasury bills has fallen gradually in the past year — in line with easing monetary policy — the rate on the three-month TB has risen in the past month

The rate on the three-month paper fell from a 16,46% monthly average in November last year to 14,71% in May and 12,18% in November 1992 However, in the uncharacteristically quiet market of the past four weeks rates have come up

With many players already off on holiday, the average rate on Friday's three-month TB tender was up at 12,07% from the 11,67%, 11,78% and 11,86% posted in the three previous weeks The rate on the six-month TB was also higher at 11,37% from a previous 11,12%

Dealers labelled those who successfully tendered at the higher rates as "lucky chancers who relied heavily on the absence of many other players in the market" Lucky indeed

This uptick in short-term rates is probably temporary as economists who took part in the latest SPL Banking Services Forecast predicted that interest rates would continue to slide in the next year

From a November basis ~~rate~~ of 11,9% the 90-day liquid BA rate was expected to fall to 11,4% by February and to 10,85% by May Last week the BA was trading at around 12,15%

From a 17,25% basis, the prime rate was expected to drop one percentage point to 16,25% by May By November the rate would be even lower, at 15,25%, they said This suggests an expected easing of monetary policy and a further drop in the Bank rate early in 1993

The participants were not so bullish on the outlook for gilts From an average 14,55% in November, the yield on the E168 was predicted to ebb to 14,40% by February and 14,20% by May

On Friday the bellwether Eskom stock was trading at a yield of around 14,96%

The SPL survey was conducted before the SA Breweries R1bn corporate bond issue on December 1 — which is sure to initiate a run of further issues early in the new year Government is also expected to come to the local capital market to fund the enormous fiscal deficit This is bound to put upward pressure on gilts rates

Investors advised to temper their pessimism about equities

(232)

BIDAY 14/12/92

Investors should not be too pessimistic about prospects for the equity market in 1993 despite the poor shape of the world economy and the low gold price. Leading stockbrokers tell MERVYN HARRIS their views on the pitfalls and hopes for the coming year.

SIMPSON McKie MD Dixie Strong believes the market is expensive on fundmentals, and that a correction could occur soon. He says some leading consumer-related industrial shares, in particular, are no longer offering value.

The food sector is currently on a PE of 22,2 and a dividend yield of 1,6% and the beverage-hotel-leisure sector is on a PE and dividend yield of 19,2 and 2,5% respectively. Earnings growth for the coming year is forecast at 18% and 9% for these two sectors.

For the industrial market as a whole, the firm's research team's expectation of weighted earnings growth is about 7% for the next year. These demanding ratios should hardly encourage investor enthusiasm. Why then the current strength and what can be expected?

Institutional liquidity and extremely low marketability are important factors, they say. The "top 30" JSE industrial index constituents are trading 3,6% of their current market capitalisation and investor interest is very heavily concentrated in index stocks.

The market is already adopting a positive stance towards the possibility of a satisfactory local political settlement and more recently appears to be anticipating a mild US economic recovery.

"We believe, however, that areas of concern remain, such as the deteriorating economic situation in Germany, uncertainties and problems surrounding GATT and Maastricht and the likelihood of a bumpy ride along the road to transition in SA.

"After the recent surge has run its course, we expect a correction which will provide buying opportunities. The industrial, overall and all gold indices will probably be higher by next December and, on an 18-month to two-year view, the best value in the market can now be found in those shares which typically fall just beyond the list of the most obvious 'big ticket' institutional investor market leaders.

"Gold shares may yet surprise us all on the positive side in 1993, while the prevailing gloomy predictions for gilts may prove to have been wrong on a three to six months view," Strong says.

Senekal Mouton & Kitshoff's Louis Geldenhuys says the world economy, and Europe and Japan in particular, are not in good shape. The gold price in US dollar terms looks trapped at lower levels and cyclical and other forces important for the SA economy indicate that recessionary conditions are still well-entrenched.

Moreover, the SA fiscal situation had deteriorated to such an extent it held the potential of genuinely causing domestic economic instability.

The domestic political process had reached a difficult stage with a high degree of potential for conflict and disappointment. The scene was not set for a take-off in economic growth in 1993 even should the weather be kinder and inflation edge lower in coming months.

Are these sufficient reasons to expect markedly lower equity prices?

Probably not, says Geldenhuys.

The market is not without risks and due consideration should be given to the demanding circumstances and their negative impact on company earnings. But care should be exercised not to become too pessimistic about the equity market.

He says a proper bull market in all sectors of the market is unlikely but, as in the past year, investment in segments and/or specific companies could prove very rewarding.

Geldenhuys offers several broad observations to temper possible pessimism. Negative sentiments about 1993 are known in the market and therefore already discounted to a certain extent.

The US economy is on a slow recovery path which will become prominent in the second half of 1993.

Alternatives, such as fixed interest and property, do not look attractive in terms of the uncertainties facing the SA economy and society. Equity investment holds the promise of success in an uncertain environment because dynamic managements can at least adjust to circumstances not envisaged at this stage.

"Although we do not regard the equity outlook as all doom and gloom, we do consider it prudent to consider mainly investment in companies where future earnings are pretty secure. Share selection for 1993 will be crucial as the performance of the overall market may not be very rewarding," says Geldenhuys.

Davis Borkum Hare's Max Borkum says the dramatic fluctuations in the finrand were one of the major features of the year. The unit was established to prevent a drain on SA's forex reserves by disinvesting non-residents, and its current weakness largely reflected the drive by SA companies to invest offshore.

Prevented from making acquisitions during the sanctions era, companies are keen to re-establish themselves as world players. Rightly so, says Borkum, since they are generally well managed, low-geared, and market leaders in their fields.

This trend of investing offshore is likely to continue during 1993, maintaining pressure on the finrand in spite of the recent moves by the Finance Minister to alleviate the demand for foreign currency.

Weakness in the finrand reduced the overall returns of existing foreign investors as the foreign value of the investment diminished, but it did not necessarily directly affect the local value of quoted shares. Instead, local investors recognised that these international acquisitions offered long-term opportunities to SA companies through the diversification of markets, and ultimately, the quality of earnings.

Borkum says this negative scenario for the finrand may not persist, since a weak finrand increases the attractiveness of equities to offshore investors. Any subsequent buying of SA equities would be positive, not only for equities but also for the finrand.

Blue chip firms plan bond issues

MARCIA KLEIN 232

TWO blue chip companies were considering issuing corporate bonds after the SA Breweries (SAB) R1bn bond issue, JSE operations director Neil Carter said on Friday. BDM 14/12/92

He said participation in the corporate bond market initially would be limited to larger players, with the minimum size of new issues ranging from R250m to R500m

The SAB issue of 14% bonds had come on the market at a yield of 14,9%, indicating that SAB's after-tax borrowing cost was about 7,5%, fixed until the year 2000.

As the corporate bond market enabled companies to mix fixed and floating debt, Carter said, it was not surprising other companies had expressed interest.

The SAB corporate bond issue was the first of its kind in SA and "its significance should not be underestimated".

While there was no legal difference between a corporate bond and a debenture, both of which were corporate borrowing instruments with a fixed rate of interest and fixed date of maturity, the corporate bond had superior tradeability, he said.

In SA, the corporate bond market had several advantages.

Investors preferred low-risk, fixed-rate returns provided inflation remained low. Borrowers had the certainty of a fixed rate of interest for funding medium- to long-term investments and the ability to buy back this funding before maturity.

"Through the use of derivative markets,

□ To Page 2

Bonds

BDM 14/12/92

232

□ From Page 1

corporates will be able to shift their financing risks into the hands of speculators and concentrate on managing their investment risks," Carter said

The corporate bond market had taken a long time to develop, largely because of prescribed asset requirements, which previously gave government and semi-government bodies a "statutory monopoly" on long-term, fixed interest funds, with pension funds and life offices holding large parts of their portfolios in bonds or gilts.

Following the Jacobs committee report in 1988, prescribed asset requirements were replaced with guidelines, in terms of which pension funds and life offices were required to invest a minimum of 10% of the market value of their assets in public sector debt or cash. This meant institutions could "invest in the fixed interest paper of their choice" on the bribery charges

said

shark at the aquarium of the National Zoological Gardens in Pretoria.

Number of deaths in custody rises to 119

233

STAR 15/12/92

By Charmeela Bhagowat

The deaths of two more people in police custody — one in the Free State, one in the western Transvaal, has brought to 119 the number of people who have died in custody this year

Vincent van der Ross (30) was arrested for drinking in public and taken to the Marquard police station to sober up at about 12 30 pm on Friday, according to Free State police spokesman Captain Johlene van der Merwe.

Van der Merwe said his wife, Wendy, was with him when he was arrested and taken to the cell

She apparently visited her husband in the cell with a policeman shortly before 3 pm However, 30 minutes later, when the pair returned to the cell, they found Van der Ross's body hanging from a 70 cm-long cord tied to a bar on a metal gate.

In Carletonville on Saturday night, police detained an unidentified drunk man on the corner of Annan and Angwest roads at about 8 30 pm

Western Transvaal SAP spokesman Lieutenant Koos Degenaar said the man was taken to the local police station and put into a "waiting room" to sober up

He said the man's body was discovered by the duty officer at 5 am on Saturday, during the half- hourly cell check.

"These services are provided to help you reduce your anxieties and confusion about

JSE price movements fan hopes for business upturn

STAR 15/12/92.

By Derek Tommey (232)

The JSE has good news for economy-watchers

For the past 16 weeks, sectors mainly influenced by local conditions have been giving increasingly stronger signals that the recession is ending

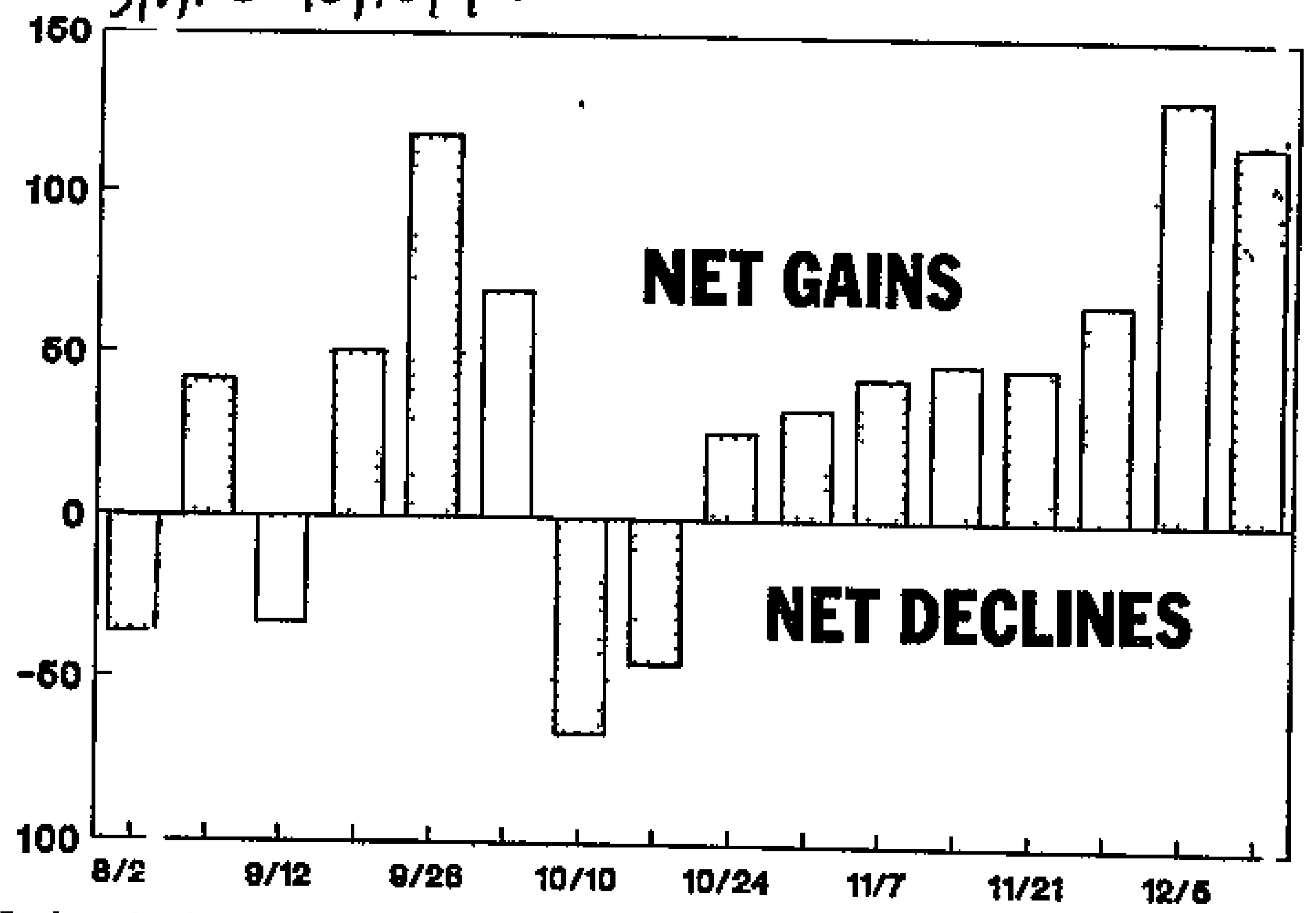
An analysis of the JSE since the end of August shows there has been a steady improvement in industrial share prices

Because many of the gaining shares are not included in the indices, or have only a small representation, this improvement has not been particularly visible to ordinary observers

But in 12 of these 16 weeks, the number of advancing shares has exceeded those declining (see graph)

All this indicates better investment sentiment and expectations among the knowledgeable that industrial profits should show some improvement in the near future

But for political factors and adverse overseas developments, it is quite probable that advances would have exceeded declines in all of the 16 weeks.



Gains in industrial and other non-mining shares have exceeded losses in most of the 16 weeks since the end of August

At home

Unlike the mining and mining financial sectors, which are mainly affected by overseas developments, the industrial market to a great degree reflects what is happening at home

There are indications that some parts of the economy have been picking up in the past few months

A senior manager at an engineering company said recently his firm's machinery has been working 24 hours a day for the past three months

Another engineer was heard saying a little ruefully at the weekend that his Christmas leave had been cancelled because of an unexpected upsurge in the volume of work

However, it takes time for such changes to show up in the official production indices and company profit figures — but not so long to show up in share prices

Most of the buyers of the smaller industrial shares in times like these are probably closely connected to the companies concerned.

They may be the directors, but they probably have been buying throughout the recession and are now looking to make profits

It is more probable that the buyers are employees or customers or suppliers who, through their connections, are aware that certain firms are doing increased business and are buying their shares on the strength of their knowledge

This is not insider trading in the true sense of the term — is simply how markets work

Indeed, there have been a number of reasons for expecting a business upturn at the present time, say economists

A most important one is that the Government has continued its spending programme, despite the slump in tax revenue, and this has provided a stable platform for the economy

The gold mining industry has also acted in a similar way Despite its problems, it has continued to produce around 1,6 million ounces of gold a month — enabling it to earn and spend about R1,6 billion a month

Another important reason has been the great success achieved by a good many exporters of manufactured goods Because of the drop in base metal exports, their achievements do not show up in export figures

But the good performances put up by the clothing industry, by Volkswagen, by Trencor and by many other firms have together contributed to a more buoyant climate.

More money

In addition, there has been the steady drop in interest rates, which has put more money into the pockets of house-buyers and helped industry psychologically

The manufacturing industry is also much leaner and slimmer than it was

As a result, any improvement in business activity is quickly translated into better profits — and also into some restocking.

On top of this, the ending of the drought should help restore some prosperity to the Platteland and homelands

Put all these factors together, and a business-upturn must be in the offing

1993 Grand Prix 'not affected'

Kyalami new casualty of TGH collapse

BDAY 15/12/92. (232)

LINDA ENSOR

CAPE TOWN — Tollgate Holdings (TGH) subsidiary Kyalami International Circuit, which owns SA's prestigious motor racing track north of Johannesburg, was provisionally liquidated in the Cape Town Supreme Court yesterday in an urgent application brought by Absa Bank.

However, sources said the liquidation would not affect the Formula One Grand Prix scheduled for March 1993. Absa also undertook yesterday not to disrupt any Kyalami events "as far as possible".

The provisional winding-up of Kyalami follows a spate of orders granted at Absa's request over the past two weeks against insolvent companies in the TGH group. The group itself was provisionally liquidated with debts to Absa of more than R300m.

Absa advocate Gavin Woodland said in court that Kyalami had "sunk to the same financial doom" as other TGH companies.

Absa Cape regional manager Dudley Davies said in his affidavit that Kyalami owed R2,1m to consulting engineers and contractors, R27m to financial institutions and more than R300m to Absa for cross-guarantees provided for the debts of other companies in the TGH group.

Kyalami's sole source of income was the rental it derived from Motor Racing Enterprises (MRE), projected at R4m for 1993, R4,4m for 1994, R4,84m for 1995 and R5,3m for 1996, plus an additional R1m rental for each Formula One Grand Prix held at the track. No rental was payable for the first four months of the contract to end-December 1992.

Davies said TrustBank was owed R12m, Societé Générale R5m and Volkskas R10m. This R27m debt was secured by mortgage bonds over Kyalami's 70ha property.

The concurrent creditors were K & M Contractors, owed R1m; Basil Read, owed R800 000; Digby Meyer & Associates, owed R150 000, and Bing, Walker & Associates, owed R145 858.

Absa's application was precipitated by a letter of demand to Kyalami from consulting engineers Bing, Walker for payment of R145 858 for its "contract audit" on upgrade work at the circuit.

Kyalami had employed firms of consulting engineers and contractors to upgrade the facilities and Bing, Walker estimated the costs had escalated from about R11m to R22m.

MRE, which leases the Kyalami track and promotes the Grand Prix, would negotiate with Absa to buy the property, MRE MD David McGregor said yesterday. He said he and fellow director Mervyn Key would approach Absa to exercise their option to purchase the Kyalami property, which had a bonded price of R27m.

McGregor and Key bought MRE from TGH subsidiary Entercor in a management buyout a few months ago. Although the deal was subsequently approved by Absa, questions have been raised whether "undue preference" was given to Key, a former TGH director.

McGregor said the provisional liquidation would not affect next year's Grand Prix as MRE had a binding lease to use the property until the end of 1996.

Task force appointed to formulate code of practice for business

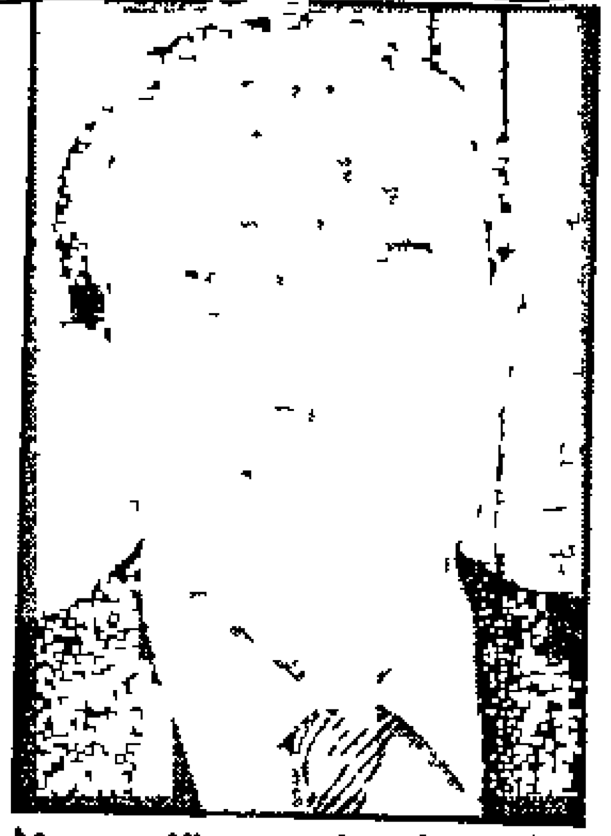
By Des Parker 232

STAR 16/12/92

DURBAN — Frame group executive chairman and former supreme court judge Mervyn King is to head a task force to make recommendations aimed at raising standards of accountability in the private and public sectors.

The group is being formed at a time when the Office for Serious Economic Offences (Oseo) is understood to be investigating business scams involving more than R1 billion and when companies are failing at a higher rate than at almost any time this century.

Institute of Directors (IOD) executive director Richard Wilkinson said yesterday the force had the support of numerous professional bodies and similar organisations, such as the Institute of Chartered Accountants, the SA Institute of Business Ethics, the JSE the Association of Law Societies and the SA Chamber of Business (Sacob).



Mervyn King heads task force

Other like-minded organisations and prominent people would be asked to take part on the 12-person committee.

"Corporate governance is very high on the agenda in a number of countries, including the UK, US, Australia and Canada," said Wilkinson.

"The IOD believes that in the light of recent business failures, this issue should become a priority in SA as well. For some time the institute has considered a code of ethics for directors of business and recently amended its mission and adopted a credo and code of ethics."

One of the documents the force would draw most heavily on was Britain's Cadbury Committee Draft Report on the Financial Aspects of Corporate Governance (1992), which contained a "code of best practice" designed to achieve high standards of business behaviour.

From next June, companies listing on the London Stock Exchange would have to comply with this code.

"At the heart of the task force's efforts is an endeavour to find a balance between the free spirit of entrepreneurship and the constraints of effective accountability," said Wilkinson.

"This goes to the heart of companies and SA's competitive position, and it is in the interest of commerce, industry and Government that some code of practice be established without delay."

Recommendations could include amendments to legislation, particularly in fields such as financial reporting and directors' responsibilities.

● Meanwhile, the Institute of Chartered Accountants (Saica) and the Public Accountants' Auditors' Board (Paab) have warned that copies of their registration certificates have been forged.

The organisations said in a statement: "Members of the public are asked to be aware of the posible fraudulent use of these certificates.

"If they have any doubt about the authenticity of a certificate, they are invited to contact Rene Pheiffer, at (011) 622-6655 in respect of Saica certificates and Jane O'Connor at (011) 622-6665 in respect of Paab certificates."

Producer price rises still slowing down

By Sven Lunsche

STAR 16/12/92

Price increases at the producer level continued to slow down in October on the back of a noticeable deceleration in agricultural food prices.

Central Statistical Services said yesterday the year-on-year increase in the producer price index (PPI) in October fell to 7,8 percent from 8,8 percent in September.

On a monthly basis — from September to October — it increased by an encouragingly low 0,5 percent.

Lower rates of increases were reported for both imported goods and locally produced commodities.

The annual rise in the PPI for imported commodities fell from 7,1 percent in September to 4,3 percent in October, aided by the firmer trade-weighted level of the rand.

Locally produced goods rose by a year-on-year 8,7 percent in October (9,2 percent in September).

While the drought was only effectively broken last month, there were already indications in October that agricultural food price rises were slowing down.

CSS says agricultural food prices were 20 percent up on an annual basis in October (22,8 percent the previous month).

Food prices at the manufacturing level have decelerated more markedly and maintained September's annual rate of 7,3 percent in October.

The good rains in November and December will have a favourable impact on food prices, although lower vegetable and fruit prices could be slightly offset by higher meat prices, as farmers try to restock herds depleted by the drought.

Sapa reports that the investigation of the price mechanism in the food chain by the Board of Trade and Tariffs (BTT) has been completed.

A report on the investigation has been forwarded to the Minister of Finance and Trade and Industry and the Minister of Agriculture for evaluation.

The Food Logistics Forum, which includes consumer bodies and representatives of the retail industry, said in October the BTT report would show the drought had caused shortages and the need to import food had fuelled food price inflation by eight percent.

There has been widespread outrage at escalating food prices in recent months and the drought, value-added tax, steep profit-taking measures of retailers and government control boards have variously been blamed.

Food inflation at the consumer level reached a level of 30 percent in August, but has recently dropped to about 22 percent.

The forum said VAT had also added six percent to food prices, but it was optimistic that the controversial tax had now worked its way through the system.

IBM to lay off 25 000

STAR 16/12/92.

NEW YORK — IBM said yesterday it would reduce its workforce by about 25 000 in 1993 and further trim global manufacturing capacity as part of another round of cost-cutting.

The latest moves would result in a charge of about $6 billion in the current fourth quarter, the company said.

That's on top of $5,4 billion in charges against earnings the computer maker earlier said it would take this year.

IBM issued its strongest warning yet that it might have to end its historic practice of getting rid of excess staff through voluntary means and move to forced layoffs.

Chairman John F Akers said that if business conditions did not improve significantly, "it is likely that some business units will be unable to maintain full employment in 1993."

Full employment is IBM's term for not having layoffs.

IBM said the reductions in manufacturing capacity would be concentrated in the company's computer chip, mainframe computer and computer data-storage products businesses.

IBM further said it would cut spending on product development by about $1 billion in 1993.

The company also said it would take steps to further increase the autonomy of its business units. — Sapa-AP

Bibby takes ... of

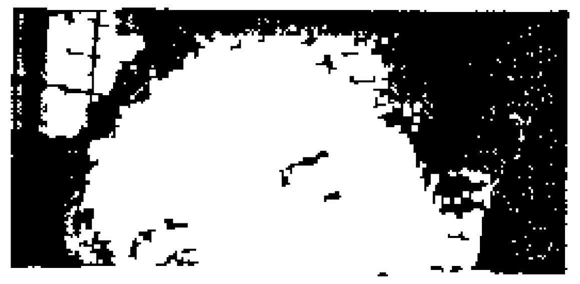
Mystery deepens over Rowland's sale of shares

220 210 217

STAR 16/12/92

Last fling from master of controversy

LONDON — It is 31 years since Roland "Tiny" Rowland was recruited by Angus Ogilvy, then an executive of Harley Drayton's 117 Old Broad Street group, while on a visit to Rhodesia to sort out the troubles of



Lonrho over, but was repulsed by a 93-page Lonrho document which alleged that the Bond Corporation was financially unsound. Indeed, Bond later went bankrupt.

Bibby holds its ground in tough year of trading

BDM 17/12/92

(232)

ROBERT WICKS

J BIBBY & Sons' (Bibby's) results were satisfactory given that the hoped-for economic recovery had not materialised, chairman Richard Mansell-Jones said in the group's annual report

Bibby posted a pre-tax profit of £32,2m (£35,3m) and earnings a share of 20,09p (20,61p)

Mansell-Jones said Bibby was able to strengthen its overall position in the market through a number of acquisitions and a reasonable all-round performance from various divisions

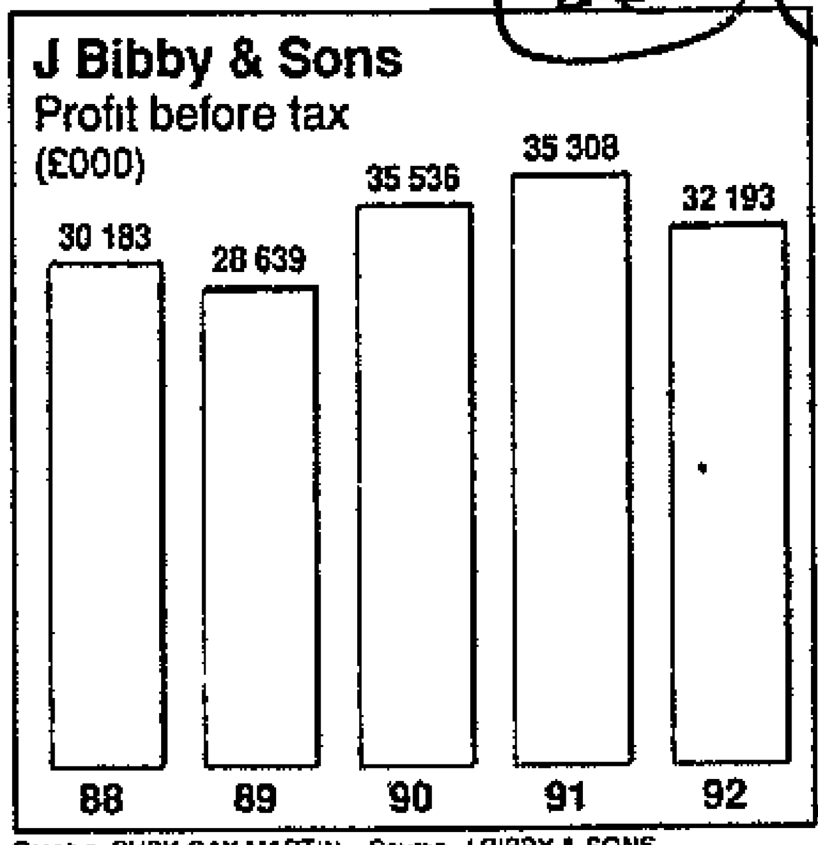
He said the slight improvement in economic conditions in the UK in April had not been sustained and other European economies were weaker than in the previous year bec use of high interest-rate policies.

In accordance with the requirements of the Lisbon Stock Exchange an offer had been made for 42% of STET (the Caterpillar dealer in Portugal) not already owned by Finanzauto, he said

"If the offer is accepted in full the cost will be a further £3,8m"

Finanzauto and STET now constitute the newly formed Capital Equipment Division, Bibby's fifth division

"With the establishment of this division the group has strengthened its position in continental Europe and is now well placed to increase its overall profitability in the longer term," Mansell-Jones said



Graphic RUBY GAY MARTIN Source J BIBBY & SONS

He said the group now owned 90,1% of its recent acquisition Finanzauto, the main Caterpillar distributor in Spain and Portugal Bibby acquired Finanzauto after a revised £87,4m cash offer in July this year

In order to help finance the acquisition of Finanzauto the group launched a one-for-four rights issue in September and raised £35,6m net of costs

Barlow Rand took up its full entitlement, maintaining its share at 79% of the ordinary share capital, and all of the £2m preference shares were redeemed at par

Mansell-Jones said the group had continued its policy of growth in appropriate areas, spending about £10m on various small acquisitions

The group's five divisions all performed reasonably well given the prevailing economic climate

The materials handling division posted a pre-tax profit 7% ahead of last year

The paper and converted products division showed a slight increase in pre-tax profit, but operating levels were slightly down on last year

The agricultural division showed a slight increase in sales, despite severe price competition in the animal feed markets

Science products suffered from declining markets in all geographical areas and were particularly affected by lower profits in Japan

The newest division — capital equipment — traded at a loss for the period under review.

A final dividend of 6,9p a share was declared The total dividend for the year amounted to 9,75p a share, the same as last year The dividend was covered 2,06 times by earnings

Mansell-Jones attributed the similar earnings a share figure to a lower tax charge. The taxation charge for the year was 18,2% of pre-tax profit, compared with 29,1% last year

Net profit attributable to ordinary shareholders (after providing for taxation) increased to £25,8m (£24,7m)

After benefiting from an operating cash inflow, the group had net borrowings of £135,5m at year-end

Net asset value of the group was set at £207m (£163m last year)

Barlow Rand this week reported a 10% increase in turnover to R35,2bn, and a 5% increase in attributable profit to R849m

Sale of Tollgate coach company in the pipeline

BDAY LINDA ENSOR 17/12/92

CAPE TOWN — An unidentified, JSE-listed company and a consortium of Springbok Atlas Safaris managers are on the verge of finalising a deal to purchase the company from the provisionally liquidated Tollgate Holdings (TGH) group. (232)

The transaction would involve the purchase of Greyhound Coachlines coaches which are currently leased by Springbok Atlas.

In addition, a separate deal for the sale of Greyhound Citiliner which also leases coaches from Greyhound Coachlines was being negotiated, a TGH provisional liquidator said this week.

Springbok Atlas financial manager Patrick Vella confirmed the deal was nearly finalised and said he and MD Ricardo Dell'Erba were personally involved. A separate company would be established, staff would be retained and contracts with other coach rental companies taken over.

Vella said Springbok Atlas was a profitable company which had an estimated 40% of the SA touring coach market and was a leader in hiring charter buses.

The provisional liquidation of TGH had resulted in tremendous pressure from creditors and required that Springbok Atlas pay for all its purchases up front in cash. However, the company had continued to trade.

COMPANIES

Futures fail to whip up activity

TIM MARSLAND and PETER GALLI

232

HOPES that the JSE index-linked December futures contracts would boost flagging share prices were dashed on Tuesday

Some players had hoped the contracts would inject volatility into the JSE during the dull Christmas period However, relatively few contracts were issued for the December expiry, which kept their influence on the spot market to a minimum

The index-linked futures contracts expire quarterly and their final value equals the closing level of the JSE on that day

On Tuesday the all share index ended eight points off at 3 236, the industrial index lost 17 points to 4 314 and the all gold index dipped one point to 832

One dealer said futures activity was quiet as a number of players had squared their positions earlier in the month before going on leave

Options on futures also failed to influence the spot market as the indices closed too far from the options strike levels

The index-based futures contracts are linked to the JSE's three main indices — the all share, industrials and all gold indices. The contracts are priced at the index level multiplied by R10

Attention is now focused on the March close-out which will be the biggest yet Open interest (number of contracts written through the SA Futures Exchange) in the December 1992 all share contract was about 1 900 compared with about 30 000 March 1993 all share contracts

Meanwhile, the SA gold futures contract also expired "with little drama" because of the current lack of volatility in the gold price, a dealer said

The contract allows SA investors to take a position in gold and is expected to become a major instrument should volatility return to the market

INDUSTRIAL SHARES

FM 18/12/92

Bull run

(232)

Some analysts believe the JSE Industrial index is setting itself up for a new bull run early next year Certainly, it is performing yet another of its amazing escape tricks since reaching a low for the year on October 19, it has rebounded an astonishing 10%

However, it has done so in intemperate trading activity on some days the value of shares traded on the JSE has been as high as R180m (December 4) and on others as abysmal as R48m (October 26) Brokers wring their collective hands over such figures

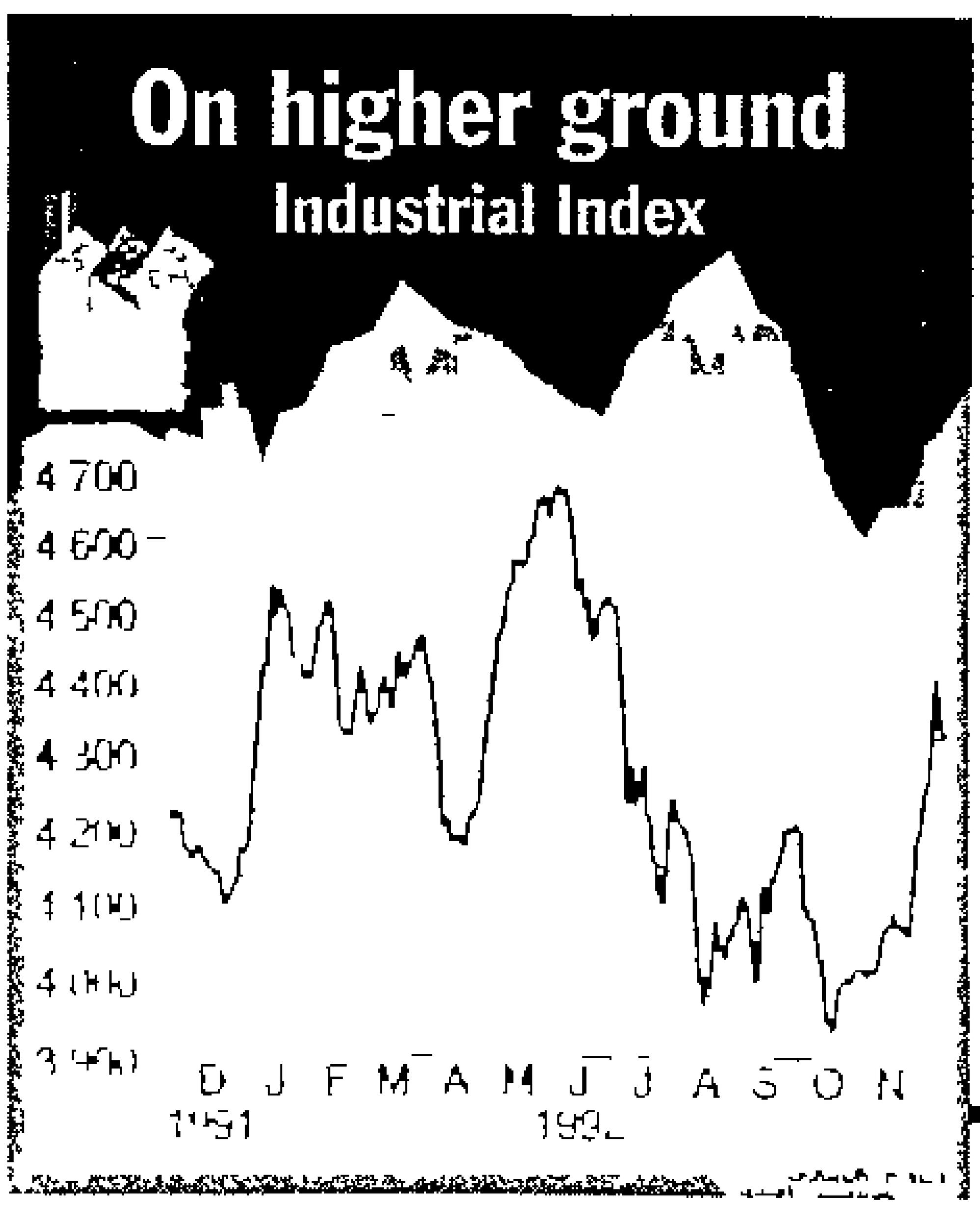
A leading analyst says the recent explosion in the index is due almost entirely to the critical shortage of scrip "Price movements have become farcical," he says, pointing to Edgars, of which only 100 of the 50,8m shares in issue traded last week

Also, SA pension funds' average equity exposure is as low as 55% compared with the UK's 82%. "That is verging on being imprudent" he says, "and there's a possibility fund managers will chase stock in the new year The effect may be to drive shares to new highs in an over-valued market "

Southern Life investment GM Paul Beachy Head says research shows the Industrial index almost never retreats when short-term interest rates are falling "That's the case both locally and abroad," he says

"Despite the apparently expensive level of the JSE Industrial index," adds Beachy Head, "it's likely the bull trend will be sustained in the new year, though at a rate lower than we've seen in recent weeks "

Investors may like to ponder these opinions with their brokers before heading for the beach and Christmas cheer *David Gleason*



LONRHO

Rowland's swan song?

Lonrho CE Tiny Rowland, who has made *chutzpah* his personal art form, clearly expects the equity markets to suspend their disbelief Last week Lonrho revealed the worst profits fall in 31 years, the arrival of a German white knight to shore up its creaking balance sheet and, as part of the deal, that Rowland is selling half his 14,1% stake at a premium of nearly 60% to the market price — with options to get out altogether in three years

Yet on Sunday, via his own newspaper, *The Observer*, Rowland declaimed "I am more bullish (about Lonrho) than I have been for 30 years " It was the second of two interviews — littered with "might" and "could be" — since the deal was announced Lonrho "might" almost treble its worldwide payroll to 400 000 in two years, it "may well" evolve as another Anglo-European group along Unilever lines, moving into opportunities in eastern Europe, south-east Asia and China, Angola and Mozambique

Lonrho is going to be completely different Rowland is staying on for at least three years but "perhaps" longer and is selling his shares only because of age — 75 last month

The white knight, Dieter Bock (53), largely unknown in London but not in Germany or Cape Town's property world, has been more reticent It is far from certain what his role as the largest shareholder will be, but Bock did say he wanted a less "personal" business approach and a more "logical fit" in Lonrho's operations. Bock also confirmed he wanted Rowland to remain "as long as possible, but not less than three years "

The facts that emerged last week were

☐ Having aborted takeover negotiations with Gencor and Genting, the Malaysian group which has 7,3%, Lonrho took only five weeks to strike a deal with Bock, who felt it was undervalued and wanted to invest £150m in the company,

☐ Under the deal Bock will buy half Rowland's stake at 115p a share for £50m and underwrite half a 3-for-10 rights issue (200m shares in total) at 85p to raise £169m before costs,

☐ Lonrho's pre-tax profit for the year to September slumped by 62% to £79m, and the net attributable by 93% to £6m — before profits on asset sales of £76m — and the dividend will total 5,3p (gross) a share against 17,3p,

☐ Net assets have fallen by 16% to £1bn because of property writedowns and elimination of intangibles — the value placed on newspaper titles — and debt has climbed to £947m, partly because of sterling's devaluation,

☐ Latest asset sale is of VAG, the UK Volkswagen dealership, to VW to raise £124m, before September 30 other sales plus the £177,5m received from Libya for 33% of Metropole Hotels had brought in £550m Disposal of 4 300 flats in Germany could generate a further £300m-£400m

The equity markets have promptly voted with their feet As the *FM* went to press Lonrho was at 73p

The rights issue is seen as financial engineering Bock is underwriting half, which will ensure he gets 100m shares without conflict with the stock exchange rules on pre-emption — and average his entry cost down to 94p a share Nobody expects the non-underwritten 100m to be taken up and Bock should emerge with 19% of Lonrho, rising to 25% when he buys the rest of the Rowland holding

London analysts are more confused about Lonrho than ever Whatever Rowland says about Lonrho not being a forced seller, the weight of views is that this is his swan song and Lonrho will be unbundled

Bock's interests are property and hotels The Libyan deal, even if its undisclosed details cloud the issue, capitalised the UK Metropole chain alone at £530m The Princess hotels in the Caribbean and Mexico and others could rival that

Gencor chairman Brian Gilbertson hopes Bock will see the value of platinum synergy in merging Western Platinum and Impala He was quoted at the weekend as saying it would add value of US$1bn to the combined group Gilbertson also wants the 45% stake in Ashanti gold and the SA coal interests

With a current market capitalisation of just £477m, Lonrho looks a straight asset play, but how much would be left after debt repayment and capital gains tax is a question not readily answered *John Cavill*

ABSA/KIC (232) FM 18/12/92

Another liquidation

With the speed of a Formula One car, Absa has moved to liquidate Kyalami International Circuit (KIC), owner of the Grand Prix racing circuit north of Johannesburg. KIC is a wholly owned subsidiary of Entercor, one of the Tollgate Holdings (TGH) subsidiaries. TGH and its subsidiaries were provisionally liquidated last week.

Months before the TGH liquidation application, TGH sold the business of Motor Racing Enterprises (MRE), also an Entercor subsidiary, for an undisclosed sum, to Mervyn Key, a former director of TGH. Key was the driving force behind MRE. He motivated the redevelopment of the Kyalami circuit, and promoted it to obtain the first race of the 1992 International Motor Racing Grand Prix and later an International Motor Cycle Grand Prix.

When Key bought MRE he entered into a four-year lease with KIC and obtained an option to purchase the property. The terms were a rental of R5m a year escalating at 10% annually. It is the sole source of KIC's income.

By liquidating KIC, Absa is forcing the sale of its assets. Mohamed Husain, a partner in the litigation and insolvency department of attorneys Edward Nathan & Friedland, confirms that if the property of KIC is to be sold it will remain subject to the lease, which is not upset by KIC's liquidation.

Absa has said it intends to avoid any disruption to the Formula One Grand Prix scheduled for early in the new year at Kyalami. Evidently, it intends to respect the lease. Key welcomes the liquidation, and adds that it will help to clear his position once and for all. The only losers will be KIC's creditors.

Gerald Hirshon

MICOR (232) FM 18/12/92.

Neutralising the minority vote

In a week in which the UK's Cadbury report pointedly highlighted the inadequacies of non-executive company directors in exercising a variety of powers, directors of an SA company gave their names and approval to yet another scheme which attacks minority shareholders' pockets The proposals made by the board of Micor have inspired widespread discontent

The Micor affair reveals, once again, the shortcomings in SA's Companies Act, and the inadequate protections provided to minorities The JSE's hands are tied, so are those of the Securities Regulation Panel because the deal's structure involves the purchase of assets rather than control of a company This type of transaction is not covered by the Takeover Code

Among institutions that hold positions in Micor, either directly or on behalf of clients, are Cape-based Allan Gray and a trading subsidiary of Sechold Between them they probably hold about 20% of the issued equity in Micor — substantial but insufficient to block the board's intentions

Micor is a holding company whose subsidiaries are principally centred on international and domestic freight, travel and finance Directors with 44,9% of the equity control the company The composition of the board reflects ultimate control by the Kaplan family, father Cecil and son Mark

Indeed, only one director, the ubiquitous Gerald Rubenstein, can be defined as non-executive Of the remainder, Messrs Barradas and Beevers are employees, a third, Mick Delahunt resigned in protest against the terms of the offer

A consortium has offered to purchase Micor's businesses for R15m cash, subsequently, shareholders can purchase a proportionate share in Micor's subsidiary Micind There are a number of pertinent features

The first is that the consortium comprises the Kaplan father-and-son team, together with other partners, some undisclosed The Kaplan's hold 60% of the interest in the consortium In other words, the directors are buying out the business

The second is that Micor's business includes activities undertaken outside SA In 1986 the directors obtained an exemption from the Registrar from making any disclosures about foreign subsidiaries, an exemption which has been extended The irony won't be lost on members Exemptions were introduced to protect SA companies from sanctions, now they are being used by controlling shareholders against minorities

The third is that the proposals — which have been accepted by Micor's board — will be put to shareholders for ratification at a meeting in terms of S228 of the Act This requires approval by a simple majority only Deputy chairman Mark Kaplan referred questions to DMB Securities' Roger Laing, corporate consultants to the board, who confirmed the Kaplans may legally vote their shares in support of their proposal

Asked why Micor's controlling shareholders had not submitted their proposals for ratification in a more democratic manner, Laing says "Section 228 is widely employed in transactions of this kind Costs are relatively low, there is a time advantage, and there is an element of certainty"

Minority shareholders say the offer is derisory relative to the underlying value of the company and its operations An institutional manager says minorities cannot arrive at the true value of the company Chairman Cecil Kaplan denies that He claims the exemption extends only to the names of subsidiaries "Profits and assets are consolidated in the annual statements," he says

Micor's financial statements show NAV at about R2/share After-tax profit for 1992 was R3,1m — equivalent to 19c/share The present p e for the sector in which Micor is listed is 14 Applying that would give a purchase price of R2,66/share, a 10 multiple would give R1,90/share These figures stand in stark contrast to the 90,7c/share offered by the consortium

"That," says Laing, "is an unacceptable argument I don't think anyone would buy this company on an earnings multiple of 10 Before this deal was announced, Micor traded around 65c The offer is more than fair and reasonable"

Micor's directors say comparisons with the JSE's Industrial Holdings index are inappropriate as the company is comparatively small, Micor's earnings and dividend yields have historically been at substantial discounts to the index, and its working capital requirements require a high dividend cover

JSE's Carter *relying*

WHAT MICOR'S WORTH

	Micor		Micor ex Micind	
	1991	1992	1991	1992
Turnover (Rm)	526	731	170	269
Pre-tax profit (Rm)	2,8	4,0	2,0	2,9
Profit before extra ord items (Rm)	2,5	3,1	1,8	2,2
EPS (c)	15,2	19,0	11,2	13,5
NAV (c)	183	200	114	150

Kaplan claims the offer to Micor shareholders to take up proportionate holdings in Micind effectively increases the offer price to nearly 139c "That's beside the point," says an affected minority "Micind is composed solely of local operations Acceptance of the offer effectively removes any participation in the lucrative overseas businesses"

Minorities feel aggrieved, and their sense of being short-changed is supported by former Micor director Delahunt's statement that he "believes the proposed sale price equivalent to 90c grossly inadequate and detrimental to Micor shareholders who are not members of the consortium"

The JSE has approved the transaction Director of Operations Neil Carter says "In terms of the professional information supplied by the auditors and reporting accountants, which state the proposals are fair and reasonable to Micor shareholders, we have to rely on that opinion We've taken all possible practical steps to ensure full disclosure has been made The matter rests on valuation, and the JSE is entitled to rely on professional opinion"

Micor minorities point out that auditor Kessel Feinstein, which supplied the fair-and-reasonable certificate, is also Micor's reporting accountant "In those circumstances, how can we be expected to accept the certification? It would make more sense if we were able to appoint our own auditors to verify KF's statement"

KF senior partner Zel Rangecroft protests that his firm would never put its name to an incorrect certificate "As professionals we express an independent opinion" Asked about Delahunt's attitude, Rangecroft says "We took cognisance of his views and concluded it was merely a difference of opinion"

Few options are available to protesting

P.T.O.

FOX FM 18/12/92

232 (352)

minorities It is highly unlikely, especially if the Kaplan consortium votes its shares, that minorities will be able to overturn the proposals The only viable option appears to be to make use of S252 of the Act, which provides relief from oppression — a provision rarely used successfully

The Kaplan-led consortium isn't buying out minorities in Micor because it is philanthropic, it is doing so because its participants see an opportunity to enhance their own wealth That is not unreasonable *per se* But it must not be achieved at the expense of others *David Gleason & Kate Rushton*

Sell shares to everyone and defy the ANC

232

Eamonn Butler is director of London's Adam Smith Institute, a free-market think tank that strongly influenced many of the Thatcher reforms, especially in the area of privatisation and deregulation. He was in SA this month to address a conference.

***FM:* Is SA doing the right thing commercialising and not privatising State entities?**

Butler: SA seems to be doing many of the right things However, I am concerned with the perception that commercialising State entities (the route taken with the Post Office, Telkom, Transnet and Denel) without changing ownership is sufficient

Of course, people tend to talk about the pain of privatisation — for example, job cuts But what they fail to realise is that this pain is made inevitable by years of nationalisation and bureaucratic blundering — not privatisation

Why is commercialisation not enough?

If commercialisation means that nothing changes — no change in ownership, no rationalisation, no incentives — the whole exercise is rather futile Even if changes do take place, commercialised entities often continue to be managed politically rather than commercially This means that goals tend to remain political

SA needs to move into privatisation rapidly, particularly to raise money to make change less painful This cannot be done through commercialisation The situation is similar for the former Iron Curtain countries, where privatisation needs to take place rapidly to show that there are advantages to making these changes In both instances, speed is essential as one might not get another opportunity to make these reforms

How can privatisation be made less painful?

People will support privatisation willingly if they have something to look forward to In the UK, when a State entity is privatised, around 10% of the value of the company is given to workers in shares and often held in trust for a few years The rest is sold to the public but share prices are kept low to enable ordinary people to own a stake Thus, though there is pain involved in adjusting to privatisation, workers become more willing to make the adjustment

Are there other lessons to be learnt?

Obviously, cutting jobs is a sensitive issue Attractive severance packages can help With the privatisation of British Airways, experts estimated that about 20 000 people had to be retrenched because they had nothing to do But no-one was fired because employees were offered large severance packages, financed from the privatisation of British Telecom The trick is to use the proceeds of one privatisation to finance the privatisation of other entities

Privatisation has stopped here because of the ANC. The ANC promises to nationalise, without compensation, any entity privatised by the present government.

Renationalising a privatised entity would be easy if, when privatising, you sell only to large corporations But if privatisation results in widespread ownership, renationalisation becomes less plausible To spread ownership widely, it may, however, be necessary to sell shares below their value The result is that ownership of wealth will have been transferred to ordinary people who, given a stake in the economy, are less likely to become disruptive forces

The ANC wants to continue exchange control and institute an investment code. Will this repeat the mistakes the Nats made?

These policies are geared to keep out international competition and usually have the support of local big businessmen, who often help draft these regulations For the small entrepreneur, these policies are a nightmare

One of the best things the UK ever did was to abolish exchange control The objection was that such a move would see money flow out of the UK This didn't happen

In Argentina, exchange control was abolished and the Argentinian currency was linked to the dollar A host of other reforms was announced The result Argentinians with Swiss accounts started bringing their money back home

Keeping these regulations in place merely turns people into criminals They move money out illegally Exchange control is an evil that seeks to restrict people and their money to a particular place Open and good government needs to be competitive

How should we spur economic growth here?

Economic growth will emerge from new businesses rather than old Government needs to encourage the growth of the small and informal business sectors, largely by keeping out of their way Further deregulation and low, simple taxes will help

What are your predictions for SA?

I am filled with optimism, especially since I see a lot of challenging debate taking place It would, however, be a great pity if SA did not become part of the international movement embracing privatisation and liberal economic reforms These policies have become popular in places such as the Far East and the Eastern bloc where other systems have not worked They know economic liberalisation will spread wealth to workers

Copalcor test of the watchdog's teeth

W\Mail 18/12 - 22/12/92

232

By REG RUMNEY

IN a decision which will make or break its credibility as a public watchdog, the Competition Board has attempted again this year to stop a monopolistic merger. The board has halted the R600-million merger of Haggie subsidiary Copalcor and Non-Ferrous Metals (NFM) group.

Its attempt to stop the takeover of Arwa by the FSI Group was overturned earlier this year by Minister for Public Enterprises Dawie de Villiers, underlining a perception of the board as a toothless watchdog.

The board has opposed the Copalcor-NFM merger on the grounds the merged company would represent a monopoly on both ends of the market, both in buying scrap metal and selling it as finished product.

The merging parties can and will appeal to De Villiers to have the board's judgment overturned.

Haggie managing director Chris Murray stresses the export benefits to the country of the merger. "Both companies cannot grow. Both are fighting over a small local market and cannot optimise exports." Neither can afford the capital investment now needed to stay abreast of world markets.

He cites Copalcor's need for a new extruder, and questions why it has to pay R20-million for one when NFM has a machine which is only used a third of the time it could be.

Asked whether the deal would lead to a monopoly, he says it depends on how "monopoly" is defined.

Murray says Copalcor is monopolistic in large segments now. The two companies don't overlap in all areas, he says. In some segments big customers only buy from one company or the other. Tariff protection is 15 percent on average, he contends. The board doesn't buy any of Copalcor's arguments, and is hoping the minister won't. It is trying to signal its seriousness about upholding competition.

Competition Board chairman Pierre Brooks says: "We are trying to get this message across: If a company makes an acquisition in an area in which they have a dominant position they have to be convincing about how it serves the public interest."

The copper companies merger holds out the possibility of increased exports, he says, but this is speculative. However, these exports mainly benefit the companies concerned rather than the public.

Brooks explains the minister's decision on Arwa hinged on competion from imports.

"The minister told us to ensure that tariff protection must not stand in the way of imports. We had to monitor the situation for probable abuses." Having done that, the board was able to facilitate substantial imports in consultation with the Department of Trade and Industries

A similar situation applies to the copper firms merger. "It is regulated on both sides of the market. You can't have a monopoly and have tariffs," remarks Brooks. Nor, despite the Arwa decision, is it the board's business to address the tariff. "The barriers must first be removed before the merger can go ahead, but we don't control the barriers."

Brooks notes too that the decision hasn't been taken in a vacuum. "The downstream users were agitated and were forthright in expressing their fears about what might happen if the merger took place."

What has been overlooked is an aspect of the merger which may attract more attention under a new regime — that of further concentration of economic power.

The merger would mean a private company, NFM, is taken over by a company owned by conglomerates Anglo and Sanlam. The move, coming so soon after its own anti-trust conference has attracted the attention of the African National Congress.

ANC department of economy policy's Tito Mboweni noted the board's action with interest. "They seem to be waking up. Whether the move is indicative of a changed approach or just panic is not clear."

However, he noted the decision could still be overturned. If it is, the board will have suffered a blow to its public credibil-

SHARE DEALINGS: *Dividends a key in picking right time to buy or sell*

Fine tune your timing on JSE

STAR 19/12/92 (232)

FOOTSTEPS TO FORTUNE

RICHARD *Cluver*

PICKING the share with the greatest capital growth potential is, as has been explained in the past few weeks, a relatively simple business if you sort out which Johannesburg Stock Exchange companies have achieved the greatest dividend growth rates in recent years, which enjoy the best returns on employed capital and whose borrowings are best related to the current interest rate climate

However, there is a right time and a wrong time to invest in them For a rough guide to determine whether shares are at a particular time either under or overpriced, all you need do is employ the combination of dividend yield and average percentage growth of dividends calculation that I explained in previous columns

To understand how to use it, one might have noted this week that Anglovaal Holdings has enjoyed a 10-year dividend growth average of 13,27 percent and its shares were standing at a dividend yield of 1,1 percent, Perskor had a 10,74 percent growth average and was on a yield of 2,2 percent while Remgro's average growth was 21,36 percent and its yield 1,3 percent.

Overpriced market

Because dividend growth rates tend to translate into capital growth rates, all one needs to do is add those numbers together to achieve total potential investment returns for the forthcoming year of 14,37 percent for Anglovaal, 12,94 for Perskor and 22,66 for Remgro. Clearly, the cheapest of the three was thus Remgro for it offered by far the highest potential return on the investor's rand Perskor was on the other hand considerably more expensive

Note that cheap and expensive are, in fact, related values and the greater the number of shares you

rather more complicated method of making this relative evaluation of shares and, naturally, of improving the accuracy of the process I create an index of value for every share on the JSE, which I calculate by mixing together average dividend growth rates, earnings growth rates, return on capital employed and so forth.

One might then note that if the index of value of a particular share is say 30 percent higher than the average of its peers, then since the way the market values shares is by measuring dividend yields, it follows that such a share should have a dividend yield 30 percent lower than the average of its peers.

If, however, it is only 15 percent lower, then it must be obvious that it represents a bargain and that it can be bought all the way up to the 30 percent point when it might be regarded as fully priced

Of course, the fact that our share is underpriced might well have been overlooked by the bulk of investors and it might remain underpriced for months or even years at a time. The shrewd investor, accordingly, looks not only for underpriced situations, but equally for evidence that a buying trend has begun

In my own computerised systems, I accordingly add in a whole battery of sophisticated technical tests to determine the optimum moment to either buy or sell such shares The whole purpose of the computerised exercise is improve significantly upon the average annual 113 percent portfolio gains which I have proved that the Royals — those shares that possess the highest possible balance sheet credentials — can yield

My computerised techniques of combining optimum timing with quality selection have not been around for long enough to warrant my making statistical claims about the annual growth rates that precision timing can can add to this 113 percent benchmark.

Greater efficiency

The average annualised gain made by my ShareFinder 2 program with its timed buying suggestions for blue chip shares since it was launched in September 1992 was 146,83 percent, whereas the average annual growth of the Royals that were simply bought on January 1 each year and sold at the end of each December during that two-year period was 83,4 percent a year

By implication, timing appears to add about 66 percent greater efficiency and that figure would be far higher if one were looking merely at timed buying and selling of Royals However, I would like to observe such trends over a very much longer period before coming to firm conclusions about the precise percentage gains that timing would make possible.

Cash-settled puts can give peace of mind

STAR 19/12/92 (232)

THE fifth in the series of articles illustrating how share options on the JSE's Traded Options Market can be used to profit from different market scenarios. This week, the strategy for insuring your portfolio against a falling market.

THE market has been looking fragile in recent months and you are holding a portfolio of 2 000 De Beers shares. You believe there is a distinct possibility of a sharp fall in the market.

You are looking for a strategy which will enable you to place a downside limit on your losses without sacrificing the longer-term upside potential of your position.

What should your strategy be?

You contact your stockbroker, who tells you that De Beers is trading at, say, R61.

Your stockbroker suggests that you take out insurance by buying put options on De Beers.

He suggests you buy March 20 1993 "cash-settled" put options on De Beers at an exercise price of R60.

These options are selling on the Traded Options Market for R450 each, giving a total "insurance premium" of 20 times R450, or R9 000. The market value of the shares insured is R122 000.

Each of the 20 "put option" contracts gives you the right to "sell" 100 De Beers shares into the market at any time until March 18 1993 at a fixed price of R60 each.

Since the options are "cash-settled", you will not actually be required to deliver the underlying share certificates but will simply receive the difference between the exercise price and the market price in cash from the Traded Options Clearing House.

This means that if De Beers falls to, say, R50, you will earn a gross profit of R10 a share on the options less the option premium of R4,50 a share, giving a total net profit of R5,50 a share or R11 000.

This will compensate you for 50 percent of the loss on your share portfolio, which would amount to R11 a share (R61 less R50) or R22 000.

If De Beers' share price remains at R60 or climbs, you will simply abandon your put options as worthless or sell them on the Traded Options Market to another put option buyer. In this case your loss will not exceed the option premium of R9 000 plus brokerage and transaction fees, less any amount received from the sale of the options. In a rising market, the profit earned on your shares should more than compensate for this loss.

Before making a final decision, ask your stockbroker for an analysis of the potential profits and losses from the put option strategy.

SUMMARY: The strategy places a downside limit on your potential losses in a falling market and does not inhibit your taking part in the upward price movement of the shares (although it reduces your potential by the amount of the option premium). This is a small price to pay for the peace of mind offered by put options.

Profit and loss scenario

De Beers Share Price 18 March	R40	R50	R60	R70	R80
Strike Price	R60	R60	R60	R60	R60
Gross P/L (options)	R40 000	R20 000	R0	R0	R0
Gross P/L (shares)	−R42 000	−R22 000	−R2 000	R18 0	R38 000
Premium Paid	−R9 000	−R9 000	−R9 000	−R9 0	−R9 000
Brokerage and Fees	−R317	−R317	−R317	−R31	−R317
Total Profit/Loss	−R11 317	−R11 317	−R11 713	R8 683	R28 683
Return (without options)	−34%	−18%	−2%	+15%	+31%
Return (with options)	−9%	−9%	−9%	+7%	+22%

Those family ties

St Times [BUSS] 20/12/92 (232)

The planned buy-out of company assets by the controlling shareholders of Racy and Micor has underscored the need for increased protection for minority shareholders. Comment by ZILLA EFRAT

MINORITIES in Racy Group Holdings and Micor Holdings may hardly be blamed if they feel that this is not the Season of Goodwill

They stand almost powerless in stopping the sale of the companies' assets back to the controlling directors in two almost identical deals.

Their only recourse may be in preventing the directors from taking their money out of the companies — a move that will hurt all involved

With little regard for minorities, Racy's general meeting will be held on December 30 The JSE asked the company to change the date, but to no avail.

The proposals seemingly offer investors little to cheer about and once again highlight the plight of minorities in South Africa Those in Racy are being offered 51c a share — a large drop from the net asset value of 83,6c a share reported at end September

Resolution

Micor minorities are being offered 90,719c a share, compared with the net asset value of 200c a share at end June.

In both deals, family groupings, who are also the controlling directors, intend buying the operating assets out of the companies for themselves

In what effectively amounts to a change in control, the deals have been structured in a way that entails the sale of assets and not a takeover. This means that they do not fall under the jurisdiction of the Security Regulations Panel (SRP)

The methods used are perfectly legal and commonly applied The sale of the assets will be done via an ordinary resolution in terms of Section 228 of the Companies Act. To be passed, the resolution must be approved by just over 50% of the shares represented at a general meeting

Minorities have almost no chance of stopping the sale. Racy's directors already own 54% of the group and Micor's directors, with a 44,9% stake, are sure to succeed.

Both Racy and Micor have opted to pay shareholders out in cash by way of reduction of capital This requires a special resolution where 75% of the shareholders attending the meeting must give their approval.

Substantial minorities in Racy, who are opposed to the deal, have a stake of more than 25% in the group Institutions, including Cape-based Allan Gray and a subsidiary of Sechold, hold about 20% in Micor

This means that minorities could block the capital reduction, which will stop the controlling shareholders from taking their share of the money out of the company. Liquidation of the company may then be their only alternative.

The downside, of course, is that minorities will also lose out.

Shareholder Association of South Africa chairman Issy Goldberg believes the strategy used by both Micor and Racy directors to obtain their companies' assets could well be unsupportable in law.

He says: "It is well entrenched in both common and commercial law that the philosophy of recusal must be employed where directors proposing a scheme stand to benefit from it personally to the prejudice of minorities."

He describes S228 of the Companies Act as "an absolute absurdity as far as equitability is concerned" and believes it should be amended to require a special resolution.

Minorities are generally apathetic, but they are able to turn to Section 252 of the Companies Act to relieve them from any oppression. This has, however, not always proved successful. It means taking a legal action against the company, and minorities may find that the company's funds are used to fight them in the courts.

Authority

Indeed, Goldberg says: "Whatever general protection the Companies Act offers minorities could be removed altogether for the little good it does. Unaffordable law is no better than no law at all"

He adds: "The lack of statutory authority by the JSE must be remedied without fail. It should be allowed to write its own rules, which should have the authority of law similar to what the SRP has.

"This must replace the contractual relationship which has proved to be hopelessly ineffective in protecting minorities."

Cruel '93 for corporate SA

S/Times (BUSS) 20/12/92 (232)

By ZILLA EFRAT and CIARAN RYAN

CORPORATE failures are set to soar in the New Year

A number of large and medium sized companies face closure in February and March following one of the worst years for company liquidations since Rubicon

Business failures are expected to accelerate in the first quarter when spending levels collapse following the seasonal upturn

Many small firms are expected to simply close their doors if Christmas sales do not materialise. These will not be reflected in the statistics.

Economists fear that liquidation figures for 1992 could be up 50% on last year if current patterns continue. Nearly 10 companies or close corporations were liquidated each working day this year and 3 400 individuals — the highest ever — faced sequestration, says Information Trust Corporation (ITC)

Nearly 100 000 consumers were summonsed each month this year for failing to repay debts. This does not include those cases which did not reach the courts. Credit experts say billions of rand could be involved

ITC says 15% of the consumers on its nationwide database of 10-million are in some kind of financial difficulty

Compulsory liquidations in October accounted for 92,7% of all liquidations. This is far higher than seen in previous recessions, where the figure was never higher than 75%

Credit Guarantee economist Luke Doig says this reflects the desperation of creditors and their reduced ability to grant an extension of terms.

Hopes that Christmas will come to the rescue of a retail sector battered by rising unemployment and falling personal incomes appear to be ill-founded.

Chief economist at Nedbank, Edward Osborn, says the Christmas season will reflect the continuing decline in the fortunes of the retail sector

"Christmas sales should be below those of last year. Although the good rains should have an immediate impact on gross domestic product, this won't necessarily percolate through to the manufacturing sector. Things will remain tough in the first quarter of 1993."

Solution

Mr Osborn forecasts an economic growth rate of 2% in 1993, with the upturn occurring later in the year

"People who find themselves in debt should rather confront the problem with their creditors to reach a mutually acceptable solution," says David Rosin, ITC's senior executive, market development. "They should not attempt to evade their creditors by absconding and hoping that their debt will go away

Mr Doig says the wholesale and retail sectors, followed by manufacturing and construction, will take the biggest knock next year

Liquidations up until now, and in past recessions, have largely involved smaller sized firms But Mr Doig predicts that more medium sized businesses could also go to the wall early next year

Year-on-year figures for October show that company liquidations are up 43,8%, reflecting the extremely tight trading conditions and slumping consumer demand

Failures in the manufacturing sector soared 103% compared with October last year, and were up 84% on September 1992. Wholesale and retail business failures were up 56% on October 1991

Mr Doig says companies in the instalment sale business are in great danger as consumers and companies are struggling to pay these off

Highest

Instalment sale transactions accounted for most of the deterioration in civil default and consent judgments for debt in September. These judgments for business enterprises soared 744%, while those for private persons leapt 56%

Mr Doig says this position could worsen after Christmas, as consumers tend to buy bigger ticket items on instalment.

Judgments against businesses in September of R46,955-million were the highest on record.

Mr Doig says the rise in liquidations will reflect a knock-on effect and there is very little to break this spiral.

Mr Doig says. "While most pre-Christmas orders have already been placed and executed, what must be worrying all and sundry is the eventual outcome of retail sales.

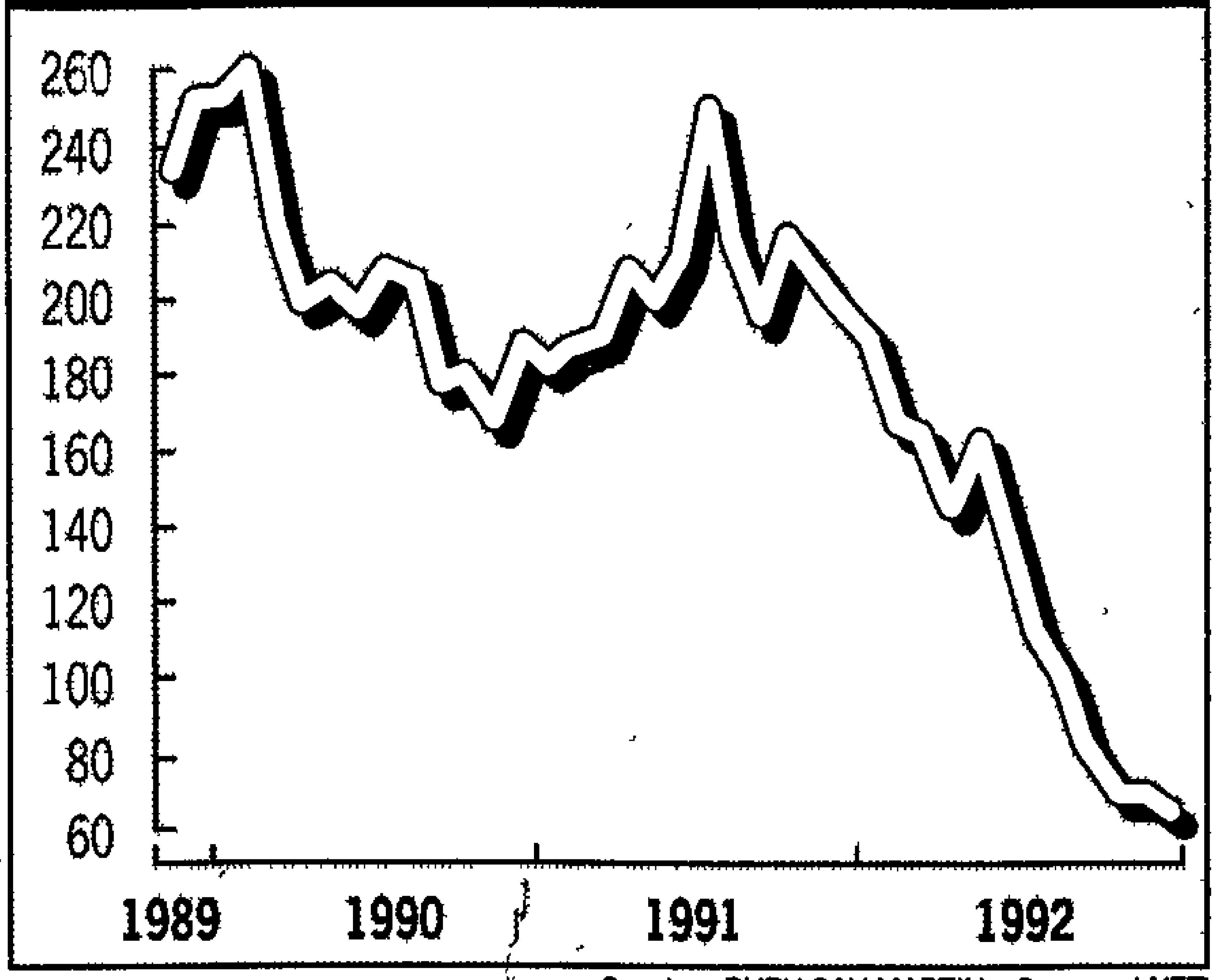
"It is quite simple. If consumers don't buy or meet commitments the retailer or wholesaler cannot pay the manufacturer for costs already incurred."

Mr Doig says the worst of the individual insolvencies are also not behind us.

He says: "Can anyone offer viable reasons why this uncomfortable plateau of closures is not set to endure over the coming months?"

LUKE DOIG . 'Can anyone offer viable reasons why this plateau of closures is not set to endure?'

Iscor



Graphic: RUBY-GAY MARTIN Source I-NET

Forecasts are spot on

STimes (BUSS) 20/12/92

By JULIE WALKER (232)

CITY NEWS, the investment newsletter edited by experienced portfolio managers Tim May and Peter Pittendrigh, paints a gloomy story for oil and gold but advocates heavy or total weighting of portfolios into the financial and industrial sectors of the JSE.

I receive a copy of City News soon after it has been circulated to its clients. Its mid-November forecasts of a lower oil price and its rub-off effect on gold were spot on.

The logic is that, as oil importers' bills fall, their economies benefit, company profits improve and stock markets rise.

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

City News advises investors not to worry that, if by being in industrials, they miss a sharp upturn in the mining sector because, over time, they will be far better off in growth companies rather than uncertainties.

In the same edition, the editors tipped Ellerine at R50 (now R57) and fancied OK Bazaars as a speculative recovery at R5,50, now R6,20.

City News, investment advice and portfolio review services are available on (011) 673 6590.

Looking to good times

STimes (BUSS) 20/12/92

By CHERILYN IRETON

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

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

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

Poised

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

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

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

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

Export earnings will give the group an added dimension.

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

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

20/12/92

Warning

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

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

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

Politics cast a grey shadow over the JSE

STimes (BUSS) (232)

By JEREMY WOODS

THE JSE is likely to tread water for the next six months, picking up with the world economy in the second half of 1993 20/12/92

This is the view of two leading fund managers from Cape Town's top financial institutions.

"So far as the future movement of the JSE is concerned, everything is dominated by politics," says Ronnie Masson, senior general manager in charge of all Sanlam's investments

"The market is currently at a fairly high level and is already discounting good news I am positive that the political situation will improve in the long run, but the political realities have some catching up to do with the JSE's current expectations"

Mr Masson believes that, on balance, the stock market will be fairly dull for the next six months. He sees no reason at present why the market should experience any serious downside correction, but he also believes that there is not enough good news on the political or economic front to take it substantially higher

Overdone

"I feel comfortable where the market is at the moment I think we are in for a dull market for the first few months of the year, a sideways movement that will start to improve towards the end of the year as politics improve and the rest of the Western world starts to move out of recession."

So far as individual sectors of the stock market are concerned, Mr Masson feels that most are fully valued

"However, one sector I like is mining finance The fall in mining financials has probably been overdone and there are some good value situations in the sector What investors in mining financials really need to watch for are serious signs of a sustained recovery by the Western economies."

Until then, Mr Masson feels small investors should stay fairly liquid and watch how the political and world economic situation develops.

He believes the bull run in the gilt market is probably running out of steam and his long-term view is that realism will prevail eventually and that the political parties will get together.

Over at Syfrets, portfolio manager Matt Brenzel thinks the market's upside potential is limited and would feel happier if the market underwent a downside correction of about 15%.

RONNIE MASSON ... 'the market is currently at a fairly high level'

He has a close eye on decisions currently being taken in Washington and says that, historically, US markets usually trend down after an election

"The difficult decisions for a new government are normally taken in the first two months and the markets reflect this. Any movement by the Dow Jones has a bearing on sentiment here," he says.

While the political noises are positive now, Mr Brenzel thinks there may be hiccups over the next few months, while the recovery in domestic corporate ratings will be slow, in line with anaemic economic growth.

"All in all, I think investors might do better having their money on call or in short dated gilts rather than in the equity market for the next few months," he added.

Attractive

So far as individual sectors were concerned, most appeared fully valued.

"But gold shares look reasonably attractive at these levels and there could be some worthwhile trading opportunities in shares like Southvaals, Driefontein and Kloof"

The future course of interest rates is still down, he believes, though the bulk of the bull market in gilts is over.

"We could see another 2% off interest rates over the next year and we expect inflation to be at about 11% towards the end of next year," he added.

Listed Supreme companies cut free

MARCIA KLEIN

JSE-listed Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers (Profurn) have reached agreement with the joint provisional liquidators of their controlling companies to unlock them as subsidiaries

The three companies announced today that in terms of the scheme, they would be released from all guarantees and/or securities which they furnished to the two holding companies in liquidation and/or the trustee for the debenture holders

The two unlisted holding companies are Supreme Investment Holdings and Supreme Holdings.

Profurn would capitalise the loan of R45m owing to its ultimate controlling company. The loan has been extended to June 1993.

The directors said that notwithstanding the provisional liquidation of the holding companies, the most recent management accounts showed that all three companies were solvent and continued to trade profitably (232)

The move should ease market fears that the operating companies would not be able to continue trading

The liquidators said the interests of debenture holders and creditors would be best served by allowing the subsidiaries to continue trading

The two holding companies were liquidated last month with a combined debenture debt of R270m obtained from about 6 000 debenture holders

S 10 21/12/92

Springbok a R7,25m bargain for Imperial

LINDA ENSOR

CAPE TOWN — Imperial Group's "bargain" purchase of Tollgate Holdings (TGH) subsidiary Springbok Atlas Safaris for R7,25m included the acquisition of about 89 luxury coaches, minibuses and trailers, according to papers submitted to the Cape Supreme Court

Springbok Atlas is a leading national tour and coach operator, providing luxury and semi-luxury coaches for hire and for package tours It carries more than 500 000 local and international passengers annually and is the single biggest user of hotel rooms and Parks Board accommodation in SA

The deal was approved by Absa, major creditor of the provisionally liquidated TGH group, which had debts of more than R305m. It included buying coaches from Greyhound Coach Lines and trailers from Quicksilver Those involved in the deal admitted that Imperial had got a bargain price but said the provisional liquidators had also got a good deal

In a presentation to Absa in May, former TGH director Mervyn Key said replacing Springbok's coaches would cost about R60m In 1991 the firm's operating profit was R3,7m Operating profit of R6,2m on a turnover of R90m was budgeted for the 1992 financial year, Minutes of the presentation were annexed to Absa's application for provisional liquidation of TGH

One of the TGH provisional liquidators, Stephen Gore of Sanek, said in court papers seeking approval of the Springbok Atlas sale that the piecemeal sale of its assets under forced sale conditions would realise a similar amount as the purchase price of R7,25m after payment of administration costs, auctioneers' commissions and other costs (232)

However, he said the purchase price was considered fair in the circumstances Gore emphasised that it was imperative for the company to be sold before it was irreparably damaged in SA and abroad by the news of the provisional liquidation of TGH Many tours organised through Springbok Atlas could be cancelled

"The news of the demise of Springbok Atlas Safaris is spreading throughout Europe Competitors in the package tour field are taking advantage of this and it is essential that the agreement be sanctioned as a matter of extreme urgency to ensure the continuity of the business and to obviate the tourist industry in SA suffering a severe setback"

JSE the odd-man out as world markets rally

Weaker trade surplus could check recovery

STAR 23/12/92.

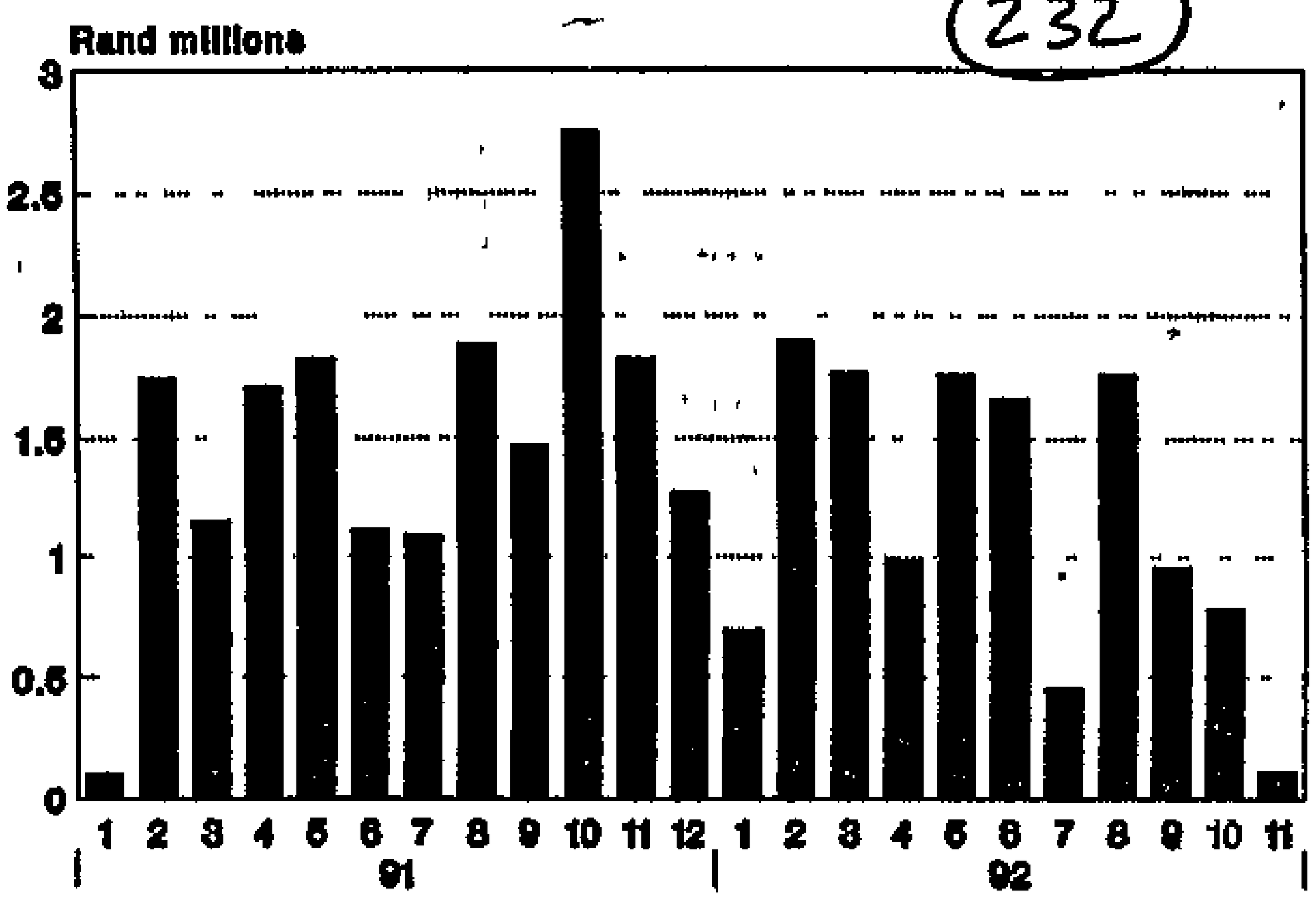
(232)

By Derek Tommey

The Johannesburg Stock Exchange is the odd man out in the pre-Christmas share price rallies which are being experienced by many of the world's other major exchanges.

While American, British, German, French, and, to a lesser extent, Japanese shares have shown reasonable gains in the past few days, share price rises on the JSE have been few and far between

One reason say brokers is that many investors are away on holiday But another and probably the main one is that here is also some concern about the possible damage which the sharp deterioration in outh Africa's trade surplus in November could do to the economy — and especially to the incipient business recovery.



How the trade surplus has shrunk.

Capital market

The trade surplus slumped to 13 million in November from 83 million in October and 832 million in November last ır As the drop in the surplus ı lead to tighter money cons it is not surprising that e has already been a small ease in capital market rates in short-term rates as well us is not good for businessmen or investors as neither of these developments is bullish for business or for the share market

Economists point out that with South Africa having only limited access to foreign capital markets, the country needs a large trade surplus to meet current account payments and also to repay it foreign debts

So far South Africa has been able to do this But the Nedbank Economic Unit reports that some R2,4 billion in "affected" and "scheduled" debt falls due for payment next year together with a further R2,4 billion of public debt unless this is rolled over. With this millstone around its neck, South Africa's position is not a happy one

Much will depends on whether the drop in the trade deficit is temporary or not, says Graham Boyd, economist with Simpson McKee

At present the share market believes that this year's drought is a major factor in the shrinking trade surplus and that the situation could turn around next year

Meanwhile, Reserve Bank figures show that the balance of payment on current account has been declining this year It amounted to R3,7 billion in the third quarter, down from R9,7 billion in the third quarter of last year. And for the first three quarters this year was R14,2 billion, down from R17,4 billion in the same period last year

Economists have pointed out that this highlights the great need to stimulate exports and it has been suggested that the Government should think twice about its proposed increase in VAT in the next Budget and instead reduce its own spending

In theory an increase in VAT is not inflationary In fact it is deflationary as it reduces purchasing power. However, in practice once an increase in VAT becomes part of the consumer price index it becomes a major generator of inflation.

This, if past experience is any guide is because it will lead to everyone demanding a pay increase to offset the extra tax they are paying The outcome will be another inflationary spiral and, more importantly in the current context, higher priced and therefore lower levels of exports

The IMF maintains that the high taxes imposed on South Africans is harming the economy This being so, how can the Government, when South Africa already has 4 million or so under-employed and unemployed, justify a further economy-depressing tax increase?

UK subsidiary of Tollgate for sale

232 LINDA ENSOR

~~CAPE TOWN~~ — Tollgate Holdings' (TGH) provisional liquidators are negotiating the sale of the group's UK subsidiary, Jaton Holdings, but it appears unlikely it will fetch the £11,5m (about R63m at the time) for which it was bought in December 1991

Jaton Holdings is the largest independent distributor of industrial fasteners and wire mesh products to the wholesale trade in the UK. It also manufactures and distributes electrical installation components and fittings. B Day 23/12/92

News of the pending deal follows the recent sale of TGH subsidiary Springbok Atlas Safaris to Imperial Group for R7,25m, a price which has to be seen in relation to the operating profit of R6,2m expected for the 1992 financial year.

Jaton Holdings was acquired at a price-to-earnings ratio of 9,9 times based on estimated 1992 earnings

Provisional liquidator Bessie Bester of Cape Trustees said there were serious buyers for Jaton in the UK and SA. A deal should be finalised in January Management was also interested in a buyout.

Bester said that purely on the basis of the accounts, the net asset value of the company, excluding goodwill, was about £4,3m With goodwill, the company would be worth about £9m, but using this figure under liquidation conditions was not realistic, he said

Buying Jaton would be a "nice" investment for an SA company, which would acquire an offshore asset in rands, thereby spreading its risk abroad, he said

On the other hand, a UK company might, with Reserve Bank approval, be able to pay for the acquisition through the financial rand

SUPREME FM 25/12/92 (232)

Prospect of reprieve

Consensus a few weeks ago was that the listed companies in the Supreme group would fall into the net of liquidations But this week's announcement by Supreme Industrial Holdings (SIH) and its subsidiaries Supreme Manufacturing Holdings (SMH) and Protea Furnishers (Profurn) states "an agreement in principle" which may be considered binding, has been concluded with the joint provisional liquidators

Supreme Holdings and Supreme Investment Holdings (both unlisted) each own 43% of SIH, which owns 80% of Profurn and 92% of SMH The unlisted companies issued debentures to finance the subsidiaries, while income from the subsidiaries financed the 16,5% interest on the debentures, as well as the redemption of debentures

There is particular confusion about the likely effects on the listed companies A spokesperson for SIH says they are not involved in the liquidation of the parent company *per se*, except that SIH, SMH and Profurn have been "unlocked" as subsidiaries of the companies in provisional liquidation In terms of the proposal, they would be released from all guarantees and securities furnished by them to the parent companies and the trustee for the debenture holders

A report on the viability of these companies has shown all three companies are solvent and continue to trade profitably

What does all this mean to the shareholders? Under the proposed scheme, the listed companies should continue to operate normally The liquidators have no claim to the listed companies' assets "This we have made sure of," says one spokesperson "There was that possibility where Profurn was concerned because of its R45m loan, but this threat has been removed by capitalising the loan "

It's proposed that shares held in SIH, SMH and Profurn by the companies under provisional liquidation will be distributed to debenture holders, thereby eliminating the need to find a suitable buyer and ensuring that debenture holders become the majority

SIH and its subsidiaries would become a widely-held public company, with no majority shareholder While this may seem a "fantastic idea and the right way to do things" according to someone close to the agreement, it still has to go through the courts and the JSE That is expected to take eight to 10 weeks

Marvlou Greig

TOLLGATE

Lucky for some

Imperial Group (Imphold) shareholders should rub their hands with glee at the purchase of Springbok Atlas (SA) out of the Tollgate Holdings (TGH) liquidation for just R7,25m According to Mervyn Key, a TGH director until a year ago, SA had budgeted an operating profit of about R6m in its 1992 financial year

No doubt, he points out, the tourist carrier's performance was hurt by political uncertainties, strikes and other economic disruptions, but this highlights its profit generating capacity in normal times If this sort of profit can be earned again, the purchase would offer a very low p e of 1,2

But it is not as simple as that

SA was a division of Entercor, which in turn was wholly owned by TGH All creditors thus became creditors of Entercor, not SA itself Since Entercor is in provisional liquidation, SA creditors are a long way from receiving a cent If this sale price is any guide to what Entercor's other assets may realise, creditors may well receive nothing

SA CE Riccardo Dell'Erba roughly estimates its major creditors as Southern Sun R1,5m, Karos and Protea about R600 000 each, the Mount Nelson Hotel R150 000, and other smaller ones which take the total to R6,5m-R7m

Dell'Erba contends that the biggest loser is SA itself The division was, he says, profitable and highly liquid However, all its cash has been seized by the liquidators and is effectively in the bank's (Absa's) hands SA and Imphold have undertaken to honour all pre-payments and deposits by tourists

Imphold has bought only the assets and business of SA So it will have to fund fresh working capital Springbok is still required by all suppliers — hotels, restaurants, fuel and other creditors — to pay cash till satisfactory guarantees are furnished

These demands will squeeze Imphold's liquidity in the short term, but there can be little doubt that, in the long run, it has acquired a fundamentally important part of the tourist industry Imphold's shareholders have every right to be pleased and TGH shareholders every right to be further saddened at their loss

Gerald Hirshon

Roller coaster ride

232

FM. 25/12/92

Conditions on the JSE looked reasonably bright at the beginning of the year, after the unexpectedly strong performance of some sectors in 1991 and an increase in the JSE All Share index of about 29%

Against this not altogether gloomy background (some economists were still predicting an upturn during the year) six stockbroking firms, and the *FM*, each selected fictional portfolios of 10 shares each

The 1992 brokers' portfolio competition was the first time that participants were named, following an earlier change in legislation which allowed stockbrokers to advertise

Optimism was soon dampened as the market sagged At mid-year, when participating firms were allowed to change their portfolios, the All Share index had gained 5,7% and the Industrial index 9,3% When the competition closed in mid-December, the All Share index had lost 6,4% on the year and the Industrial was up only 4,1%

There was only one change in the order of rankings as they stood at mid-year, and that came from Simpson McKie, which moved up from fourth to second place The *FM* retained its place at the top, with its portfolio appreciating 44,4% for the year, after being up 24,3% at the end of June

That was a slight improvement over the *FM*'s performance last year, when we finished second with a capital gain of 40,8%, which was 20 percentage points lower than the 1991 winner And that largely sums up the comparative market trends for the year

The *FM* made four changes to its portfolio at mid-year, taking profit on the top per-

Continued →

FOX

FM 25/12/92

232

forming share in our portfolio, Publico (up 75% over the six months), and dropping underperformers Kinross Mines, AECI, and Fidelity Bank, though the last of these did gain a creditable 18% over the six months

Two of the new shares, Rusplat (down 21,5%) and Tradehold (up 1%), proved disappointing, but Spurhold appreciated by 75,6% over the six months and African Life by 20,9% Best performing share in the *FM*'s portfolio proved to be that of information technology group Datakor, which gained an impressive 152% over 12 months

Other strong performers were Foodcorp (up 115%), while insurance shares were consistent performers, represented by Cusaf (up 51,8%) and Protea Assurance (up 46,1%)

Second-placed Simpson McKie made five changes at the halfway stage, largely responsible — with the exception of Specialty Stores, which dropped 17% over the six months — for its second-half climb up the rankings It brought in asbestos producer Msauli, top performing share in Simpson McKie's portfolio with capital appreciation of 64,2% over the second half

The firm did well out of the Lewis family's offshore arm, Oceana Investment Corp (up 57,8%), and also anticipated the upturn in the fishing industry early, selecting Oceana Fishing (up 39,2%)

Davis Borkum Hare was the only firm not to make any changes to its largely blue-chip portfolio, showing perhaps that a careful selection of safe shares can strongly outperform both the indices and inflation rate However, the outstanding share in the portfolio was the UK-based Telemetrix, which gained 221,4% in the year and was the best performer in any of the portfolios

1992 RANKINGS

Portfolio	Appreciation (%)
FM	44,4
Simpson McKie	27,9
Davis Borkum Hare	26,7
Martin	19 7
Anderson Wilson	8,4
Ed Hern Rudolph	0,1
Senekal Mouton Kitshoff	(0,2)

Martin, on the other hand, made some judicious changes at the halfway mark, correctly anticipating a poor performance from Dorbyl and bringing in strong performers like Datakor (up 62,6%) and Foodcorp They were also well served by insurance shares African Life (up 20,3%) and Momentum Life (up 34,3%), though overall Martin only managed marginal capital appreciation on the mid-year position

The remaining three firms saw portfolios depreciate over the past six months, mining counters generally being their undoing

Anderson Wilson suffered from their commitment to mining shares, the only exception being Potgietersrust Platinums, which gained 28,2% Their best selection turned out to be Crown Foods, introduced halfway and which climbed 44,3%

Ed Hern Rudolph, after dropping gold producer Deelkraal and mining financial Mid Wits halfway, brought in some new mining shares which turned out to be poor performers, all depreciating in the second half Best was Foschini, up 45,2% over the six months

And so too with Senekal Mouton Kitshoff, which despite lightening their exposure to mining at mid-way kept mining house Gencor (down 20,5%) and Rustenburg Platinum (up 9,6%) Rhombus Vanadium remained static over the second half The mid-year introduction of Momentum Life proved to be their best selection

Generally, 1992 was a year for insurance, food and electronic shares, at least according to the top portfolios What of 1993?

Again, insurance shares appear to be favoured as relatively safe, with all participants, except Anderson Wilson, selecting at least one insurer An interesting choice is Martin's AVF Group, clearly seeing recovery potential in one of 1992's worst performers in the insurance sector

Despite their disappointing performance last year, mining and mining financial shares again make an appearance, though not as strongly as in 1992

Otherwise, the selection is again diverse No clear favourite share emerges in the selections for 1993, though counters like Nedcor, FIT, SA Druggists, Anglo American Corp, ISG, Ellerine and Imphold appear more than once Some interesting choices include Simpson McKie's CG Sugar and Martin's Yabeng

Common themes running through stocks the *FM* has chosen for 1993 include strong and entrepreneurial management, turnaround potential, and some shares we feel are under-priced Two short-term insurers are again included, in the hope that there won't be damaging hail storms or floods over the next six months

☐ *Readers should note that all these shares are chosen as part of an equity portfolio game They should not be seen as recommendations or tips*

BARLOW RAND FM 25/12/92 (232)

Rewarding the parts that perform

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

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

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

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

Over the past year, whereas Barlows' share price has slipped about 12%, that of

Barlows' Clewlow
satisfactory results

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

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

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

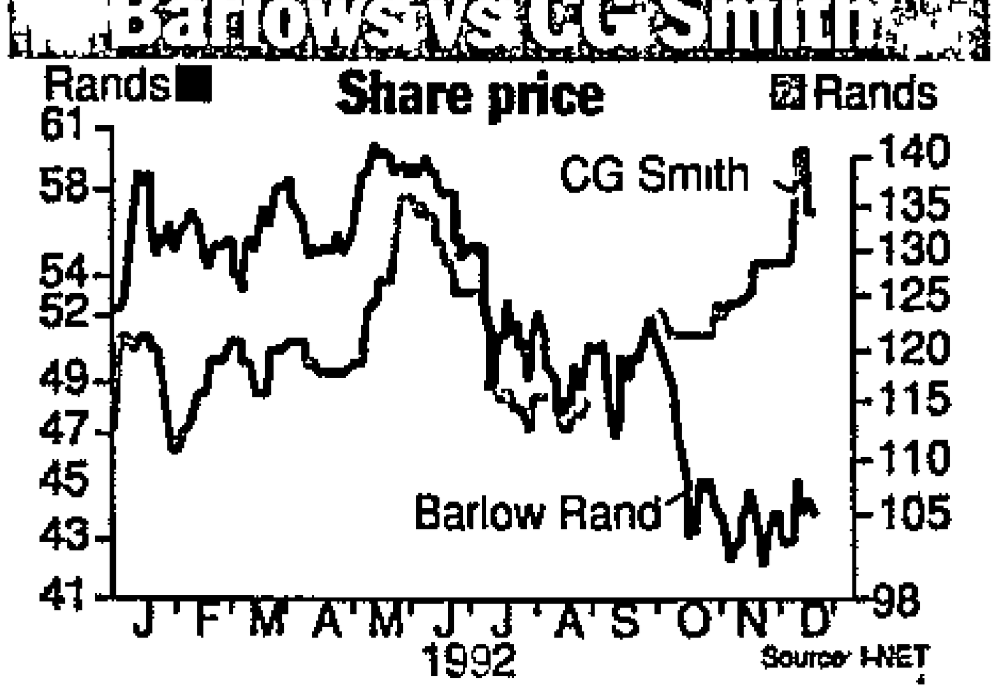
This benefit was achieved, if one takes the turnaround from a R66m attributable loss to a R50m profit from the Financial Services/ Group Admin division

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

By the same token, the combined contribution of the Packaging & Textiles and Food & Pharmaceuticals divisions — in other words, the Smith group — rose by R22m And whereas Smith chairman Robbie Williams forecasts "some growth" in this year's earnings, the forecast for Barlows is that it will be difficult to show any growth while business conditions remain as they are Put simply, this points to an expectation on the part of management that 1993 will see more of the same in terms of the performance of Barlows relative to Smith

As things stand, it is an open question as to whether the final dismemberment of Rand Mines will yield any material improvement in results, thereby reversing the progressive

Barlows vs CG Smith



decline in the contribution from the Mineral Resources division which has been evident for a number of years (see graph) As far as the Industrial division is concerned, last year's problems centred on three wholly owned subsectors — Robor (tube manufacture and steel merchanting), Barlows Consumer Electric Products (consumer electric durables) and Federated-Blaikie (building materials) whose combined contribution to earnings was R54m lower than in 1991

Clearly, a lasting turnaround here will depend largely on an improvement in fixed investment expenditure Since this cycle normally lags the general economy, the short-term outlook for the division, where most interests are tied significantly to the fixed investment cycle, is not particularly promis-

DIVISIONAL PERFORMANCE

	Taxed profit		Shareholders' funds†		Return	
	1991 Rm	1992 Rm	1991 Rm	1992 Rm	1991 %	1992 %
Mineral Resources	427	371	2 226	2 416	19,2	15,4
Industry	373	361	1 727	1 864	21 6	19,4
Packaging & Textiles	249	275	1 436	1 617	17,3	17 0
Food & Pharmaceuticals	498	564	2 575	3 372	19,3	16,7
International	122	133	814	939	15,0	14 2
Financial services & Group Administration	(64)	51	373	196	(17,2)	26,0
Total	1 605	1 755	9 151	10 404	17,5	16,9

† Includes minority interests, deferred tax and loan stock

P.T.O.

ABACUS/IGI FM 25/12/92 (232)

Providing support

Saddled with debt and without too many suitors knocking at its door, Abacus has again turned to main shareholder IGI for assistance, and thankfully received a positive response

IGI, offering minorities 14c a share, can hardly be called Scrooge Abacus, formerly Interboard, has two operating divisions, Bruply Doors and Tempest Radio & Hi-Fi The share last traded at 7c Its NAV, about 20c a share at end-September, is shrinking at a rate of more than 1c a month because of high interest payments Borrowings totalled R53,3m at the March year-end, but by end-September had risen a further R5,4m and gearing had climbed to 332%

The proposal is not without sacrifice for Abacus It will lose its JSE listing (in the Electronics sector), and become a wholly owned subsidiary of IGI This will be subject to approval by the JSE, Securities Regulation Panel and the exchange control board

HCI GM Rory O'Donnell puts the total cost of the salvage operation at well above the R6m that might be raised by a rights issue, assuming that were possible, but hesitates to venture an exact figure Since an equity injection of several times current market capitalisation of about R6m is needed, a normal rights issue is impractical

O'Donnell says funding will come from within the broader HCI group's internal resources and borrowings if neccessary The only obvious solution to the Abacus problem is a restructuring of debt as equity Sometimes, he adds, it pays to keep a company such as Abacus in business

IGI unwillingly inherited its 75% interest in Abacus through a complicated process The Reserve Bank held under attachment 130m shares which were converted into redeemable prefs and redeemed at par IGI became the major shareholder following Abacus's purchase of Audiocor, the sale of its 61% share of Audiobuild, and a distribution of the acquisition value of Audiocor to Audiobuild shareholders (other than Abacus)

A rights issue last year raised R16m, with IGI contributing most of the funds

The nature of Abacus's business hardly

FM 25/12/92 (232)

fits neatly into HCI/IGI's portfolio Doors and insurance? Certainly no salt and pepper Presumably, after Abacus has been refinanced, IGI will sell it, once a buyer can be found

Kate Rushton

JULIAN OGILVIE THOMPSON: cut dividends

SOL KERZNER: the Sun King

Julian hits a rocky road...

S Times 27/12/92 (232)

THE TYCOONS

DE BEERS' chairman Julian Ogilvie Thompson sent waves through the Johannesburg Stock Exchange with the shock August announcement that the company would probably be obliged to cut its dividend for the current financial year.

The announcement came only weeks after both De Beers and Anglo American Corporation gave presentations to investors locally and abroad. There was little hint at these events that the diamond market was in disarray from oversupply and under-demand

De Beers' share price tumbled from R97 to R44 before rallying to around R60. The worst effect on South Africans was not felt so much by the diamond industry itself but by investors

Being the JSE's leading share in terms of trade and trend-setting, De Beers' collapse brought the whole market tumbling down. From early June, when the JSE overall index peaked it tumbled by almost a quarter by mid-October.

While in the longer run, the stock market has proved to be the best hedge against inflation and has given the best returns to investors, there are inevitably periods when cash in the bank would have given a better return

Hardest hit were investors who had saved through JSE-linked insurance policies which matured when the market was closest to the bottom Had their investments matured a few months earlier, their returns would have been much better.

But Sol's folly pays off

SOL KERZNER'S media machine saw to it that South Africans got a dose of glitz and glamour in 1992 in between the violence and turmoil

Mr Kerzner was reinstated as Sun International boss in September — in time to steer a four-month media blitz that peaked with the early December opening of the R830-million Lost City development.

Initially tagged Sol's Folly, the Lost City drew the world's rich and famous for three weeks of festivities that included Jean Michel-Jarre's laser and light show, the Million Dollar golf tournament and the Miss World pageant

Hordes of international and local journalists and cameramen were flown in for the 21-day party

During development, the project provided about 5 000 jobs for contractors and on opening, 1 000 permanent work opportunities

Courting

Ailing equities market sparked bull run on gilts

BDAY 28/12/92

HILARY GUSH

FOR most of 1992, an ailing equities market spurred the move away from shares towards gilts, leading to a prolonged bull run in that market which was reversed only in late October

Looking back over the year, dealers said the capital market had been a hive of activity with high average daily turnovers.

In its latest quarterly bulletin the Reserve Bank said that, while activity in the secondary capital markets had been buoyant in the first three quarters of 1992, underlying market conditions had changed in the last quarter

Worse than expected corporate financial results and a weakening in the share prices of certain blue chips on international equity markets saw institutional investors shift from equities to gilts

Transactions in public sector stock hit a record monthly high of R79,3bn in July This was followed by a moderately lower average monthly level of R69,5bn in August and September. The bulletin said this was significantly higher than the R37,4bn average monthly level in the second quarter of 1992

From a 17,2% peak in October last year, the monthly average yield on long-term government stock eased to 16,9% in February before falling sharply to 13,9% in October 1992 The bulletin said the decrease in long rates reflected "a softening in short rates, expected lower inflation rates, a weaker than expected real economy and the lowering of Bank rate"

After the prolonged bull run, bears came to the fore towards the end of October with foreign and local selling pushing yields higher

The outlook for next year is one of uncertainty

One dealer said that, because of the unstable political environment, many promised investments had not materialised this year and large corporations would soon discover they would need more funding than they had budgeted for Rates could therefore be expected to rise next year They added, however, that above 15% yields on long-dated stock still represented good value

Some portfolio managers predicted a sharp correction in rates in the new year as government would come to the market "in a big way" to fund the ballooning Budget deficit After good market reception to SA's first corporate bond issue — the R1bn seven-year SA Breweries S001 bond — players expected further issues in 1993, even as early as January

But they warned that bears had not taken over for good and that rates on long-dated stock could still fall to around 14,3%

By definition, capital market instruments have outstanding maturities of more than three years As against going into long-dated stock, some players are opting for the short-end of the gilts market or the money market. They say with another cut in the Bank rate looming, rates are set to fall further

Yields on shorter dated stocks — which react more to conditions in the money market — will then come down

232 Redemption

Despite the fact that about R1,36n Transnet stock is maturing next year, the transport parastatal is not expected to issue new bonds — besides an Elfi issue — on the capital market next year

Transnet treasury head Johan van Schoor said there would not be a new bond issue next year to replace the R600m in maturing T002 stock He said the October 1991 issue of the T13 bond — maturing in October 1995 — was made in anticipation of the redemption of T002 stock next year

"To a large extent the T13 stock was put in place to replace T002 which matures next year," he said

However, only about R242m was issued in T13 stock as against the R600m issue of the T002 bond

Van Schoor said negotiations concerning the Elfi 5 issue — planned for April — were under way with the authorities and he was confident Transnet would receive the necessary approval

But he cautioned "With four months to go until the issue it is too premature to guess how large it will be"

Tussle looms over Finance Week shares

LINDA ENSOR

BDM 28/12/92

CAPE TOWN — A tussle is looming between Finance Week co-founder and minority shareholder Stuart Murray and the magazine's editor and co-founder Allan Greenblo over the purchase of the Finance Week Holdings (FWH) shares owned by the provisionally liquidated Tollgate Holdings group

Murray, who publishes Company Motoring among other magazines, confirmed yesterday that he was interested in bidding for the 7 610 TGH-held shares which represent 26,7% of the total issued share capital of FWH

Murray, currently holding a substantial stake in FWH, would become controlling shareholder if he were to buy the TGH-owned shares He would not disclose the size of his stake, but is believed to control about 30% of the shares. Greenblo, who was not available for comment, is believed to have a 14,5% interest and to exercise control through supporting shareholders such as Tollgate's CE Julian Askin. (232)

Provisional liquidator Chris van Zyl confirmed that Greenblo had made a bid, but denied that it was as low as the R10,52 a share being suggested in some circles He estimated net asset value was about R40 a share, which would value the company at R1,14m.

Van Zyl said he had not yet received an offer from Murray No sale could take place until final liquidation of the TGH group and then only with the consent of creditors.

Van Zyl said Greenblo claimed to have a pre-emptive right to buy the shares but he had not yet had the opportunity to investigate the legal validity of his claim

But Murray said the validity of the right was questionable as Greenblo had not taken up the shares when they were offered by Rand Merchant Bank. The shares changed hands before ending up in the TGH portfolio and if the pre-emptive right clause followed the shares, then Greenblo would have the right to them

Murray said he had indicated to the TGH liquidators that he was interested in buying the shares He said the major TGH creditor, Absa Bank, had been asked to assess the value of the FWH shares Murray's motivation was more to prevent control of the company passing to an outside shareholder, or being sold at a large discount to net asset value, than a wish to gain control for its own sake.

"I did not anticipate the sudden availability of a large number of shares coming onto the market through the provisional liquidation of the TGH group," Murray said

Murray acquired shares held overseas by Lynn Hill (wife of fugitive chemicals manufacturer Oliver Hill) and Richard Rolfe, a British freelance journalist who helped establish Finance Week.

A technical perspective on prospects for shares

STAR 29/12/92

(232)

Dee Campouroglou, technical and market researcher for Frankel Max Pollak Vinderine Inc, suggests technical analysis points to demand for JSE shares outstripping supply.

Outlook '93

Just as 1990 was characterised by a strong downward corrective wave in the market, so was 1992, with the overall share index falling by nearly 22 percent.

It started off slowly enough in June, with the Dow Jones industrial index showing signs of flagging and the FTSE-100 entering a serious corrective wave. But then a series of exacerbating factors took over in the ensuing months

Breakdown in political negotiations, violence in Boipatong and Bisho, mass action and the realisation of its effect on a deepening economic recession added further fuel to an already falling equity market

De Beers' announcement of reduced expectations in August shattered confidence, causing the share to fall from around 7 500c to a low of 4 460c (–40 percent), with the concomitant ripple effect virtually across the board.

The gold price, after trying to rally beyond $350 during October, again continued to disappoint.

But what of the future?

The market ha been heavily oversold and buyers have been returning, particularly in the latter part of November

In fact, our technical signals are pointing to much better prospects for 1993, although the current rally certainly cannot be sustained to much beyond current levels before a short-term corrective wave sets in

Nonetheless, given the positive medium-term prospects (considering a six-to-nine-month time horizon), this potential downward move should provide tardy investors with yet another opportunity to accumulate selected stocks at technically cheap levels

That is not to say we are forecasting a glorious bull market into the future — too many imponderables exist in our current socio-political and economic climate — but in terms of our technical research, demand seems to be outstripping supply, which is the stuff of which bull phases are made

The London and New York markets have been helping of late, and technical signals here too reflect positive potential on a three- to-five-month view, although a short-term downward correction should materialise in the next few weeks.

It must be noted, however, that disturbing signals are present for the Dow in the latter part of 1993

Dollar strength since early October put paid to an appreciation in the gold price, but at its recent high of Dm1,6055 the dollar has become overbought on a short-term view, suggesting a cycle of weakness is about to begin, providing some respite for gold.

Nonetheless, a stronger dollar (above Dm1,60) is expected in the course of 1993, which leaves us with beleaguered bullion

A short-term upside ceiling appears to be in place between $343 and $345, and the medium-term signals do not encourage us to place our expectations on anything beyond that

Long-term signals (six months plus) are starting to intrigue, but gold would need to penetrate the $350 level for us to be convinced of a sustainable turnaround

The prospects for platinum look more promising.

The recent strong depreciation of the rand against the dollar also appears to have run its course for the present as reflected in a heavily over sold short-term condition, but as the dollar strengthens next year, further weakness can be expected, if not at the recent rate

Focus can then again be applied to rand hedge shares in the course of 1993

Mining

The mining board is comprised of coal, diamond, gold and metals and minerals, which in broad terms have not been favoured since the beginning of the decade

De Beers, in particular, at its recent low of 4 460c, has shed 55,5 percent of its value since its peak in November last year

We expect a strong price performance from mining products and mining financials early next year, and this should be accompanied by a superior performance against the market as a whole

This statement, however, needs qualification, and should not be regarded as a blanket one.

Price action on De Beers, in the recent rally to 5 800c, provides a clue Short-term buying pressure is strong, but of more importance is the emergence of medium-term buying pressure, which implies that the current rally should be sustainable well into 1993

In addition, the stock shows potential to beat the market average during this time The share is highly tradeable, and should be bought into any short-term weakness for positive prospects, at least for the next six-to-nine-month time horizon

Mining financials should also sparkle in the early part of next year, and the shares favoured within mining houses for recovery potential on a six-month view are JCI, Anglo American and Gencor, in that order

Charter's recent strong performance has placed it in expensive territory on a short-term view, so some market under-performance is likely in the next couple of months

Minorco, within the mining holdings sector, also falls into this category, but superior prospects for 1993 suggest that the share should be accumulated, but only after some price retracement

When looking for recovery potential within the holdings sector, it is Middle Wits that stands out

Of technical interest, too, is Rustenburg Platinum, both for its potential price advance and re-rating ability against the overall share index

Coal shares should continue to disappoint, and we would avoid the gold market, except for short-term trading opportunities, until such time as bullion achieves a sustained break beyond $345 an ounce

● In a subsequent article the writer will discuss prospects for the industrial board

Some industrial shares offer outstanding value

STAR 30/12/92 (232)

Outlook '93

By Dee Campourogiou, technical and market researcher for Frankel Max Pollak Vinderine Inc, who sees demand for industrial shares being sustained well into the new year.

The industrial board of the Johannesburg Stock Exchange shed 16,1 percent in the five months from June to October this year, breaking through major technical indicators like the 200-day moving average in the process

In that time it fared better than the overall market, falling by less, but the current recovery has lagged that of the market as a whole

With major upside resistance between 4240 and 4290, we can expect the industrial share index to hesitate and retrace from this region, particularly as market activity slows during the holiday season.

But current demand should ensure that 4100 support holds in the course of the next few weeks.

Upward move

More interestingly, perhaps, all technical indicators point to this demand being sustained well into 1993, with the index now offering the same technical values as it did during October 1990, which was followed by a strong upward move

Risk/reward analyses nonetheless show that the market is mature, implying that while positive appreciation can be expected, its rate of acceleration may disappoint, and in any event should not overshadow that of the mining board

Within this framework, we examine the potential of individual sectors, in terms of their expected performance against both the industrial and all shares indices

Potential

The accompanying table illustrates this potential where "–" indicates expected underperformance, and "+", reflects the potential for the sector to beat the averages, all considering a six-to-nine month outlook

This concept should be elaborated Outperformance potential applies equally to rising and falling markets, but in terms of falling markets, it implies only that the sector will fall by less

It is thus paramount that the sector also illustrates "turnaround" potential in the absolute sense

Relative Performance Expectations

Index	Against the Industrial Market	Against the Overall Market
Industrial Holdings	–	–
Beverages & Hotels	+	+
Building & Construction	+	–
Chemicals & Oils	+ then –	–
Clothing, Footwear & Textiles	–	–
Electronics	+	+
Engineering	+	–
Fishing	+	+
Food	–	–
Furniture	+	+
Motor	+	+
Paper & Packaging	+	–
Pharmaceutical & Medical	– then +	–
Printing & Publishing	–	–
Steel & Allied	–	–
Retailers	– then +	+
Sugar	– then +	–
Tobacco & Match	– then +	– then +
Transportation	–	–

Some areas of the industrial market are offering outstanding technical value, particularly (and probably not coincidentally) those that have been battered by the severe economic recession, especially where consumer spending is concerned

Another point to bear in mind is that, in terms of price action, share prices (and more obviously those in the industrial market) tend to discount recovery potential in earnings well into the future, sometimes by as much as 15 to 18 months.

Our table, and background analysis, suggests strong purchase recommendations in the areas of Beverages & Hotels, Furniture, Motor Retailers and Tobacco & Match, although the latter two could disappoint in the short term

The Electronics and Fishing sectors should continue to perform well, and selected shares in these areas of the market can still be accumulated with confidence

We would rate Engineering, Pharmaceuticals and Paper & Packaging as a hold at current levels.

Also, we are not well disposed towards Chemicals & Oils, Food, Printing and Transportation, for while positive price action is likely, these sectors should lag the performance of Industrials and the market as a whole in the course of 1993

Turnaround

Building and Construction, Steel & Allied and Clothing should be avoided until such time as a clear turnaround is perceived.

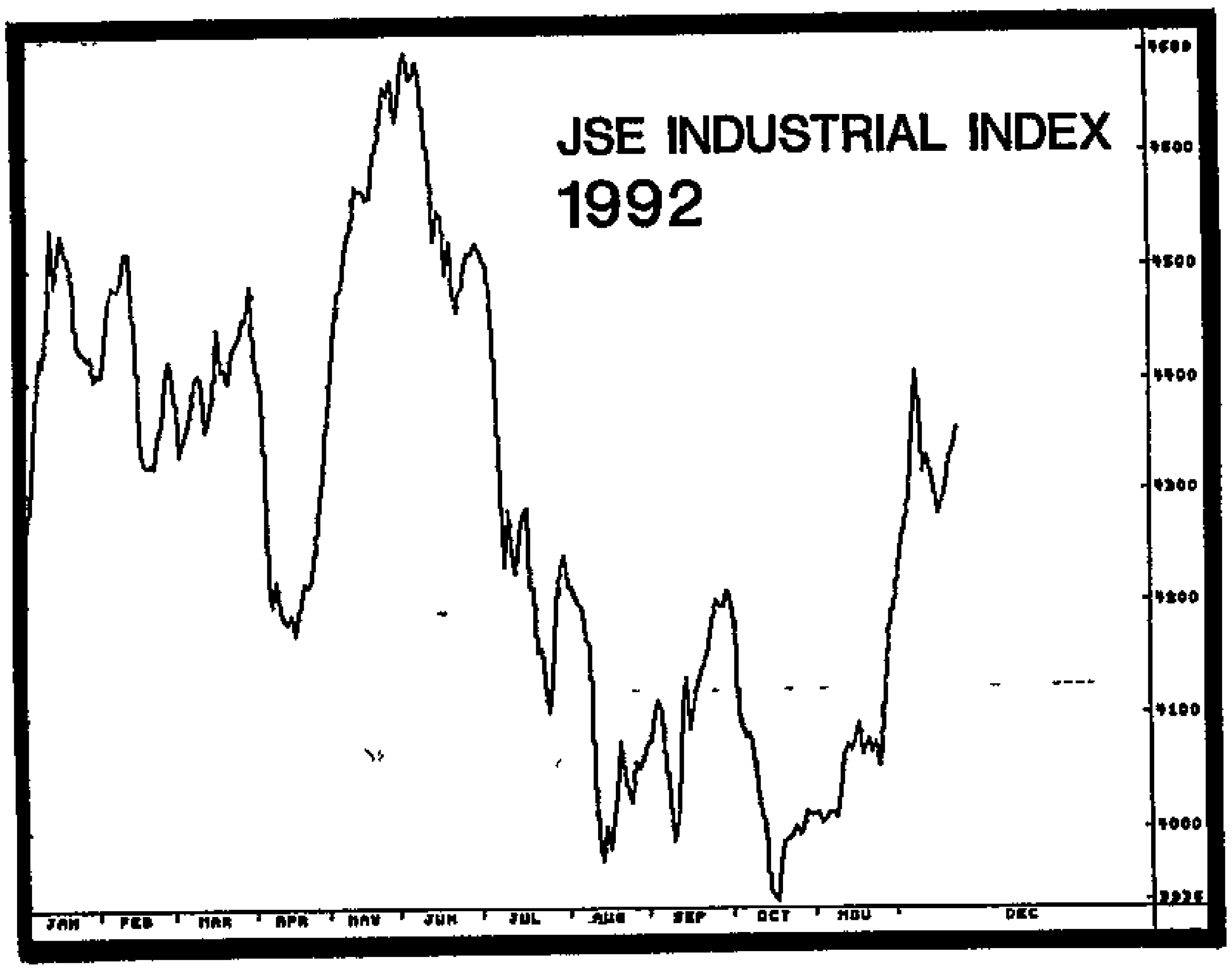
Industrial Holdings and Sugar present a mixed bag Tongaat and Barlows offer outstanding recovery potential into 1993, but price weakness can be anticipated for another couple of months

Richemont, too, still looks vulnerable, and should continue to be an underperformer until such time as a break above 3 750c is achieved

All in all, technical demand factors are reflecting positive potential for the market, at least into the first half of next year Selectivity, however, will be the key to success

International markets should not have a dampening effect and gold bullion and platinum should be neutral to positive

The vital factor in restoring market confidence would be a success in bilateral and multilateral political talks, and some signs of economic stabilisation in the months to come



Lower inflation figures put life into gilts market

(232)

BDay 30/12/92.

GRETA STEYN

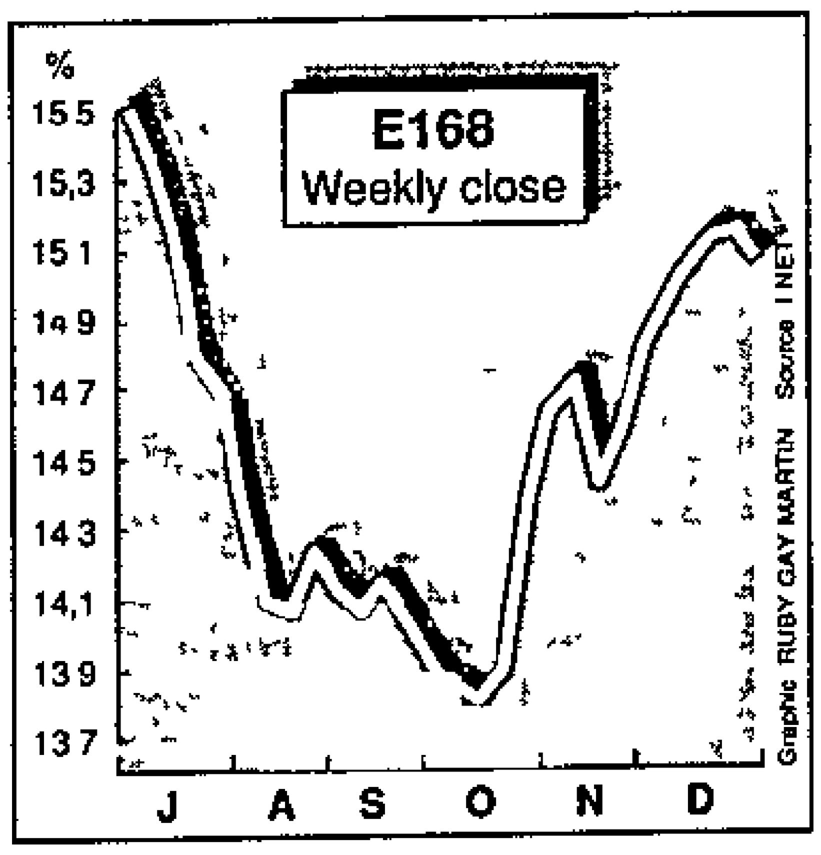
BETTER than expected inflation figures breathed some life into a moribund gilts market yesterday, sparking a seven-point fall in key long-term interest rates.

Bulls took a break from watching cricket, playing backgammon and other festive season activities to buy Eskom's Loan E168 down to 15,08% from Monday's close of 15,15% There was a similar movement on government's Loan R150

Dealers said if there had been more players in the market, the reaction would have been more marked

"The market was caught off guard by the inflation figures This has certainly put the skids on the upward move in rates," a trader said

With inflation expected to fall further in coming months, bulls believed gilts would increasingly be seen as



"good value" representing a high real rate of return The bears emphasised fears of a huge deficit next year, and the fence-sitters believed it better to wait for the Budget before taking a strong view.

There was, however, a growing belief among jobbers that institutional cash flows were enough to finance the deficit without putting much upward pressure on interest rates, a trader said. The recent bearish tone in the market reflected a lack of institutional buying amid uncertainty rather than a clear trend

A further bullish factor for the gilts market could be a reduction in Bank rate While some dealers expect Reserve Bank Governor Chris Stals to react to positive developments on the inflation front early in the year, others are sticking to the Budget as the key determinant of whether and when short-term rates will be cut

In the money market, conditions were yesterday described as "comfortable for this time of year" December is usually a tight month

Call rates had increased by 25-50 points, in line with expectations The liquidity situation is expected to tighten as the month-end nears

Lower inflation figures put life into gilts market

(232)

B/Day 30/12/92

(49)

GRETA STEYN

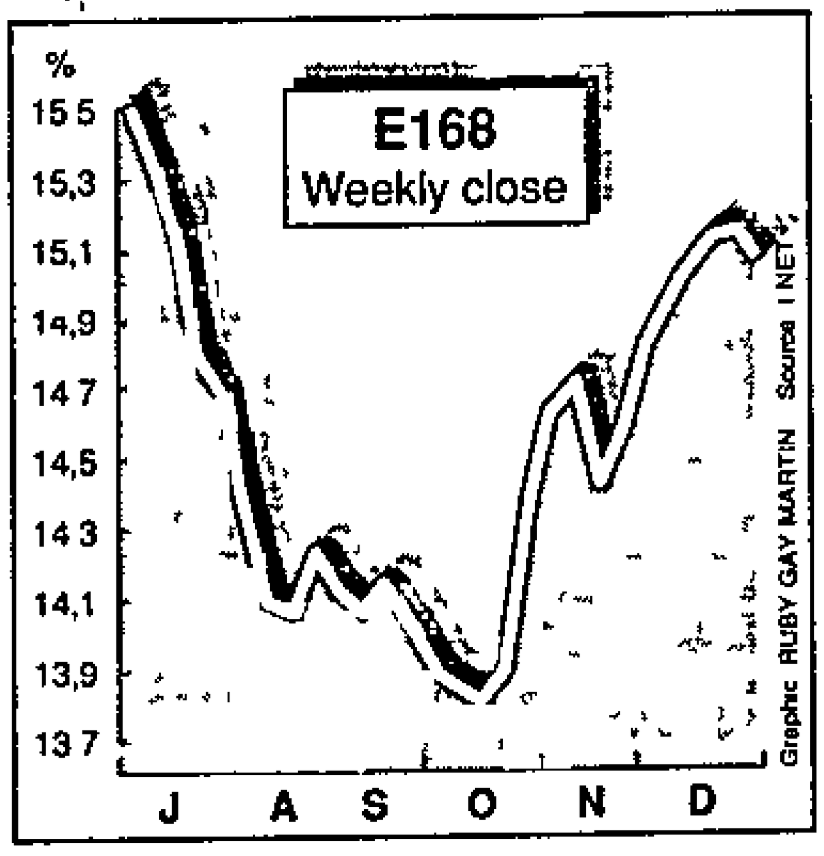
BETTER than expected inflation figures breathed some life into a moribund gilts market yesterday, sparking a seven-point fall in key long-term interest rates.

Bulls took a break from watching cricket, playing backgammon and other festive season activities to buy Eskom's Loan E168 down to 15,08% from Monday's close of 15,15%. There was a similar movement on government's Loan R150

Dealers said if there had been more players in the market, the reaction would have been more marked

"The market was caught off guard by the inflation figures This has certainly put the skids on the upward move in rates," a trader said

With inflation expected to fall further in coming months, bulls believed gilts would increasingly be seen as "good value" representing a high real rate of return The bears emphasised fears of a huge deficit next year, and the fence-sitters believed it better to wait for the Budget before taking a strong view.



There was, however, a growing belief among jobbers that institutional cash flows were enough to finance the deficit without putting much upward pressure on interest rates, a trader said The recent bearish tone in the market reflected a lack of institutional buying amid uncertainty rather than a clear trend

A further bullish factor for the gilts market could be a reduction in Bank rate. While some dealers expect Reserve Bank Governor Chris Stals to react to positive developments on the inflation front early in the year, others are sticking to the Budget as the key determinant of whether and when short-term rates will be cut.

In the money market, conditions were yesterday described as "comfortable for this time of year" December is usually a tight month

Call rates had increased by 25-50 points, in line with expectations The liquidity situation is expected to tighten as the month-end nears

Capital market turns bullish

Hopes rise for a further cut in Bank rate

232

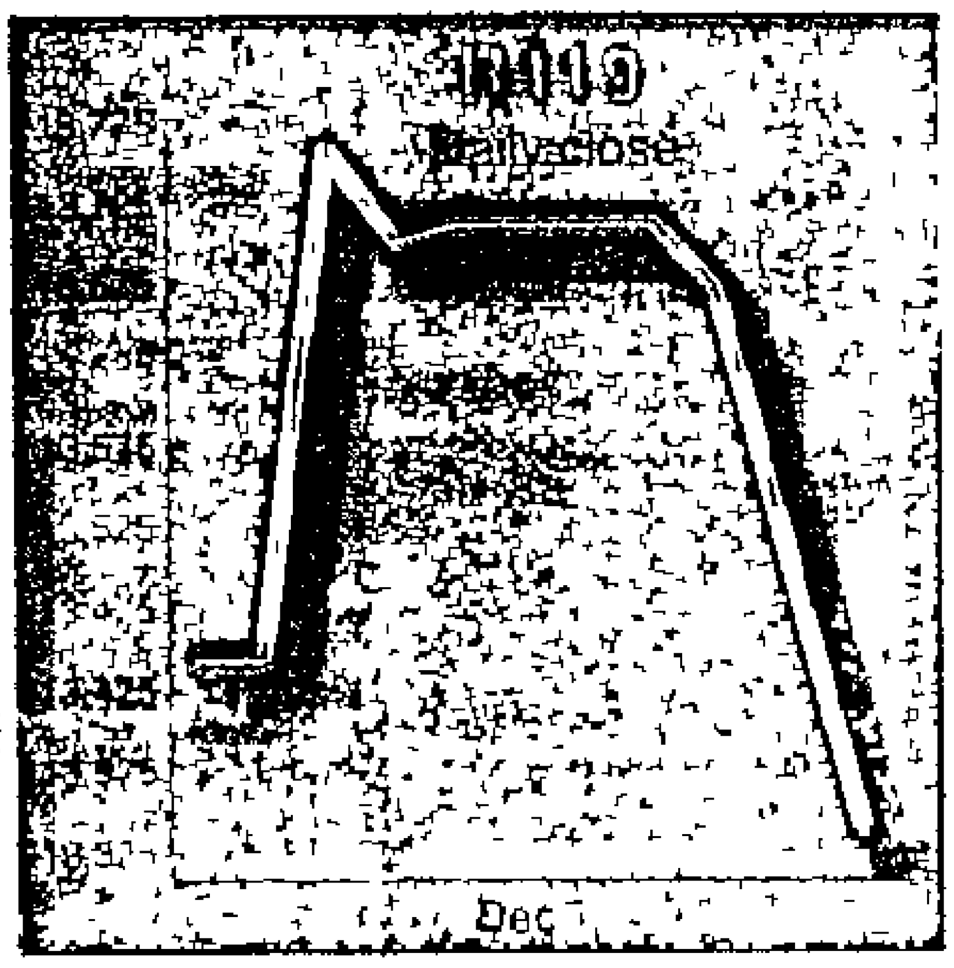
BDAY 31/12/92

GRETA STEYN

BULLISH sentiment gained momentum in the capital market yesterday in a continued response to positive inflation figures as players anticipated a one percentage point cut in Bank rate in the new year.

Sharp falls in interest rates on medium-dated gilts were sparked by the anticipation of lower short-term interest rates, dealers said. Rates on government's R119 plummeted 33 points while other similar-dated stocks declined by a substantial 15 to 20 points.

The movements on the longer-term stocks, the R150 and Eskom's E168, were



more muted However, dealers pointed out these two key rates fell below the benchmark 15% level as rates adjusted to the positive inflation figures

They said optimism over Bank rate was more likely to be reflected in the medium-dated area rather than the 20-year stocks

The medium-dated R119 traded at 13,34%, more than 30 points down, while the R150 was last quoted at 14,945% from an overnight 15,085% The E168 was quoted at 14,95% from a close of 15,085%

Some dealers said there had been evidence of institutional buying, and they speculated that this would speed up in the new year as players returned to the market The movements in rates were on small volumes, with one analyst estimating volumes below R100m

Positive factors for a cut in Bank rate were the fall in inflation to 11% and the moderate growth in the money supply M3 was this week reported to be comfortably within the Reserve Bank's 7%-10% guideline range

However, an economist said the balance of payments (BoP) was cause for concern and could counteract positive factors for a Bank rate cut. Recent weakness in the trade surplus and large foreign debt payments were putting pressure on the foreign

□ To Page 2

Bank rate

BDAY 31/12/92

□ From Page 1

exchange reserves, and could see Bank Governor Chris Stals hold off until the situation improved

The BoP problem would be further aggravated by local companies switching to domestic finance from foreign finance as SA interest rates dropped This trend was already evident in the third quarter with the Bank reporting in its Quarterly Bulletin that "considerable switching from foreign to domestic trade financing took place in the third quarter of 1992, probably because of the relatively favourable costs of domestic credit" This could be a factor preventing Stals from cutting interest rates if the trade balance did not recover, an economist said

232

But economists regard the key factor for interest rates as the Budget, which will be released only in March

Fears of a huge deficit were the main reason for the reversal of the major bull run in the gilts market, with long-term rates climbing back from their low of 13,7% reached in October to recent levels around 15,15% Analysts are divided over whether the present turnaround signals a correction in a bear trend, or whether it is the start of a new bull run

Foreigners pounce in equities market

BIDAY 31/12/92 (232)

FOREIGN investors in SA became net buyers of equities in the second half of this year for the first time since the second quarter of 1988, JSE figures show

The figures showed a net inflow of more than R422m into the equities market in the fourth quarter of this year, up to December 18 This followed net purchases of R213m in the second quarter of this year after four years of net selling

A stockbroker said the weak finrand had encouraged foreign investors to take a chance on SA shares as they had become cheap in foreign currency terms

The Economist's table of movements in the prices of 16 stock exchanges shows that the JSE fell the most in dollar terms over the past year — 32,7% (at the finrand rate)

The broker said Bill Clinton's election as US president had revived interest in gold shares, which had high dividend yields Foreigners who had invested in equities had read the SA market well as the finrand was now cushioned from extreme weakness by Finance Minister Derek Keys's clamps, and the JSE was firming

GRETA STEYN

However, the fourth quarter was less positive for foreign investment in gilts There was a net outflow of almost R200m in the quarter, a sharp reversal of the popularity of the SA capital market with overseas investors The first three quarters saw net overseas investment in government and parastatal stock, with inflows in the first quarter a substantial R823m.

Investors in gilts — mainly private individuals rather than big financial institutions — sold off stock in October when the finrand was under extreme pressure, in order to avoid capital losses It was timed to coincide with a bullish capital market and came before clamps on finrand transactions brought more certainty.

In the first three weeks of October, when the currency was at its record lows, more than R300m of gilts were offloaded by foreigners These sales were the main reason for the net outflow in the fourth quarter as subsequent weeks saw small net buying In the three weeks to December 18, net gilts purchases of R169m took place

OWNERSHIP & CONTROL

1993

JANUARY – FEB.

New SA holds 'mega' hope

STAR 2/1/93, (232)

LEIGH HASSAL

FERTILE GROUND: Education is one of the "megatrend" areas where increased spending may generate investment opportunities.

STOCK market investors would be wise to increase their exposure to the expected "megatrends" in the new South Africa, says Arthur Thompson, of stockbroking firm E W Balderson, in a special survey These "megatrends" are likely to be better and increased education, new African markets, mass housing and tourism

The astute business person will make the most of the new directions to reposition his or her business in the market place No less smart share investors, who will refocus their portfolios to benefit from the winds of change.

Thompson says share prices anticipate megatrends and appreciate in value in advance of the actual change He cautions that while the risks will be lower to the shareholder who waits for the scenario to unfold the share prices will probably be substantially higher

Thompson has identified several probable megatrends as well as the larger listed industrial companies which stand to benefit from the changes Although Thompson keeps to the blue chip industrials in his synopsis, he says similar logic can be applied to the second and third-line counters The large industrial conglomerates have also been excluded, unless they have sufficiently focused divisions

Mass housing with its substantial "trickle-down" effect on the rest of the economy is essential for even moderate economic prosperity

Electrification and the related infrastructure development such as roads schools and civic buildings will be boosted Thompson identifies Murray and Roberts, Boumat, PPC, Powertech, Elcentre and Cashbuild as corporations which will gain from the new emphasis

Corporations providing household electrical appliances and affordable-furniture distributors such as Ellerine will benefit from the trickle down effect of the housing boom

Education will be upgraded and expanded to the broader population Thompson points out that this sector will have to be heavily state subsidised because the lower-income groups are unlikely to make any significant financial contribution CNAGallo has repositioned itself to benefit from the wider education net.

The information technology corporations, such as Datakor and Dimension Data are in

Changing society could be bountiful for investors

line to grow from the education boom, as well as from the expected growth in the financial services industry

In both South Africa and the new African markets, affordable products will sell best. However Thompson stresses that lower-priced, and not lower-value, products will hold appeal. The cigarette division of Richemont stands to gain, as does the tobacco division of Remgro

Clothing retailers aimed at the low and middle-income groups such as Pep, will benefit from the expanded market. Clothing chains that make their merchandise more affordable by offering credit terms for example Edgars will grow from their credit strategy

Beverage suppliers that are correctly positioned in the market-place such as SA Breweries ABI Cadswep and Suncrush, will reap the benefits of a more sophisticated population Food companies Premier Tiger Oats and Foodcorp will also benefit from the new markets opening up in Africa Thompson includes Pepkor on the list as he sees turnaround potential in the Checkers/Shoprite division

The packaging industry should benefit from both the increased demand of the new African markets and the increasingly sophisticated population Nampak and Holdains are mentioned here Thompson adds that Holdains already has a foot in the door of the African markets through its recent acquisition of 30 percent of Crown Cork USA's African interests

Diversified industrial conglomerate Malbak is well positioned to benefit from the new directions having interests in packaging, beverage cans and tops, food, health care and construction

Aids and the spread of the medical aid system to the broader population will provide growth for the health-care industry Adcock Ingram and SA Druggists are mentioned by Thompson in this category

Tourism could emerge as a substantial growth industry, provided violence is curbed Thompson mentions Sun Bop, because of the Lost City's potential

Exports will become increasingly important to local companies Thompson says companies like Engen, whose products have a natural competitive advantage, will benefit the most

Predators eye magazine

(232)

By JEREMY WOODS

A TOTAL of six prospective buyers — including Times Media Ltd — are now circling the corpse of Tollgate Holdings hoping to snap up a key shareholding in Finance Week, the business magazine.

The 26,7% stake in Finance Week landed in the lap of provisional liquidator Chris Van Zyl when whizzkid Julian Askin's Tollgate Holdings collapsed earlier this year owing debts of more than R400-million

A spokesman for Times Media Ltd, which publishes the Sunday Times, Financial Mail and Business Day, said: "We are in the wings watching the situation develop."

Two financial institutions are also understood to have registered an interest in purchasing the stake.

But the future of Finance Week centres on a pre-emptive right to buy the shares that editor Allan Greenblo claims he has.

That pre-emptive right is apparently the key to the whole situation, and legal opinions are being sought to establish its validity.

If Mr Greenblo is correct and he has a pre-emptive right to buy the shares, then the situation would appear to be a storm in a teacup.

But if Mr Greenblo does not have the right to buy the shares a number of scenarios seem possible.

Stuart Murray, co-founder of the magazine with Mr Greenblo, speaks for about 30% of the shares and is "obviously keen to buy" the 27% from the provisional liquidators and gain control.

He publishes other magazines, including Company Motoring, and part of his long-term plans are to build a publishing company, which would include a financial magazine.

A source close to the situation suggested that Mr Greenblo might also wish to sell his shares but would "want a lot of money for them".

Mr Greenblo could not be reached for comment.

The good, the badder

S Times (Buss) 3/1/93

(232)

S Times (Buss) 3/1/93

JULIE WALKER looks up and down Diagonal Street

RATS and mice were rife among the 10 shares showing the highest percentage gains during 1992 Percentage rises always flatter the shares that started from a low base, such as top climber Macmed Only 15c a year ago — and dipping 10c in January — the shares hit 100c on Christmas Eve and brought the year's rise to 566% Macmed's results have improved

Mining supplier Inmins was a mere cent, but quintupled to 5c in spite of reporting losses last month. It is now offered at 3c

Third in the honours was Digoco convertible prefs, up from 7c to 30c. Heaven knows why, because Digoco has failed to report any financial results since those for the year to February 1991, when a loss of 27c a share was made Since then its principal investment — the Endless Pit diamond mine — has been liquidated

Multisource, the paging and radio communications group, turned in much improved results, which were reflected in a sharply higher share price It was 62c last January and is now 250c, at which price it yields 9,2% in dividend

Members of ZCI, the Zambian copper producer, also had a good year From 90c in January it has traded at 340c and was bid at 375c The price-earnings ratio for this blue chip is 235 times

Rale and its operating company Farm-ag made sound progress up the share-price charts because of the terms of the Sanachem deal struck with Sentrachem, which will buy out Farm-ag's 50% stake in the joint venture at a price to be determined by a formula based on sectoral price-earnings ratios in 1995. It will leave Farm-ag as a cash shell and the investor's gamble is to estimate and discount that value three years ahead of its maturity.

Telemetrix, the offshore company in which Altron has a major slice, shaped well since its 1991 listing Only 175c at the end of 1991, it has made its way to 570c, having touched 600c in June.

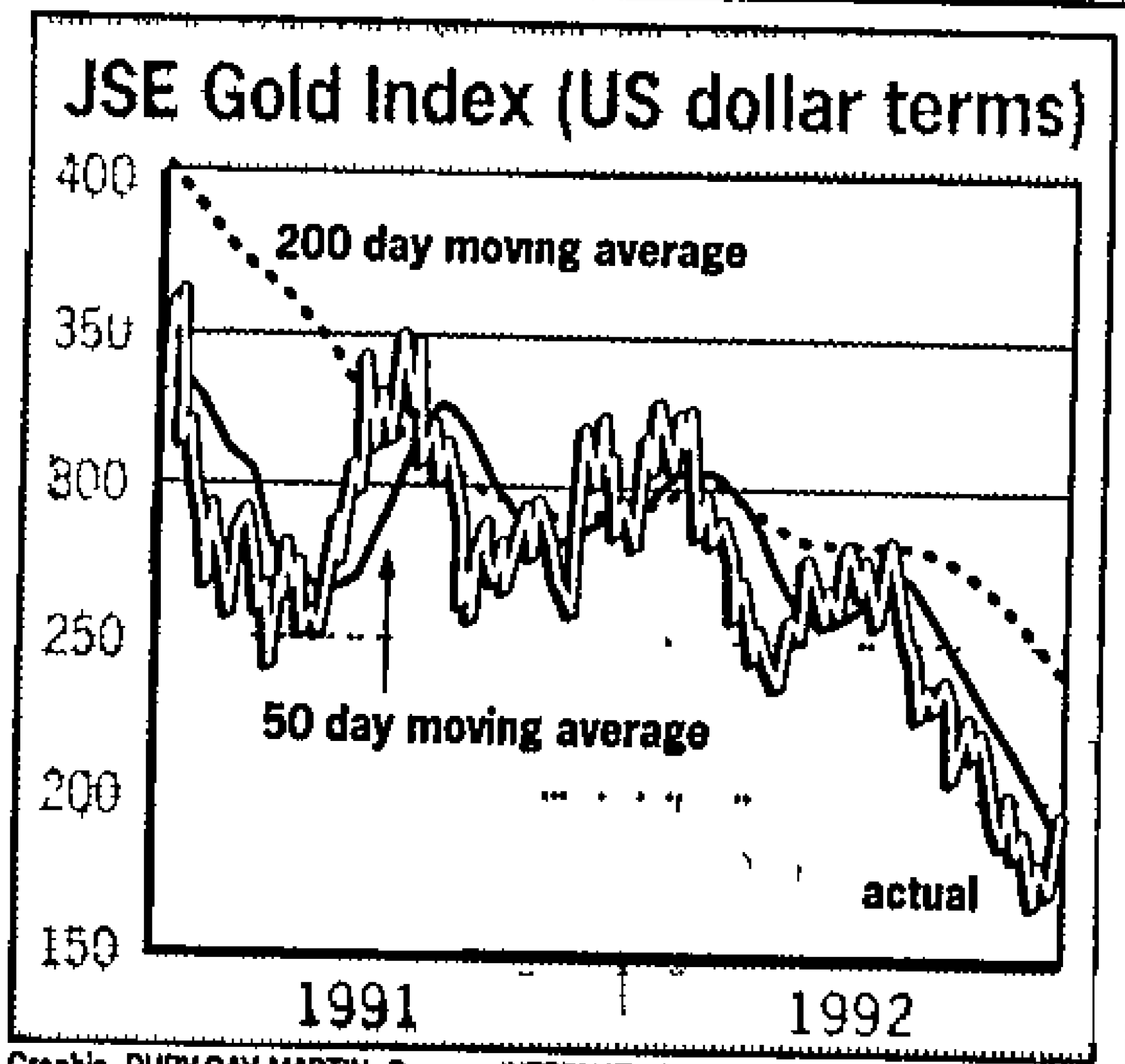
Coronation Syndicate members benefited manifold from a change of control at net asset value of 105,3c a share. A consortium comprising gilt trader Dave Barnes, UAL's Gavin Ryan and UAL itself bought control out of the Lonrho stable when the share was 60c Not a single minority accepted the kind offer of 105,3c because the market value leapt to 350c early in November It is now 250c. The group's London listing is regarded as a valuable asset

In tenth slot comes President Medical Supplies, clearly benefiting from the nature of its business — affordable health care — and its decision to split and reconsolidate its shares Net effect is a climb from 144c equivalent in March to 485c now

Other stars in 1992 were electronics and computer businesses Datakor, SPL, Dimension Data, Q-Data and Spescom, Dial-a-Movie, Brenner Milling, Benguela options, Spur, Premier Pharmaceuticals (Twins), Picbel on the back of an offer from Powertech, Foodcorp, and Bidcorp In all, 30 listings appreciated by 100% or more

Worst 1992 bets (other than the liquidations) were suspended Presto, down 98%, Safetech and Simmers Rusfurn's 10 for one consolidation did not help — it retreated from 330c to 17c and a deal with the JD Group was shelved

TGH fell from R5 to 40c before its provisional liquidation Small miners CDC, Sallies, Vlaks, Sub Nigel, Rand Leases and Revere all shed 70% or more, and CMI and Iscor battled



Graphic RUBY-GAY MARTIN Source INTERNATIONAL GOLD MINING NEWSLETTER

Foreign brokers punting golds

S/Times (B4557) 3/1/93 232

THE fall in the JSE all-gold index, which dipped to a seven-year low of 745 points in 1992, translated into a 14-year low in American dollars because of the drop in the financial rand.

However, International Gold Mining Newsletter's December issue says the prognosis for the finrand is gradual recovery on the back of Minister of Finance Derek Keys's ruling that SA companies making offshore acquisitions pay for them with foreign borrowings and not by taking money out of SA through the finrand

Some analysts forecast a substantial narrowing of the discount, which was a mere 7% early last year The newsletter confers that the value of foreign South African investments will therefore increase, assuming unchanged share prices in rand terms.

"Speculation is that the SA government is anxious to see the discount narrow to a level where the finrand could be removed This would bring the discount to zero and produce a one-off bonus to foreign investors holding SA shares.

"However, this would also result in lower dividend yields for foreign investors High dividend yields have often been a significant factor for investment in South African golds."

At the end of June, fewer than 13% of SA gold equity was owned by foreigners.

The newsletter notes that while the restriction on exchange control may reduce the volatility of the financial rand, it will not necessarily attract foreign investment.

If SA is to become fully integrated into the world economy and compete efficiently for investment from abroad, its currency must be integrated into the world of free capital flows and it must also provide an economic and political environment attractive to investors

International brokers are punting SA golds for their yields Warburg Securities says that although some golds are at 10-year lows, selling has been light and the mood indifferent rather than negative. It says there are good buying opportunities for quality shares, a view endorsed by James Capel

Capel notes several prospective double-digit yields and finds it ludicrous that the two-million ounce a year producer Vaal Reefs offers a dividend yield of 17% to offshore investors

Smith New Court says that despite the depressed dollar price of gold, it is being buoyed in rands by the decline of the South African currency, and should hold above R1 000/oz. Forward sales will also help the dividend.

Local stockbroker Edey Rogers, reported in the newsletter, expects a flat dividend performance from the blue chips, but notes that Freegold and Southvaal, among others, are coming to the end of major expansion programmes. Substantial dividend growth could therefore be expected

Newly-mined gold adds only 2% a year to existing supplies of gold above ground. For this reason, Yorkton Securities tends to ignore the supply/demand analysis for gold as a major determinant of price.

Further ammunition for Yorkton is that the volume of gold traded in the physical market is overshadowed by that of "paper gold" traded on the futures markets Such analysis reduces gold to the status of a commodity, denying its monetary role.

Yorkton sees the real problem being the sales of future mine production A high American dollar has resulted in improved rand, Australian and Canadian dollar prices for the metal, provoking further forward selling by producers It fears the rate may be stepped up, especially by the South Africans, as a means of deferring the decision to close mines.

Yet Yorkton also points out that the world is experiencing credit deflation and is highly illiquid, a factor behind the fragility of many of the financial pillars of the developed world — such as American and Japanese banks

These reasons cause Yorkton to recommend that all investors have insurance positions of gold and gold shares in their portfolios.

Consortium's bid for Racy

S Times (Bus) 3/1/93. (232)

By JULIE WALKER

A 10% higher bid for control of Racy was received by the directors of the transport and engine-rebuilding group fewer than five minutes before the start of Wednesday's shareholders' meeting

Only one resolution had been proposed — that the agreement entered into between the company, three members of the Jacobson family (Allan, Ivor and Jerrold) and three members of the Hendler family (Ralph, Cyril and Elliot) be ratified and approved All are directors of Racy

The agreement was that Racy's assets — trading as Enterprises — be sold to the consortium for R12,5-million, leaving Racy as a cash shell worth 51c a share The Hendlers want to keep Enterprises' Hendlers business but would sell Dinsa (Diesel City) to the Jacobsons for R3,5-million

The proposal sparked interest among the minority because of a potential conflict of interest — the directors themselves proposed to buy out the assets at a substantial discount to tangible net asset value A fair-and-reasonable statement has been prepared by Standard Merchant Bank

A large number of minority shareholders came to the meeting, but never had a chance to voice their opinions because the meeting was opened and adjourned for 30 minutes while the directors phoned chairman Ivor Jacobson in America, and tried to contact Cyril and Elliot Hendler, who were on the beach instead of at the meeting

Consortium

The delay extended past midday, and the meeting was eventually put off until January 11 The company had been criticised for calling a meeting during the peak holiday season

The counter-offer is believed to come from a consortium led by Syd Gervis, who boasts 35 years in the motor industry and is willing to come out of retirement to run Racy

It is believed that the consortium intends to bid 56c for the shares, not buy out the assets as proposed by the directors, giving members a choice of whether to stay aboard or cash in Net asset value at September 30 was 83,4c a share

Racy's directors requested suspension of the shares on the JSE while the meeting was adjourned It will be hard for them to decline the offer, especially as they spent R260 000 trying unsuccessfuly to dispose of Enterprises or Dinsa during the six months to September

Issy Goldberg of the Shareholders' Association came from Cape Town specially for the meeting He has long lobbied for a change to the Companies Act, which allows a company to dispose of all its assets on a simple voting majority yet requires a special resolution to approve a change of name

Battle for control of Finance Week looms

232 STAR 5/1/93.

By Derek Tommey

A major fight is about to develop for control of the business publication Finance Week.

The fight is not just for the the magazine with its comparatively low earnings, but for the millions to be made by selling it to a major publishing group

The fight has been triggered by the bankruptcy of Tollgate Group Holdings (TGH) whose 7 610 Finance Week shares representing 26,7 percent of the share capital are likely to come up for sale in the next few weeks.

While these shares will not give an outsider control, they would give one of the current shareholders a major stake and open the way for a takeover

Potential buyers could be plentiful because the success of Times Media Limited's Financial Mail,' SA's leading business publication, reputed to make R6 million to R10 million a year, has led major publishing houses to seek a similar publication

They have been looking at Finance Week — started 14 years ago by three disgruntled Financial Mail staffers, Allan Greenblo, Stuart Murray and Richard Rolfe — as a rival to the Financial Mail.

Although Finance Week has been reasonably successful, its lack of a financially well-heeled backer has tended to stunt growth and profits

Market sources say these are probably about one-tenth to one-twelfth those of the Financial Mail

However, it is a viable publication seen as having tremendous potential for anyone prepared to put money into it.

A number of offers are believed to have been made for the magazine, but Greenblo, the last of the founders still with it, has turned them all down, preferring to keep it small and maintain its independence

Greenblo said last night he was unfazed by speculation that control of his publication might change, saying he had a pre-emptive right to the TGH shares

The shares were bought by Rand Merchant Bank on his behalf when he was engaged in a fight with Rolfe for control of Finance Week.

At the time he did not have the money to take them up, so Rand Merchant Bank held them for him. They were subsequently sold to Tollgate Group Holdings An agreement with TGH gave him a pre-emptive right to the shares

The agreement has been examined by his lawyers who say it is valid and enforceable.

Greenblo said he could also block change of control as he and Finance Week's chairman, Ronnie Taurok, had the right to refuse to register any shares if they believed the shareholders were unsuitable

Finally, if the worst came to the worst, he would force the new controlling shareholders to buy out the minorities and, with Financial Week's staff, start up another publication

The other likely major bidder for TGH's shares is Murray, one of the co-founders of Finance Week, but now a rival publisher

Murray claims he speaks for holders of 30 percent of Finance Week shares

Industry sources say Murray's shares are probably those that were once held by Dominique Hill, wife of businessman Oliver Hill, who now lives in England

Chris van Zyl, provisional liquidator of TGH, said last night his lawyers were examining Greenblo's pre-emptive rights

If they proved to be valid, Greenblo would not get the shares automatically, but would have to match the highest price offered by any other intending purchaser

Van Zyl said he would be applying for final liquidation of TGH next week, after which the shares would be offered for sale

Greenblo holds 14 percent of Finance Week shares Another 10 percent is held by Finance Week staff, and the balance of 19 percent is spread among a number of shareholders

Companies face JSE suspension

STAR 5/1/93.

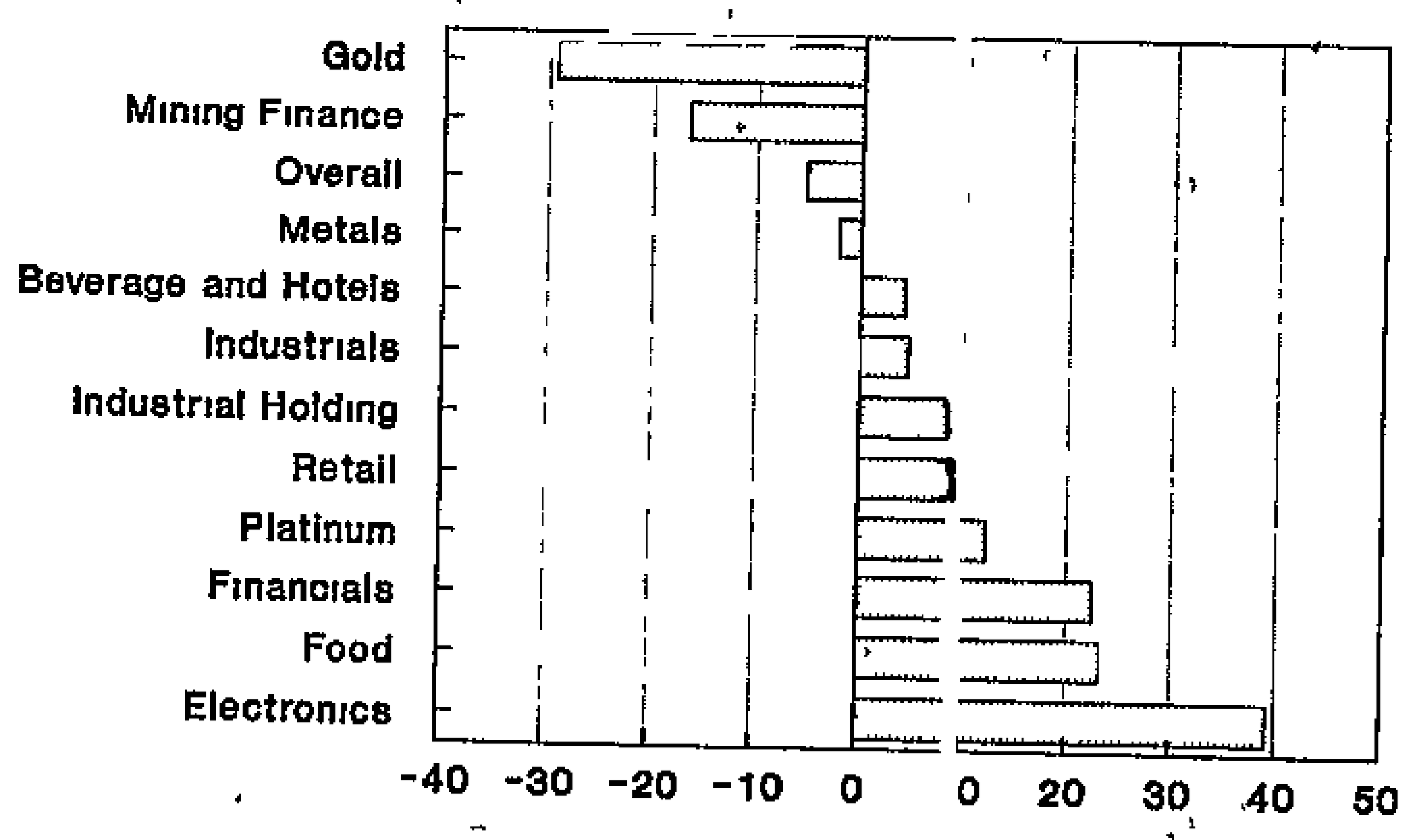
Finance Staff 232

The Johannesburg Stock Exchange has warned shareholders of nine companies that their listings are under threat of suspension or termination because they had failed to provide annual financial statements within six months of their year-ends

"Should the companies not submit their annual financial statements by the end of January 1993, their listings will automatically be suspended, pending the convening of a special meeting of the general committee of the JSE to consider the continued suspension or termination of their listings," the JSE said in a statement.

The companies are Consolidated Diamond Corporation, Consolidated Modderfontein Mines, Digoco Mining, Femco Technology Holdings, Foston, Grovewalk Holdings, Norvic Manufacturing, Quagga Holdings and South Roodepoort Main Reef Areas

The JSE tightened its reporting requirements last year so that shareholders could be informed in time of their company's financial performance



Overall index takes 5% knock

By Stephen Cranston (232)

STAR 5/1/93.

The JSE overall index lost 181 points, or 5,3 percent of its value, in 1992 to end at 3259

Main contributors to the decline were the fall in the gold index, which shed 29,3 percent of its value, and a 16,6 percent fall in the mining financial index

One of the few promising areas in mining was the platinum index, which increased in value by 12,3 percent

After a strong 1991, in which the industrial index added more than a third to its value, 1992 was a year of consolidation for industrials Industrial shares added 4,7 percent to their value.

The biggest gain was recorded by the transport sector, which added 82 percent to its value It includes Trencor, the overall top-performing share for the last five years.

Dividend yields for industrials became slightly more demanding, falling from 2,7 percent to 2,6 percent Dividend yields on the overall index increased from 3,3 percent to 3,6 percent

Some of the weaker sectors weakened more during the year.

Steel and allied, principally because of the continued weakness of Iscor, lost 58,6 percent of its value to end the year at 342

Among heavy industrial shares, building and construction shares shed 14,4 percent of their value.

Clothing and textile shares were down by a third as many companies in the sector such as Frame and Unispin continued to report losses.

Highlights included the electronics sector, which was up by 39,2 percent, and pharmaceutical and medical, which gained 47,6 percent

There were more modest gains from printing and publishing, which more than doubled in 1991, but added only 2,7 percent last year.

JSE gets tough on company reports (232)

DUMA GQUBULE

NINE companies were under threat of suspension or termination of their JSE listings after failing to submit annual financial statements on time, JSE executive president Roy Andersen said yesterday

In a cautionary statement, the JSE said the companies had been informed that the listing of their securities would be suspended or possibly terminated if the statements were not submitted by the end of January

The decision would depend on a meeting of the JSE's general committee

The companies were Consolidated Diamond Corporation, Digoco Mining, Femco Technology Holdings, Foston, Grovewalk Holdings, Norvic Manufacturing, Quagga Holdings, Consolidated Modderfontein and South Roodepoort Main Reef Areas

Andersen said the JSE had introduced two new procedures to tighten up requirements on reports to shareholders

Companies not submitting annual financial statements within six months of their financial year end would be given a further one month's grace before being suspended

For interim results, companies would be given three months and a further 14 days grace

Anderson said the JSE had introduced the regulations because it believed shareholders "must be timeously informed of the fortunes of their companies"

Most of the companies had submitted

□ To Page 2

JSE

Blom 5/1/93.

(180) (232)

□ From Page 1

interim reports at some stage last year, but had not produced annual financial statements for at least six months

Cons Modder and South Roodepoort Main Reef company secretary Jack Freedman said last night he thought, as far his companies were concerned, the action by the JSE "was a bit harsh"

"All that has happened was that the financial statements were a bit late because of the holidays. We already have advised the JSE that Cons Modder statements will be be available tomorrow, and South Roodepoort's by the end of the month"

Freedman said the company had received an extension for Cons Modder to the end of December from the JSE and the Registrar of Companies, and thought it "hardly worthwhile" to apply for a further extension of six days.

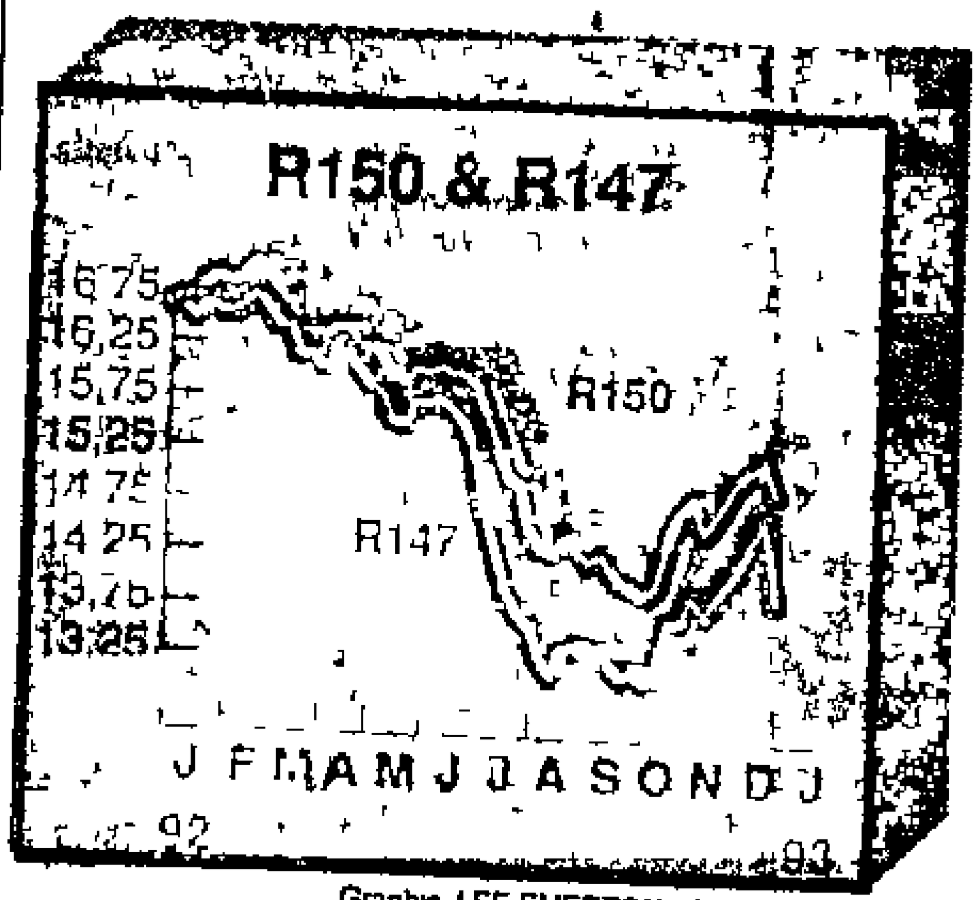
Market fights back after dive

B Day 5/1/93 (232)

HILARY GUSH

PROFIT-TAKING after last week's plunge in rates pushed yields on capital market instruments higher yesterday.

After coming off sharply last week on the back of a lower than expected November consumer inflation figure, the rate on government's R147 stock moved up more than 20 points to finish at 13,98% from Thursday's 13,76% close The yield on Eskom's bellwether stock — the E168 — climbed 16 points to end at 14,97% from a previous 14,81% Government's R150 bond finished at 14,93% from 14,80%



Graphic LEE EMERTON Source I NET

Welcoming yesterday's correction, dealers said in thin-volume, option-driven trade, rates had come down too quickly last week in a move which had been exaggerated as most players had been away on holiday Some suggested that certain fund managers had window-dressed their portfolios for year-end.

They noted that yields were lower yesterday than they had been before last week's dip.

"Despite profit-taking, rates have not

☐ To Page 2

Market

B Day 5/1/93 (232)

☐ From Page 1

moved back up to where they had come from," one dealer said He added that this did not signal the end of the mildly bullish trend in the market as (Reserve Bank Governor Chris) Stals had broken the back of inflation and therefore "we may soon revisit the lows seen last year"

Traders said institutional interest could be expected to pick up during the week.

The differential between SA Breweries corporate bond — in which there had been no trade yesterday — and government's similar-dated R147 stock has narrowed to around 59 points from the 100 point differential at the time of the S001's placement On Thursday the S001 closed at 14,57%

Dealers attributed the narrower differential to more marked movement in the government stock with slower trade in the SAB bond. At a rate of between 30 and 50 points above the R147, the S001 still offered fair value, they said

Fund reports 10,8% return

BIDAY 5/1/93

MADDEN COL

THE BoE Growth Fund reported a return of 10,8% in 1992, but senior portfolio manager Ryk de Klerk was cautious about prospects for 1993

He said the return compared favourably with a total return of minus 1,9% for the JSE all share index

During the December quarter the fund attracted a net inflow of R4m, taking its market value to R74m

This represented a growth of 33% for the year.

De Klerk said as the fund concentrated on companies whose earnings growth would be faster than the market, it was decided to divest out of De Beers and certain gold shares and instead to invest "in good quality second-liners".

232

During the December quarter the entire holdings in De Beers, Kinross, Driefontein and Nedbank were sold New holdings included Fintech, Northam NPLs, Rand Merchant Bank Holdings, Spur and Absa

The roller-coaster action of the market during 1992 was likely to prevail during early 1993, De Klerk said

IGI Unit Trust return beats all share index

B/Day 5/1/93 232

MARCIA KLEIN

IGI Unit Trust fared better than the JSE's all share index in the fourth quarter, enabling it to show a positive return in the year to end-December.

The total return, including capital and income, was up by 2,8% on the repurchase-to-repurchase price for the year.

Fund director Peter Linnell said this was a higher return than that of the all share index, which was 2% down for the year

Holdings in Barlows, Hunt Leuchars & Hepburn and Sasol were sold, and the trust entered the electronics sector with a maiden purchase of 100 000 Fintech shares.

Linnell said the fund had outperformed the market mainly due to its light exposure to depressed mining stocks.

Only 5,5% of the portfolio was in mining.

Industrials accounted for 59% of the fund and financial shares, which included Stanbic, Investec and Safrican Life, accounted for 9,5%. Rembrandt and Richemont constituted 19% of the total portfolio.

Linnell said the fund concentrated "relatively large chunks of money" in just a few stocks. There were 19 counters in the portfolio at year-end.

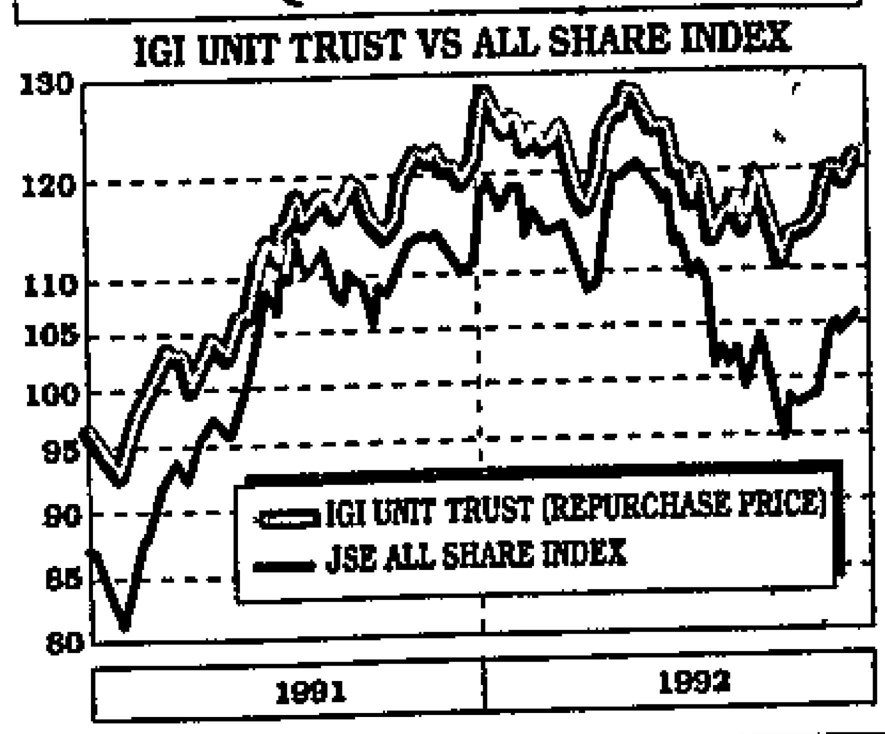
At the end of the fourth quarter, the fund was valued at R47,6m or 119,57c a unit.

Linnell said the trust built up liquidity to 26% from 16% in the last quarter, with cash resources and liquid assets of R12,4m at end-December

The dividend yield on the current price was 3,59%. IGI Unit Trust, which makes distributions twice a year, paid 1,89c a unit on October 30.

Linnell said the JSE had followed the more positive global stock market trend towards the end of 1992 But he warned that market conditions remained fragile in the short term.

THIRD QUARTER BOUNCE



Grovewalk up in arms

STAR 6/1/93.

By David Canning (232)

DURBAN — Grovewalk Holdings has reacted with anger to Monday's JSE warning that it must produce its annual report by the end of January — or face suspension or termination of its listing

It is among nine companies which have been so warned

Managing director JPG De Rauville said in Durban yesterday he was upset about the warning because he had made special efforts to keep shareholders informed by calling two meetings — one in Mauritius and one in Durban

He had written to the JSE in December to say the company needed more time to tie up loose ends after a very active year.

A number of deals during the year had left several accounting issues to be resolved.

These would be resolved as soon as all the staff involved had returned to work after the Christmas holidays.

He was sure the annual report would be completed by the JSE's end-of-January deadline

The last Grovewalk annual report was released in May 1991 — for the year to February 1991 The company subsequently changed its year-end to June 1992.

Mr de Rauville said he was optimistic about meeting budgets Only the low-cost land operations remained in a loss situation, while other divisions had met budgets and were trading profitably.

The JSE warned shareholders of nine companies on Monday that the listing of their securities was under threat of suspension or termination.

It said the nine had failed to provide annual financial statements within six months after their financial year-ends

The other companies are Consolidated Diamond Corporation Limited, Consolidated Modderfontein Mines, Digoco Mining, Femco Technology Holdings, Foston, Norvic Manufacturing Quagga Holdings and South Roodepoort Main Reef Areas.

Good year for unit trusts in Investec stable

STAR 6/1/93.

232

By Stephen Cranston

Both unit trusts in the Investec stable, the Metfund and the Metboard Income Fund had a good 1992

The Income Fund recorded a 26 percent return over the past year, while the Metfund outperformed the JSE overall index by a margin of 6,7 percent

Metfund portfolio manager Steve Mills says that there will be considerable volatility in the coming year, which will demand investor caution.

After a difficult year in the equity market, it is still difficult to spot obvious value, says Mills

Financial shares, which performed well for the fund during the year, have become rather expensive, though they have good defensive qualities.

Metfund's low exposure to mining shares is likely to be maintained in the first quarter of this year as commodities are not expected to perform well until the third quarter.

The prospect of a resumption of growth in 1994 is expected to keep industrials buoyant in the short term, but the market will become more cautious about their likely earnings growth.

The level of liquidity in the Metboard Income Fund was increased in October in order to protect the fund against the rise in long-term interest rates

Since then the strategy has been to accumulate gilts in a period of interest-rate weakness and to be positioned for a fall in inflation in 1993.

The fund intends to maintain a relatively high exposure to gilts in order to benefit from any downward move in long-term interest rates over the year as a whole

Buyers line up for Finance Week shares

By Derek Tommey ~~ETS~~ 232 STAR 6/1/93

Buyers are lining up for the 7 610 Finance Week shares held by the bankrupt Tollgate Group Holdings (TGH)

Provisional liquidator Chris van Zyl said last night that at least 10 institutions had made inquiries about the shares

However, he thought it would be a breach of confidence to name them at this stage

The 7 610 shares comprise 26,7 percent of Finance Week's issued capital. Finance Week is a financial journal regarded as having tremendous potential for generating high profits.

Current editor Allan Greenblo wants to keep the publication as it is in order to maintain its independence

But shareholders are fairly widely spread and obtaining possession of the 26,7 percent of the company's shares held by TGH would be a major step towards a change in conrol.

Van Zyl said that in fairness to Finance Week he intended to dispose of the shares as soon as possible

He would be applying for a final liquidation order on TGH next week. He would then offer the shares for sale, probably calling for sealed tenders.

Greenblo claims he has a pre-emptive right to the shares. As it appears no price was specified when the right was granted, Greenblo would have to match the price offered by the highest bidder.

Van Zyl said the board of Finance Week also appeared to have certain rights enabling it to prevent the transfer of the shares to any person or institution it regarded as unsuitable.

Speculation surrounds the value of the shares. If they are priced on net asset value or on an earnings basis, then the value is unlikely to be high.

Finance Week has not paid a dividend for 14 years

But if they are seen as a means of buying into an established magazine which could become a major profit generator, then the value set on them would be much higher.

FUTURES AND OPTIONS

FM 8/1/93

Chalk and cheese

(232)

Trading on the SA Futures Exchange (Safex) more than doubled last year to 1,4m contracts worth R49bn — two-thirds of them in the second half CE Stuart Rees

FM 8/1/93 (232)

believes this will spill over into this year "chiefly because our instruments are being used more and more by fund managers"

Rees adds that several innovations should boost turnover One is the long-bond interest rate contract expected to be introduced in June Unlike the existing contract, based on the benchmark E168, this will be linked to the bond index or a basket of bonds

Options on futures, introduced in October, have been successful and the costs of introduction should be recovered by March, says Rees.

"International trends suggest that options should be at least 20% of total turnover, and we have already reached 15%"

One cause for concern is the failure of the short-term interest rate future. At most international exchanges this accounts for the largest proportion of turnover

Rees blames its failure in SA on the lack of a reliable benchmark rate, now that the status of the 90-day liquid bankers' acceptance is expected to change (*Economy* December 18) "This affects not only the futures contract but also other interest rate derivatives such as swaps and forward-rate agreements."

In contrast, the JSE's Traded Options Market (TOM) seems no closer to achieving high volumes a year after it opened than it was in its first few months Manager Jonathan Sims says: "Derivative exchanges all over the world take some time to get going but progress has been slow even by these standards. So our outlook for 1993 is very modest For any market to succeed, you need a range of divergent opinions and a flow of orders."

The market's infrastructure is sound, and most of the facilities required are in place, notably those allowing scrip settlement (as opposed to cash settlement) and noncash collateral

The JSE Research Committee under Michael Katz may also make recommendations to help realise TOM's potential ■

ANNUAL ACCOUNTS FM 8/1/93

JSE gets tough

(232)

There are some angry and unhappy CEs this week. They've been told by the JSE that unless they produce the annual accounts for their companies by the end of January the listings of their companies will immediately be suspended and may also be terminated

Nine companies fall into the net spread by the JSE's listings department They are Consolidated Diamond Corp, Digoco Mining, Femco Technology Holdings, Foston, Grovewalk Holdings, Norvic Manufacturing, Quagga Holdings, Consolidated Modderfontein and South Roodepoort

The JSE has long been concerned that many companies are persistently tardy in complying with the regulations relating to timeous reporting to shareholders These are that annual reports must be posted to shareholders within six months of the end of the financial year However, the exchange has reframed from taking formal action until now. Perhaps the time is long overdue

Executive president Roy Andersen says the JSE's new tough line "doesn't bear comparison with the attitude of some other exchanges " The Australian Stock Exchange permits a four-month grace period after the end of the financial year Failure to supply the annual accounts within that period results in an automatic and immediate suspension on the 121st day.

Grovewalk MD Gerard de Rauville said last year was an active one for his company and covered a 16-month reporting period "There were a number of unusually large transactions," he said "and these all required final adjustments, the effect being to delay our ability to report swiftly."

De Rauville believes the JSE's arbitrary action in giving short notice of its intentions was high-handed and unnecessary "In any event," he adds "the accounts and annual report for Grovewalk for the year ended June 1992 will be posted to shareholders during January and our AGM will be held in February as planned."

continued

Cons Modder's Pouroulis
late accounts

Foston, listed in the exploration sector, has not reported since its transmuted listing in 1989 (formerly it was Gough Cooper) A

FM 8/1/93 (232)

company spokesman says every effort will be made, with the auditors, to comply with the JSE's latest requirement He adds that an urgent meeting will be sought with the JSE's listings department

Two companies in Loucas Pouroulis's stable, Cons Modder and South Roodepoort, are included Company secretary Jack Freedman says he thought the JSE's action had been peremptory "but I have to admit it's not unreasonable "

Nor is the JSE stopping there Companies are being warned that failure to publish preliminary annual results and their interims within three months of the end of each period will result in similar penalties *David Gleason*

CRENDELL Fm 8|1|93.

Narrow portfolio

Activities: *Investment holding company*
Control: *HCI 73%*
Chairman: *I M A Lewis*
Capital structure: *23,1m ords Market capitalisation R35m*
Share market: *Price 150c Yields 10,7% on dividend, 12,1% on earnings, p e ratio, 8,2, cover, 1,4 12-month high, 250c, low, 150c Trading volume last quarter, nil*

Year to Mar 31	'89	'90	‡'92
ST debt (Rm)	4,1	—	—
LT debt (Rm)	19,0	—	—
Debt equity ratio	0,75	—	—
Shareholders interest	0,84	1,00	0,97
Return on cap (%)	—	1,6	1,2
Pre-int profit (Rm)	(0,60)	0,69	†0,63
Earnings (c)	(2,6)	10,0	†18,2
Dividends (c)	—	—	*16
Net worth (c)	120	184	278

† Annualised ‡ 15-month trading period * Excludes dividend in specie

232

Trading activities, character and the board have changed considerably since the listing Formerly the Arwa R42m cash shell, Crendell was acquired by Hosken Consolidated Investments (HCI) in December 1990 and is

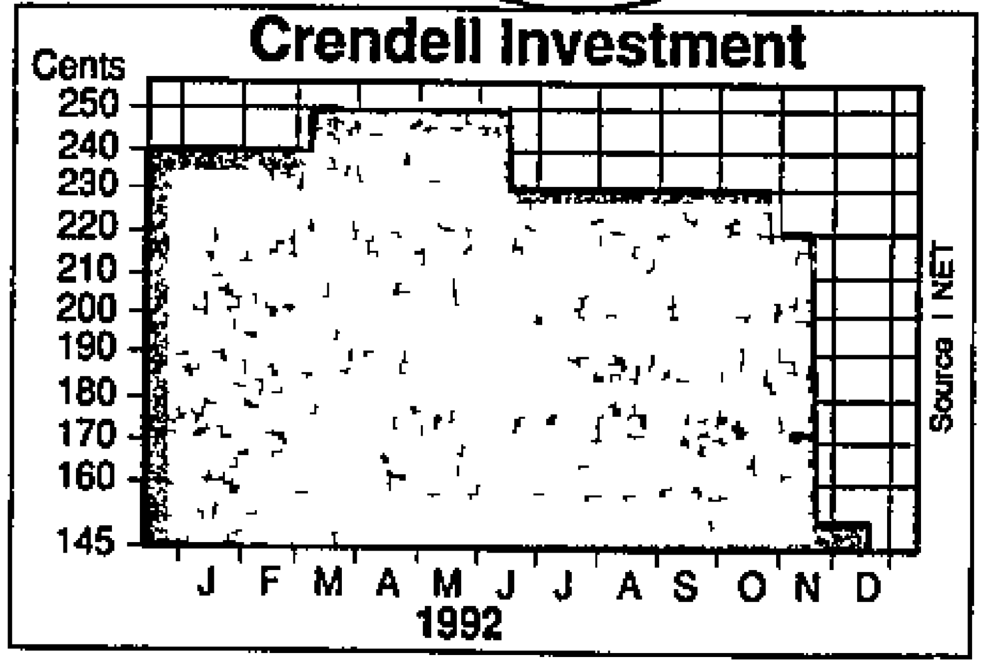
Crendell's Lewis *base will be broadened*

Fm 8|1|93

now an investment trust

Tollgate Holdings (TGH) sold into the shell its 24% of listed assurer Saflife as well as its 4% of HCI for R35m While HCI's market value remains little changed at about R4m, Saflife's has dropped from R50,8m to about R40m since year-end, reducing Crendell's NAV to about 228c a share A loan of about R8,7m to TGH completed year-end assets

232



Fortunately, Crendell has since received 951 000 HCI shares at 915c from TGH in settlement of the loan They were distributed as a dividend in specie at the rate of 4,53 HCI for every 100 Crendell — worth R27,18 per 100 Crendell, at HCI's present price At the September interim stage, pre-tax profit fell from R900 000 to R100 000 because of lower interest income after the repayment of the loan EPS for the six months dropped to 10,1c, against the year-ago 12,4c

The portfolio is narrow, making Crendell highly sensitive to any change in the insurance sector in general and the HCI group in particular

Chairman Michael Lewis says the base will be broadened Plans have not been finalised, so he believes it is premature to comment on any new investments

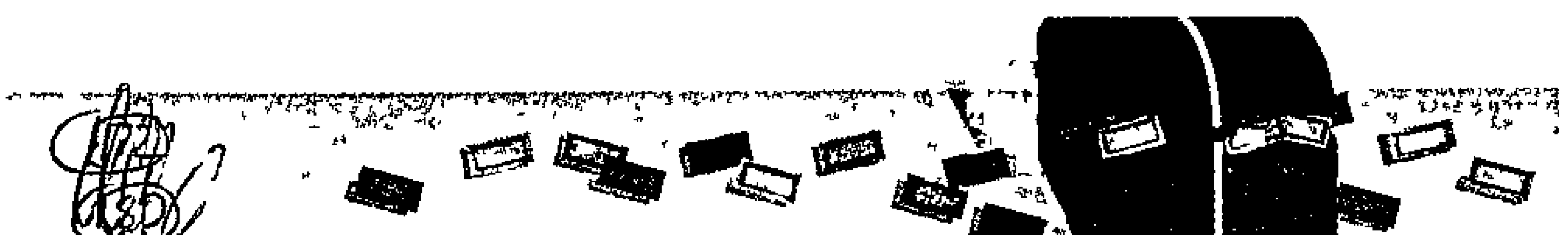
The share has not traded all year The dividend yield is a conservative 10,7% If the quality of an enlarged portfolio is good, the

FM 8|1|93 232

one-third discount to NAV would make the shares cheap — were it possible to buy any

Kate Rushton

Fm 8/1/93



232

RANKING THE RICH

1992's snakes and ladders

It would be most unwise for anyone to attach too much importance to this annual review It is much too incomplete for it to be regarded as anything other than the equivalent of a few broad brush strokes on a wide canvas

The reasons should be obvious Some overseas financial journals devote considerable effort and manpower to the annual research of the personal fortunes of powerful families The *FM* does not It would be impractical and uneconomic.

Instead, the *FM*, assisted by the McGregor research group, seeks merely to establish the wealth of the country's richest families by recourse to data already in the public domain Inevitably, that means examining the disclosed shareholdings and applying the JSE's ruling price at the close of business on a selected day

That process leaves unanswered a host of intriguing questions For example, it is well established that many families have been receiving handsome dividend cheques for decades from their core investments What has happened to that money?

Some of it will have been applied in ensuring the continuation of comfortable, perhaps even hedonistic, life styles Some may have found its way into other investments, all carefully structured in such a manner that an outside individual cannot be privy to the ultimate ownership

That is not unreasonable Everyone is entitled to privacy in the way his or her life is organised and arranged and that privacy extends, surely, to financial matters

But, to give another example, what has happened to Fred Keeley? He was in 18th position in the 1991 rankings with R85m A year later he slid off our list Now it is true that Keeley's predominant investment — granite mining — hasn't exactly been the flavour of the year on the JSE But that doesn't answer the conundrum Keeley sold 49% of the holdings of his trusts to mining house Gencor for R95m in cash (plus a sweetener in another producer) What has happened to that money?

The *FM* doesn't know and nor should it necessarily do so — but it serves to illustrate that the families listed in the survey may not, in fact, be SA's richest and that the wealth quoted may not be an accurate reflection of the true, underlying, fortunes

Meanwhile, back to the 1992 survey On the whole, it was a good year for the richest families, it was a year which tended to belie the theory that recessions hurt everyone equally They hung on with great tenacity and produced a combined year-end crock of money which adds up to R10,52bn — only a shade below 1991's R10,77bn

Of course, much depends on the state of the stock market at the year-end The JSE's Industrials index, for example, performed badly from June to mid-October when it staged a 10% recovery; had the survey been conducted then, it would have wiped about R1,1bn off the combined wealth of SA's 20 wealthiest

But in the 1992 survey there is, for the first time, a change at the top The Rupert and Hertzog families overtook the Oppenheimers and are now in pole position For the rest, nearly everyone's ranking changed In fact, the only two families retaining last year's positions were the Gordons (3) and the Hurwitzes (15).

Two families dropped off the list — Keeley and Mowszowski They were replaced by two from the same commercial stable, Ferreiras (16) and Dippenaars (19), both with core investments in recently listed Rand Merchant Bank Holdings

Families which changed rankings most dramatically included the Kroks (improved from 13 to 9), Imermans (from 16 to 13) and, moving the wrong way, the Wessels (from 10 to 14) and Liebesmans (14 to 17).

There's one last thing to remember if any of these families decided to liquidate their holdings, it doesn't mean they would realise anything like the market price The chances are they'd get a lot less, though it is possible that, in a few isolated cases, they would receive a premium (perhaps because a buyer would be prepared to pay over the odds to secure control)

So this is merely a guide

1 Rupert & Hertzog

The year 1992 is the one the Oppenheimer family moved over to make room for the Rupert and Hertzog dynasties as SA's richest. Harry O's businesses had a bad year, Anton Rupert's are better positioned and the year-end difference of R488m is significant

Of course, there is an irony here which will escape few seasoned observers For the Afrikaner peoples, emerging at the turn of the century from a long war with an imperial enemy and over subsequent decades from a cold and bitter peace, true freedom was marked first by the accession to political power and then by remarkable strides in conquering the economic heights, held almost exclusively by English speakers

The irony is that in the year in which a quintessential Afrikaner family finally swept to the leadership of the moneyed ranks, so the new SA is on the verge of irredeemable political change. The question has to be does it matter? The answer life being what it is, people will always want to know who is doing what to whom

For the Rupert and Hertzog families, 1992 was a year of marking time in their listed investments The share price of Tegniese & Industriele Beleggings, the pyramid

Anton Rupert *the economic heights conquered*

company in which the controlling stake in Rembrandt is held, fell marginally, but the effect was offset by a 10% increase in the price of Richemont.

Both Rembrandt and Richemont have continued to benefit from their status as leading blue chips but it's signifcant that even Richemont isn't immune to recession, as the company's most recent interim results show

Performance was static, marking the divergence of the two core businesses Operating margins in luxury goods were squeezed, Richemont was rescued from its problems by improved margins in tobacco trading.

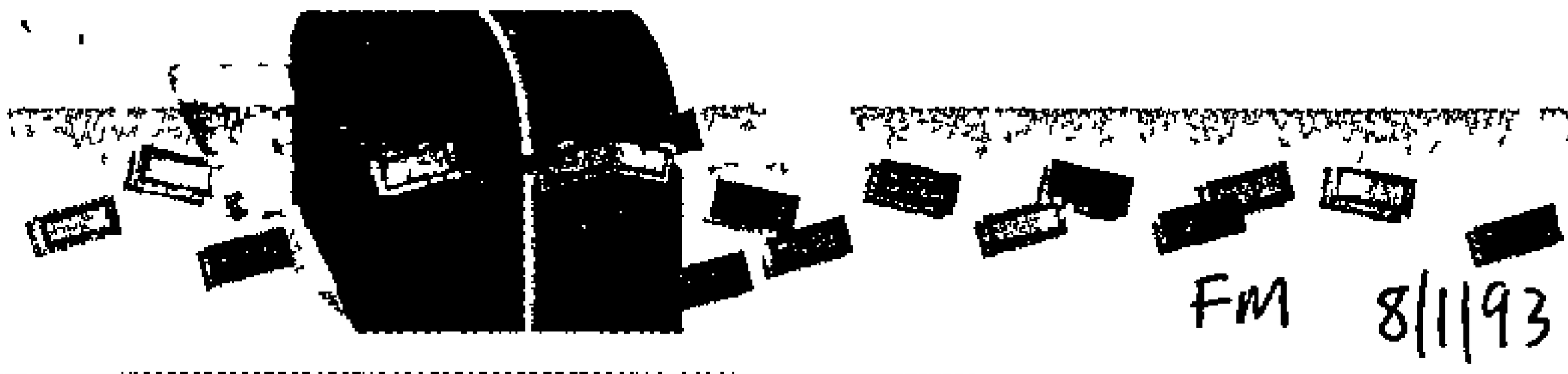
That, of course, is the families' great dilemma. in an age that eschews self-abuse, tobacco and cigarettes are the last words in sin

Analysts say the group's wealth derives significantly less now from tobacco than from its other interests, but the stigma will remain for a long while

Not that Anton will worry about it on his way to the bank

In fact, the public perception of him is probably accurate: slightly rumpled, enigmatic always, kindly and concerned — about

continue p16



SA's SUPER RICH

FM 8/1/93

232

The wealthiest families
By holdings in JSE shares

1 **Rupert & Hertzog**
1992 R2 843m
1991 R2 818m
Position UP ONE

2 **Oppenheimer**
1992 R2 355m
1991 R2 872m
Position DOWN ONE

3 **Gordon**
1992 R1 196m
1991 R890m
Position NO CHANGE

4 **Venter**
1992 R635,3m
1991 R427,8m
Position UP TWO

5 **Methven**
1992 R486m
1991 R735m
Position DOWN ONE

6 **Ackerman**
1992 R477m
1991 R487m
Position DOWN ONE

7 **Jowell**
1992 R418,9m
1991 R321,6m
Position UP TWO

8 **Hamilton**
1992 R385m
1991 R363,7m
Position DOWN ONE

9 **Krok**
1992 R378,4m
1991 R208,4m
Position UP FOUR

10 **Wiese**
1992 R377m
1991 R334,8m
Position DOWN TWO

11 **Lewis**
1992 R271,8m
1991 R220,5m
Position UP ONE

12 **Hersov & Menell**
1992 R195,4m
1991 R270m
Position DOWN ONE

13 **Imerman**
1992 R174,9m
1991 R97m
Position UP THREE

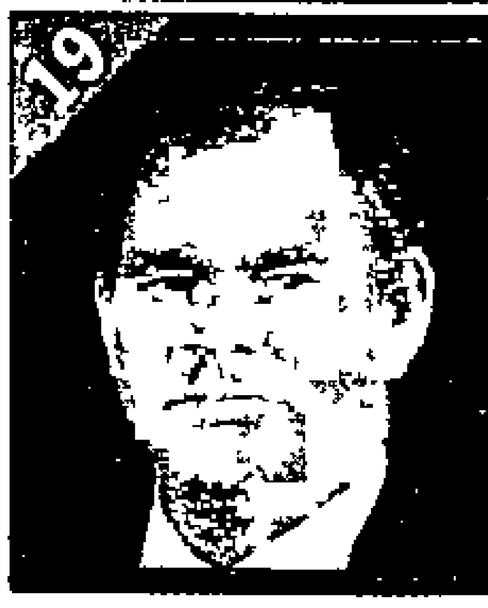
14 **Wessels**
1992 R174,9m
1991 R299,7m
Position DOWN FOUR

15 **Hurwitz**
1992 R120,7m
1991 R114,1m
Position NO CHANGE

16 **Ferreira**
1992 R92,9m
1991 N/A
Position NEW ENTRY

17 **Barrow**
1992 R91,9m
1991 R66m
Position UP TWO

17= **Liebesman**
1992 R91,9m
1991 R127,1m
Position DOWN FOUR



19 **Dippenaar**
1992 R91,7m
1991 N/A
Position NEW ENTRY

20 **Sacco**
1992 R90m
1991 R87m
Position DOWN THREE

Source McGREGORS ONLINE INFORMATION

continued

FM 8/1/93

(182) (183) (232)

jobs for people and protecting animals and the environment, an entrepreneur slightly bemused by all his good fortune

2 Oppenheimer

Who could imagine that the Oppenheimers, SA's home-grown equivalent of royalty, would ever *not* be the country's richest family? Not many — yet 1992 is the year it happened Harry O's empire of diamonds, gold and assorted other metals and minerals has given way to Anton Rupert's kingdom of tobacco and luxury goods

In fact, the Oppenheimers' wealth declined by a cool half-billion rand from last year

Is Harry O alarmed about it? Probably not. After all, he's seen recessions before and economic cycles are nothing new to him If the family's not quite so rich this year, well, not to worry. it'll be really very rich indeed when the next upturn takes hold.

Harry Oppenheimer

For all that, 1992 wasn't a good year Anglo American, the Oppenheimer's core holding, slid from R125 a share last year to R85,50 and nearly a third was wiped off the family's investment That is largely because Anglo's share price tends to mirror the fortunes of its stable sister De Beers and, as the investment world is well aware, diamonds and De Beers had one of that company's most harrowing 12 months ever

Minorco, the Luxembourg-registered mining company that grew out of Zambian Anglo American when that country's copper mining industry was nationalised, is the other pillar of the family's fortune Its share price appreciated by a handsome 43% to R62,75, that buttressed an otherwise sagging portfolio

Of course, the game of who's the richest that we play each year can't hope to get to the real underlying wealth The *FM* doesn't mind admitting the shortcomings in its calculations and they are clearly illustrated in the case of the Oppenheimers For instance, isn't De Beers supposed to be part of the Oppenheimer empire? Yes it is, but the family's ownership is held through other structures. And hasn't the family been earning large dividends for many years? Yes, but we've no way of gaining access to Harry O's current account So, he probably reads this annual attempt to quantify his wealth for its amusement value

Besides which, Harry O (84) combines the unusual qualities of being nice with being successful. Though retired, he is still a workaholic. Asked what he'd done to celebrate his most recent birthday, his wife, Bridget, is said to have responded: "He spent it at the office, of course What d'you expect?"

In general discussion with an *FM* staffer recently, Oppenheimer's response to being asked whether, at his venerable age, he had any regrets, he replied "Once I got over wanting to be an engine driver, I just went on with trying to develop what my father had done" Didn't he just

3 Gordon

Liberty Life chief Donald Gordon (62) remained in third place but he certainly consolidated his position It has been a feature of previous reviews of the seriously rich that the gap between the first two and third has been considerable Last year, for example, Gordon trailed Rupert by nearly R2bn

Not this year. A small decrease in the family's holding in Libvest (it sold 2,5m shares worth around R20m — and that must have been quite a party), was offset by a 36% rise in the price of the share That took Donny's family fortune to well over R1bn and narrows the gap between himself and Harry O to a more manageable R1,16bn Donny Gordon is putting in a charge

"Gordon likes playing monopoly with his companies," says one analyst "And he usually gets what he wants out of his extraordinary manipulations." Before he embarked on a radical restructuring of his overseas holdings, Gordon's company structure was that the group owned 61,25% of First Investment Trust (FIT), and FIT owned 49,3% of TransAtlantic (TA) TA and the French insurance giant UAP each owned 27,7% of Sun Life and TA also owned 79,8% of property group Capital & Counties (Capco)

Then Gordon's pen went to work Now, the Liberty group owns 44,5% of FIT, FIT owns 36,8% of TA, Liberty Life directly owns 17,4% of TA, UAP owns 17,1% of TA

Donald Gordon .. *a position consolidated*

and TA and UAP each own 50% of Sun Life TA has been listed in what's been described as a successful placing and Capco and Sun Life were delisted It's a complicated corporate planning process called getting your ducks in a row.

Donny likes to share his success, he dishes out bonus dividends to grateful shareholders and the last one, to mark the group's 35th birthday, cost more than R200m No wonder he's so popular.

Of course, being really rich has its compensations as well as obligations Among the blessings are that you can expect a hairdresser or tailor to visit you, rather than the other way round. As Donny found, this carries unexpected hazards — especially when the tailor is measuring, Donny's in his shirt tails and socks and no-one's remembered to advise the great man's secretary of the activities taking place in his office On this occasion, it is said Gordon, usually swift with a response, had nothing to say.

But he keeps on piling up the wealth.

4 Venter

Last year, Bill Venter was head of SA's sixth richest family This year he's been promoted to fourth and he's R207m heavier to prove it

Venter's group is ending the year on a high note. The proposed share swap between Altech and long-standing partner and investor Alcatel, which will give the French telecommunications giant a 50% stake in local firm STC, is intended to strengthen the Altron group's move into international markets

Bill Venter

The Altron holding in Telemetrix was restructured, with Venter personally underwriting a rights issue that left him with 42% of the company It may have been a contribution to unbundling, but it also enhanced Venter's personal wealth The exercise cost him R54m. It's now worth about R200m — not a bad return

Powertech, another company in Venter's stable, has also been on the acquisition trail. Deciding to diversify into the white goods business is a move which some analysts question; nevertheless, that's what Powertech did when it arranged a takeover deal for the Pickard businesses, primarily Picapli

Unfortunately for Powertech, the terms offered to minorities succeeded only in enraging them. Subsequently, a revised offer was put on the table by Pickard which looks as though it will be accepted, nevertheless, some of the opprobrium will have washed off on to Venter's group

In a surprise and fortuitous move, Philips offered to sell its large stake in Aberdare, something the Venter group had lusted after for years Needless to say, the deal was struck in double tempo time

Venter is known for his sartorial elegance — rarely does he ever appear in public in a condition anything less than immaculate This meticulous attention to detail translates itself into his work — the approach is no different An overseas businessman is reported to have said of him "Some people grow up not knowing some things are impossible Venter's one of those people"

5 Methven

The Methven family falls one place and its wealth has diminished considerably — from R735m in 1991 to R486m this year

Most of the slide in the family's fortunes stems from its investment in Rainbow Chicken This was once a flagship operation but this year it incurred massive losses, apparently having misread the market rather badly The company reported an interim loss of 5,1c a share compared with the previous EPS of 1,7c Not surprisingly, the dividend was passed

In one way or another, the family holds 180m shares in Rainbow Its price when the *FM* survey was conducted last year was R4,10, this year it was R2,70

Not that the family appears to have much to do with the way Rainbow is managed, the company is effectively controlled now by Hunt Leuchars & Hepburn (HLH) which, in turn, is controlled by Rembrandt Founder Stanley Methven's widow, Lilian, sits on the board in a non-executive capacity So does his sister, Shirley Pfeiffer, and Desmond Loch Davis, who manages the family trusts, is Rainbow's group chairman

Last year, the *FM* reported that Rainbow "is markedly different from the business Methven built up" Too true He had a reputation for making profits After 1992's performance, perhaps the family ought to be asking a few searching questions

Rainbow continues to dominate the poultry industry It provides about 47% of SA's annual demand of more than 485 000 t — representing 42% of all meat sales, compared with only 25% in 1980

At least part of the mess facing the industry lies in stiff competition from imports Predictably, poultry producers squawked loudly when imports started to hurt the local industry The other part of the mess is that government interference with the pricing mechanisms for inputs (including foods) makes producers uncompetitive

Be that as it may, it will take some time before Rainbow recovers its former premium rating

6 Ackerman

Slipping back one place in the rankings this year, Raymond Ackerman's family fortune has, nonetheless, remained remarkably constant — it's only R10m below last year's level, a mere bagatelle in this sort of company

The family's holding in Pick 'n Pay (PnP) has almost exactly doubled, following a recent two-for-one share split It now stands at 82,9m shares with a current value of R5,75 each

Ackerman (61) has much to be proud about he founded his famous company in 1967 and since then it's become as much a part of the SA way of life as sunshine, braaivleis and sport Ackerman, clever PR man that he is, knows this is one of his most important selling weapons — that's why the group's logo celebrating 25 years of community service proclaims that the company is "Part of Your Life"

Raymond Ackerman

In its first year, PnP's turnover was R3m In financial 1992 the group's turnover was R5,9bn and it employs more than 28 000 people In 1967, Ackerman began with four small supermarkets He now has 106 supermarkets and 14 hypermarkets This year's interim results showed another 15% rise in EPS and the *FM* likened that to "something akin to a triumphal march" PnP MD Hugh Herman is quoted as saying the group's market "is currently the highest it's ever been" Everything with Ackerman seems to be phrased in superlatives

In the process, Ackerman has collected some interesting footnotes to add to an impressive CV the *FM* selected him as Man of the Year in 1983, he has an honorary doctorate in law from Rhodes (1986), was selected as one of The Men of the Decade by the Women's Bureau of SA (1987) and he attended this year's Earth Summit conference in his capacity as a member of the Geneva-based Business Council for Sustainable Development

Ackerman's hobbies are listed in *Who's Who* as golf, snooker, reading and skiing But his real hobby as well as work is PnP and he remains involved in it The consumer, says Ackerman in the group's annual report, is sovereign and 1993 will be another year of persuading anyone who hasn't tasted it yet to indulge in PnP's shopping experience

7 Jowell

The Jowell brothers have added nearly R100m to the family's pot of wealth over the past year — and that's enough to move them to seventh spot among the seriously rich Calculations are based on the family's holding of 10,3m shares in holding company Mobile, they do not reflect the statement made recently to announce the intention to subdivide the shares of Mobile and its subsidiary Trencor

Neil and Cecil Jowell share the dubious honour of originating in the small northern Cape town of Springbok As a wag said, coming from a place like that is a great and unfair burden to carry through life

Not that the Jowells would agree It's made them famous, wealthy and wise After all, Springbok is where father Jowell (Joe) began the family business in 1930 when the railways discontinued its road service from the railhead at Bitterfontein That left towns to the north out on a limb It also presented an opportunity Like all good entrepreneurs, Jowell took it

The brothers Jowell grew up in Springbok, "mucking around," says Neil, "in the garages and driving some of the trucks" Both men secured law degrees from UCT and they are joint MDs of the principal operating company, Trencor Living 1 000 km apart, Neil in Cape Town and Cecil in Johannesburg, probably helps

Neil Jowell

FIVE-STEP PROCEDURE

The shareholder information was prepared for the *FM* by McGregors Online Information, using a five-step procedure:

- ☐ Examine the controlling shareholder of every company listed on the JSE for director or family control;
- ☐ Examine annual reports, share registers, circulars and other supporting documentation for holdings by families/directors in relevant companies and other companies listed on the JSE from the findings above,
- ☐ Scan the computer data base for any individual, trust or family holding company, using search software;
- ☐ All relevant companies were contacted to verify the information where the holdings were not clearly stated; and
- ☐ Calculate the value of shares held — share price at the close of November 27.

 FM 8/1/93 232

to ensure they don't disagree too much, though Neil says their different personalities make it easy for them to get along

That's borne out by the results Trencor's earnings performance to the end of June was well ahead of that of most other industrial companies There was a 20% growth in turnover that worked its way through to an increase in EPS of 23% The dividend payout for the year was 195c — well ahead of inflation.

Chairman Neil tends to keep the cards close to his chest. he has no intention of revealing his strategies But the record suggests the Jowells and their team will stay one jump ahead

8 Hamilton

An increase in the family's wealth of R23m over 1991 wasn't enough to keep the Hamiltons (soft drink companies) in last year's seventh slot In nominal terms the family marked time but, after inflation, there was a serious setback — an unavoidable problem for many in a year of hard recession

The Hamiltons hold their core interests through 7,8m shares in Dalys and 1,9m shares in Tempora Both counters had good years Dalys touched a low of 3 950c in January and is now trading at 4 600c, a 12-month high, Tempora opened the year at 1 675c, touched a low of 1 450c and is now trading at a satisfactory 2 000c


Robin Hamilton

Of course, the business of soft drinks is generally reckoned to be recession-proof — especially if your portfolio includes the Coca-Cola range along with Schweppes and various Sparletta flavours Turnover in the important operating company Suncrush has gone from R84m in 1983 to R535m for financial 1992

Third generation chairman Robin Hamilton is known for his desire to power Suncrush into new ventures In 1991 he guided Tempora into the purchase of a 17% holding in Cadbury Schweppes which, he says, has reported good results for its half-year period In June Tempora raised R82m through a rights issue.

But last year's euphoria has given way to a more sober appraisal of conditions In his chairman's statement, Hamilton says eloquently that even in the best run of businesses there comes a time when the combination of disruption, violence and a consistently poor economy outweighs ingenuity and every attempt to increase sales The first 10 weeks of the new financial year were bad

However, with the franchises the Hamilton's have tucked away, the family shouldn't have any difficulty surviving torrid times

9 Krok

Everyone enjoys reading about the exploits of the Krok brothers — they are a national institution, and twins Abraham and Solomon (63) had a good 1992, increasing the family's wealth from R208m in 1991 to R378m — an improvement of about 82% It earned the family a warm spot in 1992's top 10

Not that 1992 was easy. Far from it The Kroks were involved in their usual litany of argument and controversy Solly ended the year on a high note when he indulged in a slanging match with the normally reserved Premier MD Peter Wrighton And, predictably, it was all about how the Kroks' joint creation — Twins (now Premier Pharmaceuticals or Prempharm) — is to be managed and controlled

"For Solly Krok to talk about Premier's bad management," Wrighton told the *FM*, "is really a laugh, given his record of disastrous deals in the past, both here and abroad " Of course, that was a sly reference to the Kroks' 1991 debacle in the US when Sol spent several months extricating himself and the family from the nastiness which developed over the Epilady hair remover device Epi Products, a company run by Solly's daughters Sharon and Arlene, developed a debt of US$24m and filed for Chapter 11 bankruptcy protection

That adventure's over but the argument with Premier continues The Kroks contend that, having acquired control of Prempharm, Premier's managers are now attempting to saddle the company with assets it doesn't need and doesn't want The twins aren't having it, not at any price. Wrighton thinks differently An agreement was entered into, and he intends to ensure it's carried through, if necessary, he'll enlist the help of the courts

In September it was reported that an investigation by the Office for Serious Economic Offences into certain foreign transaction involving Solly and Abe was nearing completion The press suggested a decision on whether or not to institute proceedings against the pair was imminent Nothing more has been heard


Abe & Sol Krok *sparking fame and controversy*

The pair are famous for their support of philanthropic enterprises These extend to Jewish causes Your correspondent was taken aback a few weeks ago when, guided through an anteroom to an interview with Solly, he was confronted by two large rabbis, complete with hats "Don't worry about them," cracked Solly, "they're just my bodyguards."

10 Wiese

It's interesting how little sometimes separates the families — purely a matter of the closing prices on the JSE on a particular day. November 27 favoured the Kroks over Christo Wiese (Pepgro) by as little as R1m After all, what's a million between friends at these levels?


Christo Wiese

Wiese's 10th spot is two down from last year's ranking and it's not because he's done badly — the family's fortune increased 13% to R377m, it's that a few others did rather better. The Wiese family's core holding is in Pepgro, an investment holding company with a controlling interest in Pepkor; its holding in Pepgro in 1991 was 5,4m shares However, a share split resulted in the family's holdings growing to 29m shares at the end of 1992, though at the much reduced price of R13 each

In his last annual chairman's statement, Wiese is predictably cock-a-hoop about the group's acquisitions four listed companies were brought into the fold — Smart Centre, Tradegro, Tradehold and Cashbuild The interim results to the end of August tend to bear out his optimism Despite the obvious dangers of having taken on too much, line managers demonstrated their ability to go on generating profits, even in the most difficult circumstances

Turnover grew 172% (because of Tradegro) and operating income rose 12% to R96,6m There was a fair degree of paper manipulation during the half year as Wiese sought to restructure the group to his satisfaction The important matter is that, provided conditions don't deteriorate further, the group's earnings growth will be continued

Meanwhile, the enigmatic Wiese has been lured by Finance Minister Derek Keys into a different pool — Wiese has been appointed the new chairman of the IDC He assumes the chair at the very time it is taking on considerable new investments as well as restructuring itself to realise some of the money which will be needed in the months ahead

New IDC projects and participations include Alusaf, Columbus Steel and Anglo's Namakwa Sands

11 Lewis

"Foschini," the *FM* told its readers in November, "is a rarity among retailers It has continued to produce real earnings growth throughout this long recession " Which is no doubt one of the reasons the Lewis family has moved up a notch in the rankings from last year's 12th position Stanley Lewis has increased his family's wealth by an additional R51m this year, and the number of shares the family holds in Lewis Foschini (Lefic) has increased to 12,9m largely from the accumulation of new shares issued to satisfy dividends declared


Stanley Lewis

Last year, the father-and-son team of Stanley and Michael appeared on numerous occasions in the press, locally and in the UK This year's been different comparative obscurity So it's worth reciting a few of the juicier morsels from earlier times

The Lewis family's offshore arm is Oceana Investment Plc in which Foschini has a significant holding. In 1991 Oceana launched a hostile bid for UK retailer Etam, a 251-store chain The bid failed and it led to some strong words from Etam MD Rodney East Oceana was precluded under the rules of the LSE from making another bid for 12 months — which has since expired

So what's popping? Silence But that doesn't mean Stanley's been seen off. His chairman's statement for Lefic and Foschini for 1992, a masterpiece of disguise, understatement and thinly-veiled intention, discloses that Oceana's 34,4% holding in Etam makes it that company's largest single shareholder, that Oceana is satisfied with its holding, and that its "only regret is that it has thus far been unable to persuade the board of Etam to meet and discuss how group experience and expertise through board representation can be made available to Etam."

Does that mean Stanley's given up? Not for a moment He tells Etam's directors that he will "strive for an acceptable solution in the interests of Etam, its employees, and all shareholders " Get ready. Preparations must be under way

Meanwhile, Foschini powers on, now under the leadership of new group MD Clive Hirschohn The company has, says an *FM* analysis a "superior earnings capability " That's what justifies its superior rating in our rankings

12 Hersov & Menell

Why are some families treated separately and others jointly? It seems a bit unfair The answer, at least in the case of the Hersovs and Menells, is that the holdings of the two families are equal and can't legally be separated

Which means they can comfort each other about the R75m that has slipped, though only in theory, down the tubes between 1991's ranking and 1992's

Basil Hersov (66) and Clive Menell (61) continue to lead families which are heirs to the house founded in 1933 by Bob Hersov and Slip Menell.

They hold a 51% interest in Anglovaal Holdings, which holds 50,2% of Anglovaal, a mining house that is small but respectable, and which can bark too — Hersov is said to have expressed his anger at the construction by Anglo of its new building which directly adjoins, and overshadows, Anglovaal's Main Street head office in Johannesburg There it stands

The Anglovaal group is positioned, at least in respect to its gold mining operations, rather poorly It has Hartebeestfontein, the quality producer in the Klerksdorp field, Loraine in the Free State, a mine which doesn't exactly excite investors, and ET Cons in the eastern Transvaal, small but profitable



Hersov, Menell

What's next, the market's been asking? The answer appeared to lie with the group's Sun and Target prospecting areas immediately north of Loraine.

But hopes for the establishment of a large-scale gold mine in the area were dashed in September when the company announced that political uncertainty coupled with inadequate gold prices had persuaded it to postpone the projects

The geological results from a long exploration programme appeared reasonably encouraging; the problems centre around the capital outlay of developing a deep mine at an estimated cost of as much as R2,5bn in the face of static gold prices.

Still, the families can take some comfort from the skilful growth of Anglovaal Industries which continues to perform well Perhaps that's where the group's future lies ultimately, though it may not have been the original intention of the founders.

13 Imerman

This family is suffering from a severe case of press over-exposure But then, that's what you'd expect from royalty It may sound weak but Vivian Imerman's Royal group has excited considerable interest in the past two months, from investors, speculators, observers and — yes — pressmen

After all, it's not often a relatively small SA food company specialising in chewing gum and baking powder tries to take over an international food giant, in this case Del Monte Foods International (DMFI) headquartered in the UK and with operations spanning continental Europe Everyone loves a fight, especially if it's between David and Goliath Could little Royal, around R1bn in capitalisation (with love and not too much precision), take over DMFI, with an asking price of about R2,1bn?


Vivian Imerman

Imerman (37) thought he could do it What's more, he persuaded Anglo's Graham Boustred, reputedly not the easiest of men, that he was the man for the job and that Anglo, to boot, stood to gain significantly if it backed him. Then he went about the task methodically and calmly, if he ever panicked as deadlines drew ominously closer and potential backers hummed and hawed, he never revealed it to anyone but himself An Anglo veteran, not readily moved after decades in the bullring, confessed that he was deeply impressed Well, that's leadership

As we know now, Imerman got to the bank before the teller put up the closed sign DMFI is part of Royal, Royal has become a great rand-hedge stock, and what's more, DMFI will offer important avenues for increasing exports of SA-grown produce Imerman pulled it off just ahead of an increasingly concerned Treasury which finally drew down the shutters on the use of the financial rand by SA companies wishing to diversify abroad Last year the Imerman family, which is quoted as holding 20,2m shares in Royhold, logged in as 16 in the rankings This year it's 13 Is anyone bold or foolish enough to hazard a guess for next year's position?

14 Wessels

On the face of it, it looks as though the Wessels and Imerman families tied for 13th place, in fact, Imerman squeaked in just R16 000 ahead It represents a severe fall in the rankings for Bert Wessels and his family: their wealth fell a colossal R125m or 42%.

The family holding is of just under 5m

232

shares in Wesco; last year Wesco's share price had risen to R60 and the Wessels were worth R300m This time round the share has fallen to levels approximating those last seen in 1990

The reasons are not hard to find First, the market for motor vehicles has continued to be flabby Early hopes that the industry would have a recovery in the second half of 1992 proved unfounded Second, and compounding the effects of the prolonged recession, was Toyota's disastrous experience in labour relations beginning in May By the end of June, the company's plants in the Durban area had clocked in 33 days of lost production

That found its way through to the income statement Turnover fell 11,6%, net income attributable to ordinary shareholders dropped a huge 74% The truth is that a group the size of Toyota cannot record results like that without an immediate backlash from the market. Toyota shares took a pounding. So did Wesco.

Nor is the bad news entirely over Toyota chairman Bert Wessels told shareholders in August that labour disruption had continued until July 22, even so, he expected the second-half results to show an improvement So he should, considering the low level of the interim figures

Bert Wessels

Still, the group ended the year on a high note with the launch in November of its new Camry series about which one SA motoring critic wrote that it goes about its business "with a confidence that will be frightening to the German establishment " Of course, the car has to prove itself by recovering lost market share and that may not be easy, Wessels has admitted that restoring Toyota to its prime position in the SA market may be difficult

Well, it's unreasonable to expect everything to keep going right, all the time

15 Hurwitz

It's taken some doing, but the pharmacist from Fordsburg has shown that medicine pays. A newcomer to the rankings last year, Hurwitz holds on to his ranking of 15th place on the back of a marginal increase in the family's fortune.

Remarkably, the share price of Clinic Holdings, the family's core investment, is unchanged from last year, the increase of R6,6m comes from a rise in the family's holding to just over 50m shares.

Hurwitz has been described as the pioneer of private hospitals in SA and the company operates 12 hospitals countrywide A planned restructuring of the group, which

Barney Hurwitz . *pioneer in medical services*

entails merging the hospital trading operations with the landlords' property-owning interests, has been agreed on in principle When details of that plan are finally revealed, it should put to rest market criticism that the relationship between property-owning and trading companies led to a conflict of interest

The unlisted hospital properties are owned by the Hurwitz family, the family also controls Clinic Since Clinic pays rent to the property-owning companies, it's easy to see how the disquiet has arisen

Meanwhile, the group's interim financial results to March indicate a consistently good performance Turnover rose 19% and that worked its way through to an increase of 17% in bottom-line EPS — ahead of inflation and pleasing for shareholders

Hospitals and medicine can't be the easiest ways of making money, interwoven as they are with matters of high emotion and individual satisfaction (or otherwise) Basically, people resent being ill and then having to pay for the privilege of getting better, and it's a fact that medical costs — on every level — have risen frighteningly in recent years

But, for Hurwitz, a 1934 immigrant from Poland, and married to Leah for nearly 48 years (which, if not a record, is still worth remarking upon), hospitals have been the way to a considerable personal fortune

16 Ferreira

It is always a pleasure for the *FM* to welcome new entrants to the ranks of the seriously rich, in Ferreira's case, his first appearance is made notable by the comparatively high ranking achieved.

Gerrit Thomas Ferreira (GT as he is known to the financial community), executive chairman of Rand Merchant Bank, derives his family's wealth from the recent listing of Rand Merchant Bank Holdings (RMBH) In November RMBH was listed on the JSE in what was described by some analysts as a remarkably good early performance, Ferreira is shown as holding 8,4m shares, and they traded at a price of R11 on the day of this annual survey

Ferreira is no stranger to controversy He has let fly in recent months about the archaic governance, as he sees it, of the JSE In particular, Ferreira is angry that the exchange refuses to countenance dual capacity trading, in which members are permitted to act both as agents and principals — in other words as marketmakers

He is adamantly opposed to the application of fixed commissions and believes they must be replaced as soon as possible by negotiated commissions which reflect particular circumstances He is also vexed that the JSE does not permit corporate membership.

Ferreira says all these things in public, from whatever platform offers a good opportunity — including the JSE itself during the course of a workshop called by the exchange to consider its future role and strategies

Predictably, his outspokenness doesn't earn him many friends among the broking community

G T Ferreira

GT is known also for his involuntary association with Johannesburg's Blue Light Gang It is not an adventure he recalls with any pleasure But he admits the experience of being apprehended, accosted, shot, robbed and left for dead, has "given me a new perspective about life and working "

Ferriera was born in Graaff-Reinet; so was Anton Rupert He attended Stellenbosch University, so did Johan Rupert. Rupert's bank, RMB, was merged with Ferreira's Rand Consolidated Investments in 1984 and the combined operation is now considered one of the country's blue-chip banking establishments

What is that if not happiness?

17 Barrow

John Barrow's investment in Fedsure Holdings, the insurance holding company of which he is chairman, remains at last year's 8,4m shares But the share price has appreciated considerably — from R7,90 last year to R11, and that increases his family's fortune by R26m. The Barrow ranking last year was 19th, this year the family finds itself sharing 17th position with FSI's Liebesman.

Last year's *FM* survey found Barrow's desire to guard his privacy to be sufficiently advanced to be worthy of comment This year's no different He doesn't even appear in *Who's Who* We know he likes walking in the Drakensberg, that he's an active conservationist and that he's married and has four children

Somehow that isn't enough knowledge of a man who controls the country's sixth-largest life assurer with assets of about R5bn Fedsure CE Arnold Basserabie tells the *FM* that Barrow is "astute, approachable, down-to-earth, easy-going and relates well to people at all levels " But then, you would expect the CE to say that of his chairman


John Barrow

Fedsure was listed in 1987 Barrow's father founded the company half a century ago Fedsure's principal subsidiary is Fedbel, whose main investment is the long-term insurance company Fedlife Assurance, which in turn is the holding company of short-term insurer Fedgen

17 Liebesman

Jeff Liebesman was in 14th position last year but his group hasn't had the best of times and his wealth has fallen an appreciable R35m That pulls him down to share 17th spot in 1992 with the Barrows of Fedsure

His holdings in the listed companies within his operations are 47m ords and 800 000 preferreds in FS Group, 2,7m ords and 400 000 prefs in FSI, 5m ords and 300 000 convertible debentures in W&A, and 3,7m ords in Waicor

Of course there was a time when the market saw Liebesman as the latest in a line of extraordinarily talented whiz-kids But FSI and W&A have not quite lived up to market expectations, the group has been rerated — downwards Indeed, FSI began the year at 400c and touched a low in November of 170c before recovering to trade at the current 220c W&A had the market sufficiently worried to halve its price while it awaited the June interim results announcement (which turned out not to be the disaster analysts were expecting)

The *FM*'s comment at the time was that W&A's results indicated its reliance on a few activities for most of its profit with Form-Scaff, Gentyre and the overseas operations contributing 69% of trading profit That, said the *FM*, "reflects the beating being taken by the consumer division, particularly JD Group "

Another matter of interest was that overseas operations accounted for 26% of trading profit and half of attributable earnings That, at least, is some sign of encouragement


Jeff Liebesman
that falling feeling

in that it begins to bestow upon a section of the group some indication of rand hedge advantages — which could prove important in the months ahead

The 1990 year was the year for Liebesman He was named as one of the *Sunday Times*'s top five businessmen of the year and W&A was judged *Business Times*'s top-ranked company in the annual Top 100 Companies contest

It will be some time before those feats are repeated

19 Dippenaar

Lauritz Lanser Dippenaar (Laurie) is the second newcomer to the *FM's* rankings and, like his colleague and long-time associate and friend, GT Ferreira, he has achieved his newly found affluence and prominence by virtue of his holdings in RMBH — the banking holding company listed in November

Dippenaar's holdings are disclosed by the company as being 8,3m shares and with the share price at R11 it brings his family wealth in at a shade under R92m

The merger effected in July made RMB Holdings a pyramid with a 77% interest in Momentum Life, and that in turn holds 100% of Rand Merchant Bank and Momentum Asset Trust What changed is that RMB Holdings relinquished its status as a bank-controlling company — that status has been transferred to Momentum Life


Laurie Dippenaar

It is of Momentum that Dippenaar (44) is the chairman (along with RMB Asset Management) He's also MD of RMB Dippenaar agrees the life office was good at managing its assets but says the new company "can do it better " RMB Asset Management is a separate company with Momentum its biggest single client Dippenaar says it's the same arm's-length structure used to such good effect in other merchant banking operations

The hype that has surrounded RMBH's successful listing isn't without foundation It's worth noting, for example, that Rand Merchant Bank and RMBH achieved their 14th consecutive year of profit during 1992

20 Sacco

The Sacco family, still led by the venerable Guido, now 92, has concentrated its investment in Associated Ore & Metals (Assore), a mining holding company with interests principally in base metals and minerals

Assore is controlled by unlisted Oresteel Investments but the Sacco family declares a direct investment in Assore of 439 000 shares With the share price at R205 that brings the family fortune in at R90m — just enough to secure 20th spot in the rankings, compared with last year's 17th position

Assore's last set of annual results reflect the state of the international markets in which the company operates — and the picture isn't a happy one for shareholders Attributable income has more than halved in two years and the same is true for earnings

But new chairman Desmond Sacco says the comparison is unfair because the ferrochrome markets were unusually strong in 1989 and 1990 "It's a cyclical business and I really believe the company's current levels of profitability, which are more in keeping with those of 1987 and 1988, are reasonable "

Assore shares had an unusual roller-coaster over 1992 They began the year at R190, touched a low of R130 in February and reached a high in October of R220 In March, the share price jumped 40% on the back of a single deal worth about R46m

This is an intriguing performance Over calendar 1991 only 8 000 shares were traded An *FM* assessment undertaken in October showed that over 1992 236 000 shares changed hands Sacco says he believes the substantial increase in volumes traded reflects merely a large bookover between two institutions


Guido Sacco

Assore's major investment is in Anglovaal associate Assmang (Associated Manganese Mines) and through it, in Ferralloys It has other interests in chrome ore mining and property development Head of the family, Guido, has stepped down from his long tenure as chairman of Assore He's now the company's president ■

ANNUAL ACCOUNTS AWARD (232) FM 8/1/93

Dance of the seven veils

Recession is a reason for improved rather than opaque reporting

Many of those appearing in this year's Top Twenty are familiar names — companies which have for years been striving to inform their stakeholders and the investment community as fully as possible about their business But this time Morkels has leapt to the top of the league, scoring 156 points, or 100%

Morkels' achievement is made all the more creditable by the company's relatively small size Though no lightweight operation, with annual turnover now exceeding R300m, it is not part of one of the really large industrial groups — in contrast with many of the other leaders in this ranking

Ever since listing in 1987, Morkels has placed a premium on all-round reporting standards It is, for example, one of the few industrial companies to publish financial reports every quarter It has consistently appeared in the Top Twenty for some years, last year it was ranked 11th, with 138 points, or 88,5%. This time the standard was lifted even higher

Though they do not appear in the Top Twenty, two others also scored 100% — Anglo-Alpha and York Timber Organisation (Yorkcor) Both have won the award on three previous occasions and so are listed in the Roll of Honour (along with Protea Holdings and Massey-Ferguson). It's noteworthy that their attitude towards maintaining the highest standards of reporting is such that they continue to score full marks, even though the rules have been made more stringent in recent times

Roll of Honour

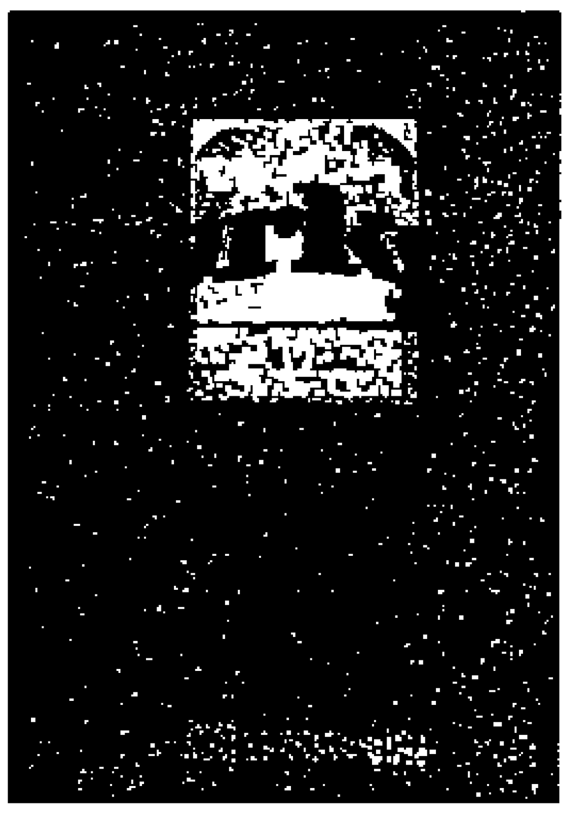
Anglo-Alpha
Massey-Ferguson
Protea Holdings
York Timber Organisation

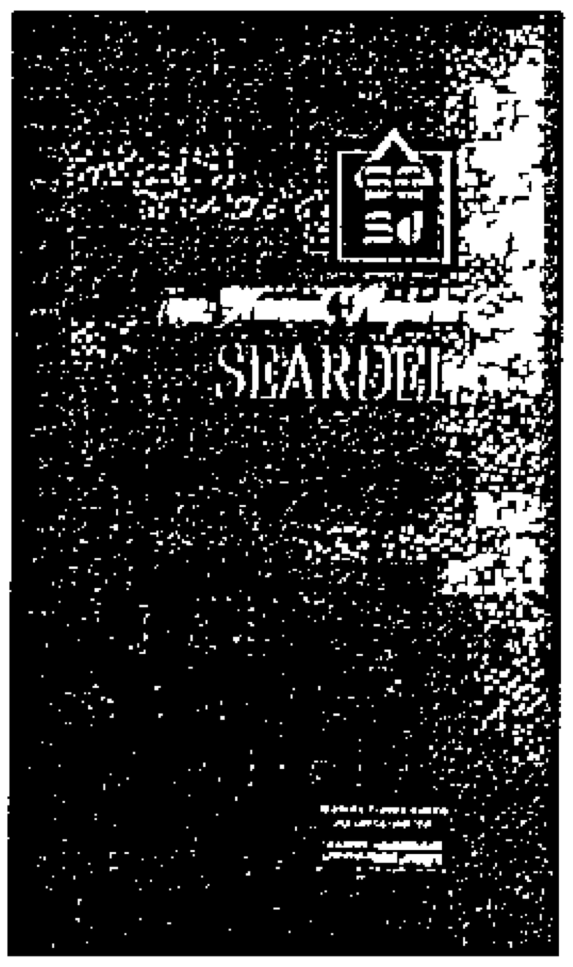
The Winners

1991	Morkels
1990	SA Breweries/Seardel
1989	SA [illegible]
1988	[illegible]
1987	Anglo-Alpha
1986	York Timber Organisation
1985	York Timber Organisation
1984	Chemical Services/Anglo-Alpha
1983	Anglo-Alpha/Chemical Services
1982	York Timber Organisation
1981	[illegible]
1980	Dunlop
1979	Protea Holdings
1978	[illegible]
1977	AEC[illegible]
1976	[illegible]
1975	PP Cement
1974	Protea Holdings
1973	[illegible]
1972	United Tobacco
1971	Stewarts & Lloyds
1970	Stewarts & Lloyds
1969	Protea Holdings
1968	Massey-Ferguson
1967	Massey-Ferguson
1966	Massey-Ferguson
1965	Massey-Ferguson
1964	Massey-Ferguson

Yorkcor is an old, family-controlled company and, as it happened, 1991 was its 75th anniversary With a market capitalisation now around R12,5m, Yorkcor is hardly one of the JSE's giants, but it has long chosen to maintain the highest possible reporting standards — the 1991 annual report is packed with information and is extensively illustrated

This is a package which goes beyond the usual needs of investors, but is patently also aimed at many other stakeholders such as employees and customers It's notable, too, that Yorkcor believes in timeous reporting, the annual report is invariably published within a few weeks of the financial year-end





The much larger Anglo-Alpha — with a market capitalisation of about R840m and major shareholders, including Holderbank Financiere Glaris Ltd (of Switzerland) and Anglovaal — has built up a similar record

Its latest accounts were produced without undue delay and they give the various users comprehensive but concise details about the business Again, like many of the others in the Top Twenty, it's not only the financial community that is intended to benefit, the *Social Report*, for example, is informative and conveys much about the corporate culture

Stricter rules applying from last year have contributed to various changes elsewhere in the ranking Last year's joint winner, Seardel Cons, remains in second place, with 151 points or 96,8%; while the other joint winner, SA Breweries, has slipped slightly, with 149 points, or 95,5%

It is almost three decades since the *FM* initiated the annual accounts award in 1964, when it was won by Massey-Ferguson Its purpose is twofold to commend companies that take the trouble to maintain high standards of reporting to stakeholders, and to expose those that persist in revealing as little as they can legally get away with

Judging is done on the same basis as in the past In contrast with some other such awards, credit is given solely for the disclosure of financial and related information that would help investors and other stakeholders to analyse and understand the company Points are awarded for inclusion of specified data or comments in interim or annual reports This adjudication is done according to a set of rules which are published and made known to all listed companies

As we have often emphasised before, a distinctive aspect of this award is its objectivity It is readily apparent to all involved where points are gained or lost What counts here is disclosure, no attempt is made to evaluate subjective features such as the quality of presentation, the design of the annual report, the number of glossy (perhaps even informative) pictures — or, as is sometimes assumed, the length of the chairman's statement

Some of these may well be important It's probably no coincidence that most of the companies maintaining high standards of disclosure also choose to publish well-designed and attractive annual reports On the other hand, there is no shortage of annual reports which are packed with glossy illustrations and loquacious commentary but are woefully short on useful information

Rules are formulated by the *FM* and the University of Pretoria's Bureau of Financial Analysis (BFA) Judging is supervised by the BFA's Professor Leon Brummer and administered by senior lecturer Jean Myburgh

Companies do not enter for this competition The BFA evaluates the accounts and interim reports of all companies listed on the industrial board of the JSE This, incidentally, includes those who may prefer to be excluded The purpose is to expose both the best and the worst Companies listed in the financial services or mining sectors have not up to now been included Their accounts are drawn up according to a more specialised format and could not be judged according to the same set of rules

Top Twenty

Rank	Company	Points
1*	Morkels	[illegible]
2*	Searle/Cons Hlds	152
3*	Chemical services	151
4*	CG Smith Foods	151
5*	Nampak	151
6*	Adcock Ingram	149
7*	Amalgamated Retail	149
8*	Pretoria Portland Cement	149
9	SA Bias Hlds	149
10*	South African Breweries	[illegible]
11*	Barlow Rand	147
12*	Edgars Stores	145
13*	South African Druggists	[illegible]
14*	CG Smith	144
15*	Associated Furniture Companies	141
16*	Lion Match	141
17*	ICS Holdings	[illegible]
18*	Reunert	[illegible]
19	Cadbury Schweppes SA	139
20*	AECI	138

Companies with 1991 year-ends were considered for the latest award Each year there is a lengthy but unavoidable lag between the publication of many of the reports involved and the announcement of the final rankings This is because each award is based on an evaluation of all companies' accounts for a particular financial year.

As all listed industrial companies are included, it's necessary to wait for release of the last of those with December year-ends And it is extraordinary how long some companies take to produce their accounts Indeed, the disdainful attitudes some companies have towards reporting to shareholders is often apparent in two ways tardy as well as woefully inadequate disclosure

JSE and Companies Act requirements are that audited annual accounts must be published within six months of financial year-ends Yet some of the December annual reports are only received well into the third and fourth quarters of the following year

Last month, the JSE announced it intends adopting a tougher approach and in future will summarily suspend the shares of later reporters Perhaps it is time to introduce a new feature when announcing results of this competition and include the financial year-ends and dates of receipt of the accounts

There is, however, another reason for the lag before results of the *FM*'s award are published the rapid growth of JSE listings in recent years has made the judging more arduous for the adjudicators This problem will doubtless be eased and perhaps resolved by the trend that emerged in 1991, when delistings began to eclipse the new listings

Meritorious as the achievements of those in, or approaching, the Top Twenty may be, it's interesting to note how many lower-ranked companies are upgrading reporting standards Twenty such companies are ranked in the Most Improved table, starting with Lonrho Sugar By opting to offer shareholders more than the minimum, this company has climbed firmly out of the Bottom Twenty, where it has long languished

Next biggest improvement was by Scharrighuisen, the burgeoning mining and engineering group listed a few years ago It is followed by T&N Holdings, Natal Ocean Trawling and Argus Holdings

Stocks & Stocks, ninth in the Most Improved table, is another that featured in last year's Bottom Twenty Last year it scored a mere 50 points (32%), this time it scored 71 points (45,5%) But this is a substantial company, with turnover well over R1,3bn, and its shareholders doubtless deserve even better

Spur Steak Ranches has been a good performer from the standpoint of earnings and share price, but for a number of years since the listing in 1987 its reporting standards were of a decidedly weaker standard It, too, no longer appears in the Bottom Twenty and its holding company, Spur Holdings, is ranked 13th in the Most Improved table

It's hoped that these improvements will be sustained Regrettably, in some instances they are followed by lapses — as is the case this year with Rembrandt Group, which for many years featured in the Bottom Twenty, persistently maintaining dismal levels of disclosure for such a large and otherwise highly respected group

Sadly, after rising out of the Bottom Twenty last year, Remgro is back again, where it sits

Bottom Twenty

Rank	Company	Points
1	Rubenstein Holdings	[illegible]
[illegible]	Quick Holdings	43
[illegible]	Eurevest	44
4*	Rale Holdings	[illegible]
[illegible]	IB Joffe	45
[illegible]	Focus Holdings	46
7	[illegible] Technologies	[illegible]
8	[illegible]tor Motor Holdings	48
[illegible]	Invicta Holdings	[illegible]
[illegible]	Eddies Stores	[illegible]
[illegible]	The Deborair Group	[illegible]
[illegible]	Choice Holdings	[illegible]
13	[illegible]er-Mitchell Holdings	[illegible]
14	Ohio Group	[illegible]
15	[illegible]	[illegible]
[illegible]	Acrem Holdings	[illegible]
[illegible]	Rembrandt Group	51
[illegible]	[illegible]tments	51
[illegible]	Tollgate Holdings	[illegible]
[illegible]	Transnatal	52

[illegible] bottom twenty

oddly alongside the general quality of company in that ranking Market observers will be watching with interest to see whether the changes occurring in Remgro's senior management will eventually lead to a new approach to corporate reporting

Renewed attention to this topic is something all companies should consider In a recession or bear market, investors are quick to penalise opaque disclosure ■

Most Improved

Rank	Company	Points: Previous	Points: Latest	Overall position: Previous	Overall position: Latest	Change in position
[illegible]	Lonrho Sugar	[illegible]	[illegible]	[illegible]	14	[illegible]
[illegible]	Scharrighuisen Hold	[illegible]	[illegible]	278	97	[illegible]
[illegible]	T&N Hold	[illegible]	[illegible]	234	72	+162
[illegible]	Natal Ocean Trawling	[illegible]	[illegible]	263	114	[illegible]
[illegible]	Argus Hold	[illegible]	[illegible]	204	60	+144
6	Dropp-Inn	59	[illegible]	342	198	+144
[illegible]	[illegible] Hold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Italtile	[illegible]	[illegible]	251	117	+134
[illegible]	Stocks & Stocks Hold	50	71	[illegible]	253	+130
10	PDC Hold	56	[illegible]	[illegible]	242	+120
11	Sasol	[illegible]	[illegible]	182	63	119
[illegible]	HWV Beleggings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13	Spur Hold	52	[illegible]	377	269	+108
[illegible]	Concor	65	[illegible]	[illegible]	204	+100
15	Interleisure	[illegible]	120	[illegible]	49	+97
16	Omnia Hold	[illegible]	84	265	170	+95
[illegible]	Macams Bake	[illegible]	[illegible]	[illegible]	178	+91
18	Environmental Resources	[illegible]	[illegible]	335	246	+89
19	Tiaco Cons	[illegible]	[illegible]	[illegible]	261	+89
20	[illegible] Contro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Cape super-rich topple Randlords

232

STAR 8/1/93

The ghosts of earlier generations of gold mine Randlords were in mourning yesterday on news that the most powerful of their successors — the Oppenheimers — have been toppled from the throne as the wealthiest shareholders on the stock market. The throne has been taken by the Rupert and Hertzog families, whose fortunes come from the Rembrandt tobacco and wine business, writes MICHAEL CHESTER

THE FIRST generation of Randlords, whose legendary fortunes made gold and diamonds the original hallmarks of wealth when the South African business world took shape, must have stirred in their graves yesterday

It seemed a page in history was being turned when a new survey disclosed that the Oppenheimer dynasty — regarded as equal to royalty in local high society — had been toppled from its pinnacle as the wealthiest family in South Africa in terms of the stock market shares they own

One suspects there were also a few mild gasps among members enfolded in plush leather armchairs at the exclusive Rand Club in Johannesburg where the next successors in the business hierarchy still hold court.

The crown was moved from the hustle and bustle of Johannesburg to the quiet Cape wineland capital of Stellenbosch.

The title was claimed by the Rupert and Hertzog families, who between them founded and still control the vast Rembrandt tobacco and wine empire and whose massive portfolio of shares on the Johannesburg Stock Exchange had grown to a staggering R2 843 million by the latest count.

It was only a few hundred million rands that cost the Oppenheimers the title — not a disaster when wealth is counted in billions, but enough to lose a No 1 rank that had been widely assumed to be almost permanent in the South African firmament of the super-rich

Now in official retirement at age 84 but still active behind the scenes, Harry Oppenheimer can explain to the family over the dinner table that they must direct the blame at the way lots of JSE share prices have been hit by the recession — and the dramatic tumble in prices on world gold and diamond markets

The value of their mountain of shares — including millions in the Anglo American Corporation and De Beers empires — had fallen in 12 months from R2 872 million last year to R2 355 million in 1992.

The Oppenheimers had had a close shave in holding the JSE title in 1991 as the founders of the Rembrandt empire, Dr Anton Rupert and his close business intimate Dr E de la H Hertzog, increased their family fortunes

Now, even though the combined shares held by the Ruperts and Hertzogs in their joint operations in Stellenbosch moved only marginally, from R2 818 million to R2 843 million, it was enough to snatch the No 1 ranking

Then again, though, the comparisons of wealth had been restricted to no more than what each of the dynasties owns in JSE investments

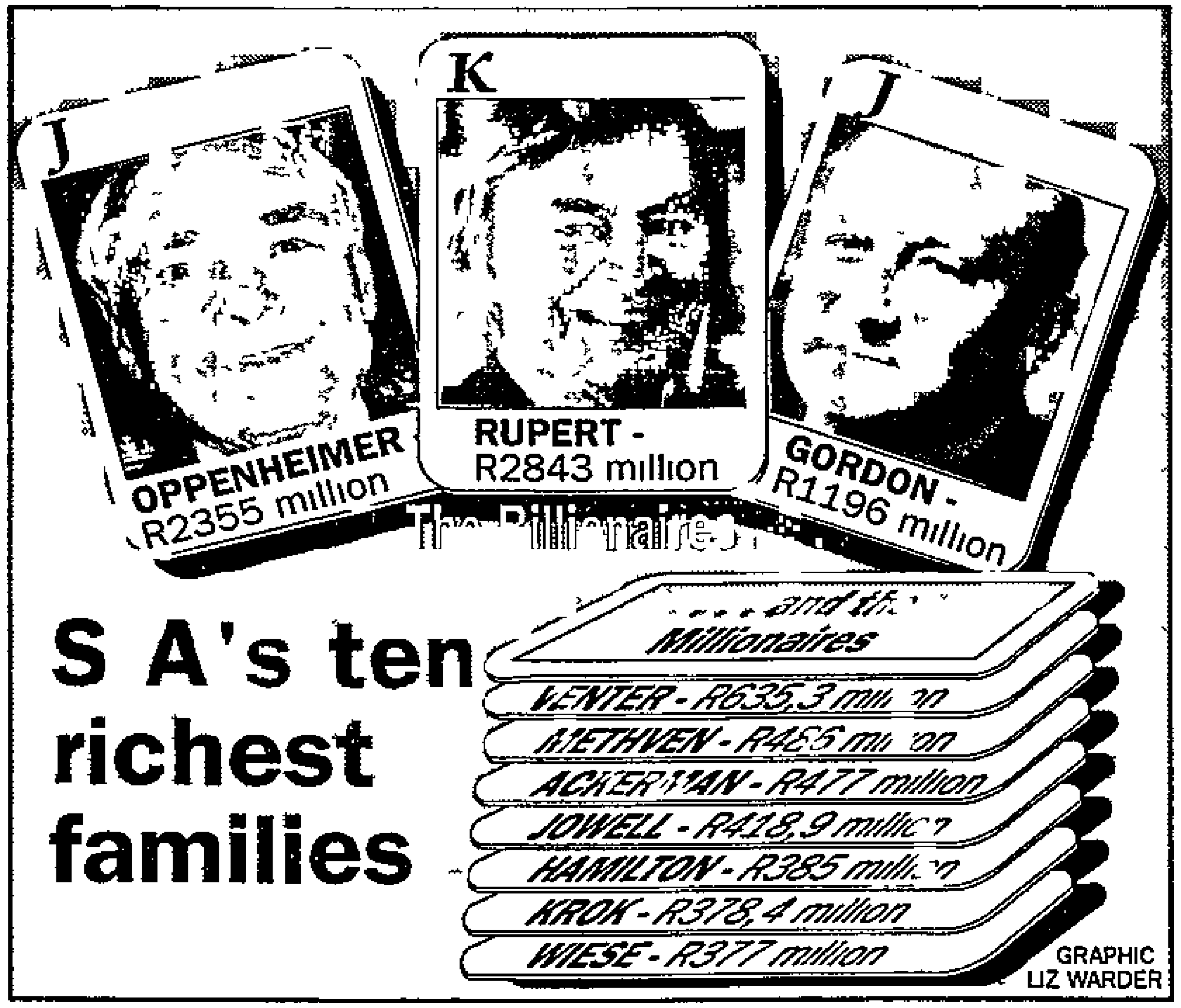
There was much more to their total wealth than JSE portfolios, it was explained yesterday by Robin McGregor, author of the well-known "Who Owns Whom" investment handbook, whose business information service undertook the new survey in an exercise with the Financial Mail magazine. The results are the cover story in the current issue

"It is virtually impossible to ascertain the ultimate total wealth of the families," he told The Star "They have enormous investments quite apart from shareholdings in listed companies that have not come into the survey — held in private companies such as E Oppenheimer and Son Ltd — where family secrets are secure from public curiosity And there are family trusts.

"For example, what about the fabulous diamond collection owned by the Oppenheimers — perhaps the biggest private collection in the world? And what about the famous Oppenheimer library of Africana literature, worth a fortune on its own? Or the houses and properties the family owns all over the world?

"It turn, what about the value of the extraordinary art collection amassed by Anton Rupert? And the vast properties owned by the Rupert/Hertzog dynasties?

"Perhaps that sort of count would put the Oppenheimers back in first place. We may never know the total wealth of the super-rich But our survey gives a sound indication of the individual clout of each dynasty on the stock market.'



GRAPHIC LIZ WARDER

The results of the survey give the Ruperts and Hertzogs a far higher public profile than they normally seek. Unlike the Oppenheimers, they have built their fortunes in a single generation.

They linked forces back in the depression years of the '30s to launch one of the first Afrikaner challenges to the almost exclusive domination of the English-speaking business community — with a young Anton Rupert using talents learnt as a chemistry student at the University of Pretoria to produce cigarettes

The modest operation, which found Stellenbosch the ideal setting in which to launch into the wine business too, has now grown into a vast empire with colonies scattered all over the world

The enlargement of Rembrandt with the takeover of Richemont in Europe has added more tentacles — the Cartier and Dunhill jewellery businesses, Rothmans of Pall Mall, banking, engineering, mining, insurance, medical services, timber, oil and gas

The McGregor/Financial Mail survey confirms that the Gordon family — headed by Donald Gordon, whose meteoric rise since he founded the Liberty Life insurance company has stunned the business world at home and abroad — holds its grip on third place among the richest JSE shareholders.

In fact, their hold on the third slot has been reinforced by a leap in the value of their JSE portfolios that has carried them into the exclusive ranks of billionaires — until now the reserve of the the Oppenheimer and Rupert/Hertzog families

The Gordon portfolio jumped in value from R890 million to R1 196 million.

Electronics wizard Bill Venter, who created the Allied Technologies kingdom from modest beginnings on the East Rand, has also put the Venter family on the stairway to the billionaire stratosphere

The Venters increased the value of their JSE portfolio from under R428 million to more than R635 million to jump from sixth to fourth slot

That involved overtaking both the Methven family, whose wealth was laid by the Rainbow Chicken business, and the Raymond Ackerman family, which owes its fortune to the cash tills of the Pick 'n Pay supermarket chain.

The Methven portfolio shrank from R735 million to R486 million Even the shrewdness of Raymond Ackerman failed to stop a R10 million tumble in family shares down to R477 million.

Hard on their heels come the Jowell brothers Neil and Cecil, joint managing directors of Trencor Their combined family stake of 10,3 million shares in the Mobil garage chain has been the main driving force behind a striking increase in the value of their shares portfolio to nearly R419 million — and won them seventh place in the rankings.

The Hamilton family, headed by Robin Hamilton, chairman of Suncrush and with huge investments in well-known soft drinks labels, has slipped a notch from seventh to eighth. Nevertheless, its JSE shares climbed in value to a tidy R385 million.

Next come the twins Abraham and Solomon Krok, who created the Twins pharmaceutical company that has now been swallowed by the huge Premier conglomerate. Their shareholdings jumped in value from R208 million to more than R378 million

Clinging on to a place among the 10 richest JSE shareholders is Christo Wiese, chairman of the Pep chain of stores Even though he dropped a couple of slots in the rankings, R377 million in shares secured 10th place.

By George! Where are the rest of the families that formed the Randlords circle when the mine barons led the pack?

The old Randlords can rest in peace. The Hersov and Menell families, now headed by Basil Hersov (66) and Clive Menell (61) and which between them hold equal controlling stakes in the Anglovaal mining empire that their families created, are still in the vanguard of wealthiest shareholders

They may have fallen from 11th to 12th slot but they still hold a combined share portfolio worth a formidable R195 million □

UAL unit trusts turn in creditable performances

STAR 8/1/93.

232

By Stephen Cranston

Continuing high interest rates and a strong showing by gilts during the December quarter saw UAL Gilt Unit Trust record a 23,7 percent return on a repurchase-to-repurchase basis for the 12 months to end-December

The UAL Selected Opportunities Unit Trust showed a 15,1 percent return over the year on a repurchase-to-repurchase basis

Features of Selected Opportunities' portfolio structure as at the end of December were that equities comprised 83 percent, gilts 9 percent and cash 8 percent

The top five shareholdings — Mobile, Didata, I&J, Edgars and Holdains — made up a quarter of the portfolio

The flagship UAL Unit Trust outperformed the JSE overall share index with a 6,4 percent return during the year

In the last quarter, it reduced its holdings in First National Bank, FSI and Sun Bop

No purchases were made and at the end of the quarter the portfolio was made up of 65 percent in equities, 16 percent in bonds, and approximately 18 percent in liquid assets

The distribution for the quarter amounted to 27,77c per unit, giving a total of 100,95c per unit for the year to end-December

The remaining unit trust, UAL Mining and Resources Unit Trust, saw mining shares being overshadowed by the better relative performance of the financial and industrial counters over the past quarter

It posted a negative return of 13,5 percent for the year

However, mining companies are operationally healthier than before, and better prospects for world growth, coupled with higher commodity prices, should lead to increased profit margins in the mining-related sectors

During the quarter, fund managers sold 65 000 Anamints, 50 000 De Beers and 65 000 Ergo, while purchasing 80 000 Randfontein

The liquidity level represented by cash and gilts was 21 percent at the end of December

The distribution for the quarter amounted to 3,51c per unit

STAR 8/1/93

Iscor share price staging recovery

By Derek Tommey

A ray of sunshine has broken through the gloom for the tens of thousands who saw their Iscor shares drop last year from 200c to 62c

In the past few days the shares have risen 15c, or 24 percent, to reach 77c yesterday on fairly heavy trading. A broker reported that in recent weeks a German citizen had bought one percent of Iscor's shares

Brokers feel people have been too pessimistic about Iscor's prospects

Broker David Meades says the rand has weakened more than 10 percent against the dollar since April, which could lift Iscor's export earnings

The recent improvement in the US economy is also a positive factor, which could encourage Iscor to go ahead with the proposed steel semis plant at Sishen or Saldanha Bay Iscor's interim figures are due next month

MINORITY RIGHTS

Gaping loopholes

232

FM 8/1/93 232

Nothing hurts more than being taken for a ride — and that's the way many minorities feel after a month in which controlling shareholders in various listed companies have taken steps which some shareholders regard as being detrimental to their best interests

This is an important matter which revolves around the use of an apparent loophole in the Companies Act to enable controlling shareholders to dispose of the assets of a company This effectively means a change of control in the company without the scrutiny of the Securities Regulation Panel Section 228 permits a controlling shareholder to obtain approval for such a transaction by securing a simple majority of shareholders voting in a general meeting The shareholder proposing the transaction may vote his own shares

That is what enrages some minorities, who say that the only equitable and reasonable method is to poll minorities other than the controlling shareholder The argument against this method is that shareholder democracy is diminished each share carries a vote, it is argued That right cannot be abrogated simply because one shareholder holds more votes than others

JSE executive president Roy Andersen says the exchange has always been concerned to ensure minorities are protected adequately "Our attention has certainly been drawn to recent actions and we are resolved to take the matter further with the Standing Advisory Committee on Company Law," he says

The options available, says Andersen, include encouraging an amendment to the Companies Act, the effect of which will be to strengthen the rights of minorities even if Section 228 is used as the vehicle Alternatively, it may be possible to enable the regulation panel to examine such transactions in terms of its regulations Both possibilities will require amendment to legislation and may take considerable time to complete

A third avenue, that of changing the listing requirements of the JSE, by restricting the voting rights of the controlling shareholders in certain instances, has been considered and rejected The JSE's legal advisers have indicated that such a course might run counter to rights under common law or in terms of the Companies Act

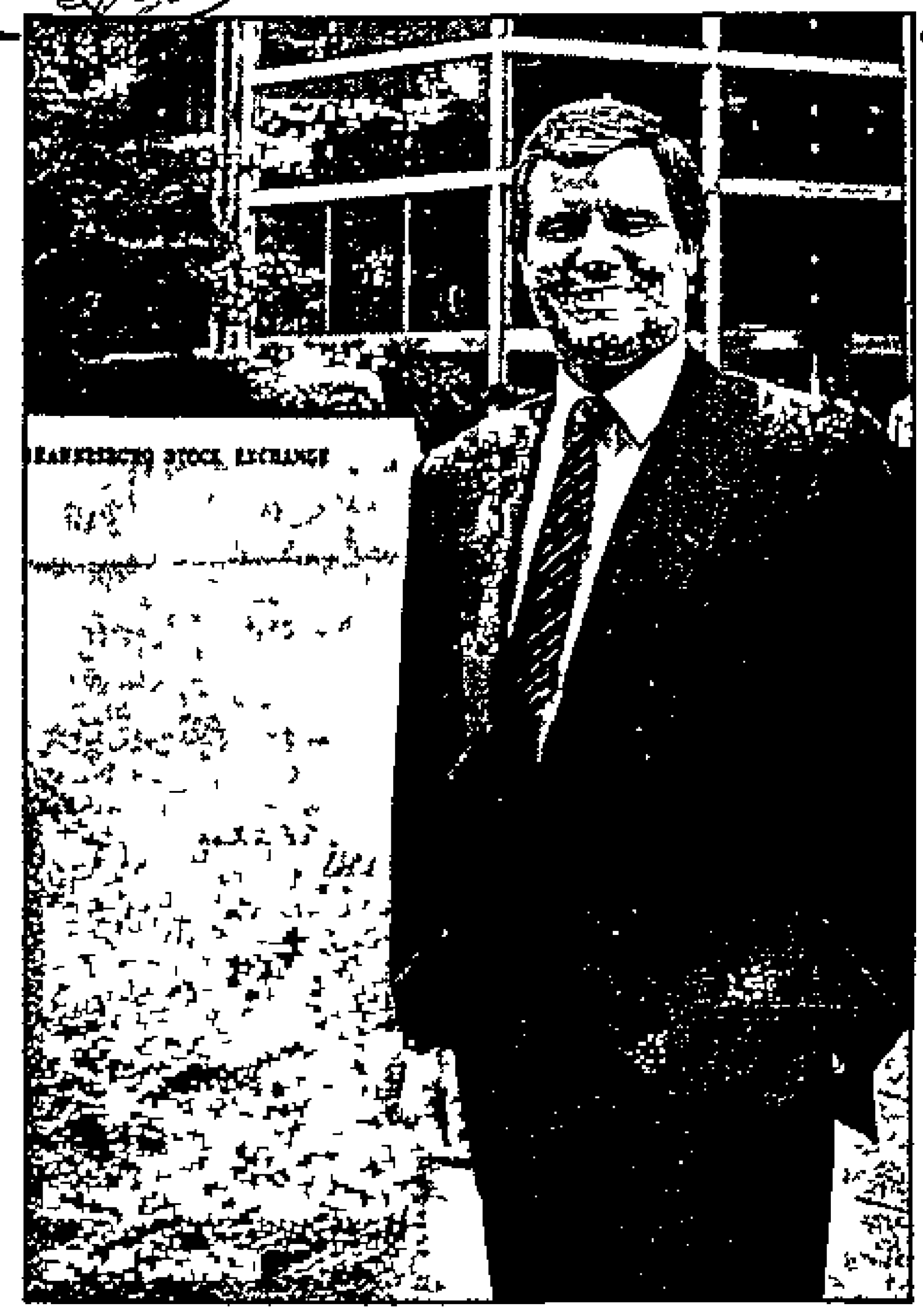
Companies in which minorities believe their interests are being compromised by recent proposals include Micor, Hi-Score and Score Clicks, and Racy It is believed many similar transactions may be brought before shareholders soon

In each case, some minorities believe the proposals have been designed to benefit only the controlling shareholders In the case of Micor, whose activities are concentrated on international and domestic freight, travel and finance, directors holding about 45% of the issued equity are involved in a consortium which intends buying the company's principal assets for about R15m — substantially below NAV

Premier has told minorities in Hi-Score and Score Clicks, two linked pyramids which effectively control Clicks (and hold smaller positions in Metcash and Score Supermarkets) that it intends taking them out — at a discount to underlying NAV Predictably, this has raised the ire of various minority parties.

However, they are quick to point out also that Premier's route has been by way of a scheme of arrangement under Section 311 of the Companies Act This requires the approval of 75% of minority shareholders in a general meeting and prohibits the casting of votes by the controlling shareholder This method does give disaffected minorities the opportunity of blocking the scheme

Unfortunately, that doesn't apply in the case of Micor and Racy, where controlling shareholders have elected to make use of Section 228 of the Companies Act In the case of Micor, for example, that effectively means minorities have little chance of blocking the proposed transaction



JSE's Andersen *resolved to take the matter further*

Racy, involved in the motor industry, produced a chapter of accidents when its controlling shareholders attempted to extract the company's assets. Six members of two families, the Jacobsons and Hendlers, all directors of Racy, had entered into an agreement with the company to buy its assets and to leave it as a cash shell

The proposed transaction elicited criticism on two grounds. Firstly, the directors appeared to be buying the company's assets at a significant discount to NAV Secondly, the shareholders' meeting was called in the middle of the holiday season

As it turned out, the laugh was on the directors Apparently a large number of minority stockholders put in an appearance A number of directors didn't — it seems they were either on the beach or overseas. And, just a few minutes before the meeting was to begin, a counterproposal was lodged for the purchase of a controlling interest in the company — effectively at a price 10% higher than the directors offered for the assets That put the cat among the pigeons and the meeting was postponed to Monday

These are serious matters which require urgent and intensive debate within the business community and among corporate lawyers

David Gleason

GOLD SHARES FM 8/1/93 232

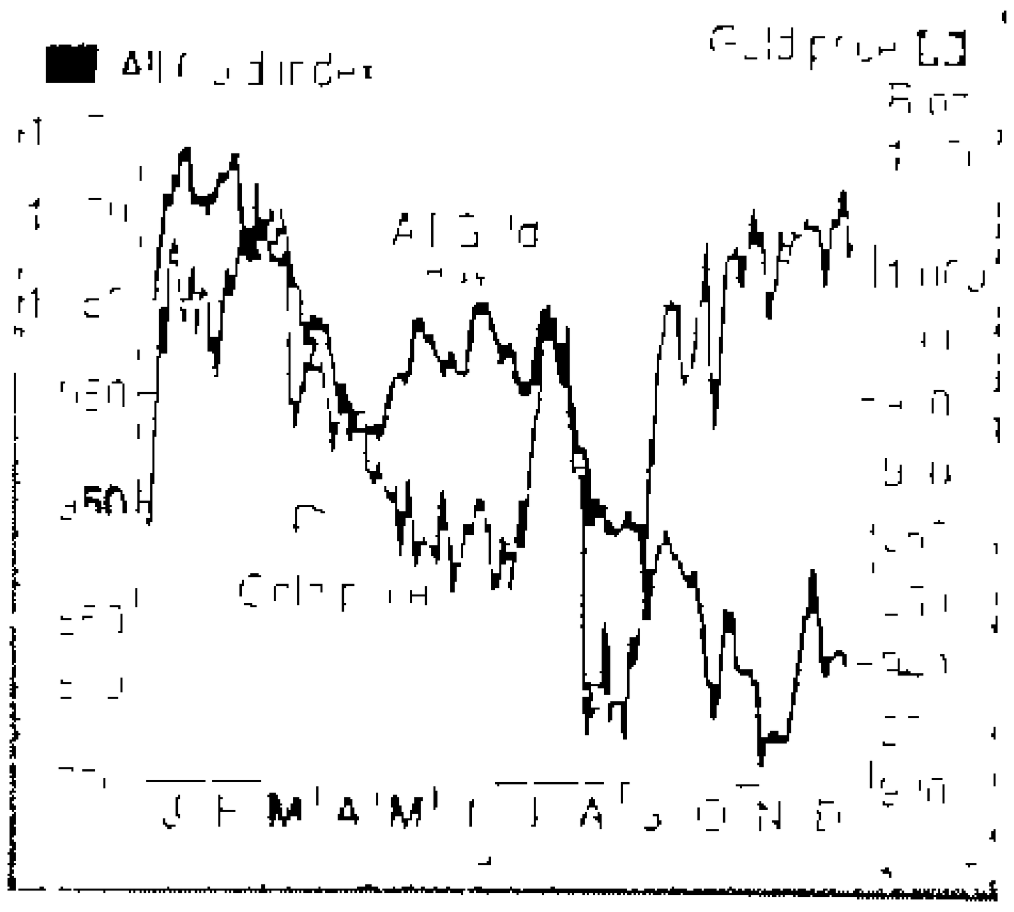
Signs of value returning

The dollar gold price entered the new year on a sour note, hitting a seven-year low, but the outlook for gold shares appears more promising The rand gold price is rising and the industry continues to keep costs under control.

Some JSE analysts are putting out cautious buy recommendations, given the outlook for maintained or slightly improved dividends which — coupled with the fall in share prices as reflected by the decline in the JSE All Gold index — has restored some value to the sector.

Off the floor

All Gold index & rand gold price



The dividends announced in December underline the necessity for investors to be selective. Randfontein increased its interim to 35c/share (previous interim — 25c) and Kloof to 45c (40c), but Deelkraal dropped its payout to 5c (15c) while Driefontein managed a 60c (65c) distribution.

Davis Borkum Hare analyst David Giese comments "The dividend yield on the All Gold index has increased to 6,5% and that means gold shares can be considered to be in cheap territory The dividend yield has reached this level twice before in the past five years and each time there was a correction in the form of rising share prices"

Ed Hern, Rudolph analyst Graham Grahame-Parker says the trend in the All Gold index is finally coming back into line with the trend shown by the industry's distributable earnings. This is after a four-year period in which the index ran way ahead of industry profitability His buy recommendations are Driefontein, Kloof, Randfontein and Beatrix

The rand gold price in the December quarter averaged about R1 000/oz, compared with R962/oz in the September quarter In early January it remained above the December quarter average, reaching R1 016/oz at the beginning of the week

The industry's cost performance has been excellent over the past year According to Giese, the cost of producing 1 kg of gold has risen by just 0,85% in the year to September, while the cost of milling a ton of ore increased by 3,3% over the same period

Simpson McKie analyst Rodney Yaldwyn expects costs to continue to be well contained during 1993 He says a number of gold shares offer value, especially when compared with industrial shares "Kinross and Beatrix are on 9% and 10% historical dividend yields respectively and I expect these mines to maintain their dividends," he says

As a rule, investors should stay with the quality gold shares such as Vaal Reefs, Kloof and Driefontein There are, however, a number of mines which have underperformed the index for no apparent reason other than negative investor sentiment These could be reasonable recovery buys Giese puts Elandsrand and Ergo in this bracket; Grahame-Parker recommends Eastern Transvaal Consolidated

JSE analysts are generally cautious on prospects for the dollar gold price, pointing to the lack of investment interest, the threat of central bank sales and renewed forward sales by producers whenever the price shows any strength (see *Economy*)

They also do not expect the mines to distribute fully to shareholders any windfall profits earned Instead, they will retain money to fund essential capital expenditure that is running way behind schedule. That's one reason for the low interim from Deelkraal, while Randfontein continues to salt away funds as it builds up its strategic cash reserve towards the stated target of R90m by June

Improvements in profitability are all very well But, to produce a sustained recovery in the investment attractions of gold shares, there will have to be fundamental changes — such as a markedly more bullish trend in the dollar gold price and, preferably, a continuing decline in the inflation rate

In London, James Capel analyst John Taylor is taking a more sanguine view than most He forecasts a price of US$370/oz by the end of this year He calculates current all-in costs for the SA industry at R910/oz of gold produced which, set against a gold price of R1 005/oz, gives a profit margin of R95/oz

Assuming gold reaches $370/oz by end-1993, industry costs rise by 12% this year and the rand holds a value of US$0,30, then Taylor says the gold price would be R1 233/oz and costs R1 020/oz That would give a margin of R213/oz which would more than double gold industry profits Here's hoping he's right!

Brendan Ryan

Sage ups foreign stakes

STAR 9/1/93 (232)

AGAINST an uncertain background for equities, Sage Fund's liquidity at the quarter ended December 31 was R168 million, representing 18,7 percent of resources available for investment, Sage Fund said in its quarterly report yesterday.

The fund's holdings in Kersaf, Samancor and Wooltru were sold, it said.

New holdings were established in Sentrachem and Foodcorp

Additions were made to holdings in Absa, Genbel, Gencor, Midwits, Nedcor, PP Rust Platinum, Sage Group, Sappi and Sasol, and relatively small reductions were made to holdings in Engen, Rembrandt and Richemont

The fund's holding in French bonds was increased, while new equity holdings were established in Siemens, Grand Metropolitan and Hongkong & Shanghai Bank to take advantage of "perceived good relative value" in European-listed equities.

At December 31 the 10 largest holdings in Sage Fund were Richemont, Rembeheer, Rembrandt Group, Absa, Afrox, Gencor, Murray & Roberts, Tiger Oats, Anglo American and JCI

For the 12 months to December 31 Sage Fund showed a positive total return of 1,5 percent compared to a negative return of -1,7 percent on the JSE all-share index.

Reductions

A more defensive stance was adopted in Sage Resources Fund during the past quarter as a result of the continued delay in the global upswing

Cash available for investment increased to R11 million at December 31 from R6,7 million at the end of the previous quarter It represented 22,8 percent of funds available for investment.

Sage Resources Fund's holdings in Anamint, Beatrix, Western Deep Levels, Rand Coal and Usko were sold.

Reductions were made to its stakes in Deelkraal, Rustenburg Platinum and Engen.

New investments were made in New Wits and Tongaat, while holdings in ICH, Harties, Lebowa, Lydenburg, East Dagga, Iscor and Highveld were increased marginally.

The 10 largest holdings in Sage Resources Fund at December 31 were Gencor, Sasol, JCI, Mid Wits, Engen, Gencor Beherend, Fregold, Lydenburg Platinum, Driefontein and Anglo American.

The total return during the 12-month period was -14,7 percent compared to -23,3 percent and -13,4 percent on the JSE mining producers and mining financial indices respectively.

Four Old Mutual unit trust funds announce payments (232)

CAPE TOWN — Four of Old Mutual's unit trust funds yesterday declared the following distributions:

Old Mutual Top Companies Fund — 4,03c a unit for the six months ended December 31. Total declared for the past year 10,39c a unit A total of R2,9 million will be paid to investors on February 28. Total distributions paid over the past year R6,5 million

Old Mutual Mining Fund — 4,28c a unit for the past six months Total declared for past year: 9,43c a unit. A total of R1,9 million will be paid to investors on February 28 Total distributions over the past year; R4,2 million. STAR 9/1/93.

Old Mutual Gold Fund — 2,55c a unit for the past six months. Total declared for past year 5,08c a unit A total of R1,4 million will be paid to investors on February 28. Total distributions over past year R2,6 million

Old Mutual Income Fund — 3,12c a unit for the past three months Total declared for past year 13,68c a unit A total of R3,6 million will be paid to investors on February 28 Total distributions over past year: R11,9 million — Sapa.

MONEY MATTERS

MAGNUS *Heystek*

Depressed economy a safe bet

Star 9/1/93

232

BY NOW, I'm sure, you must have had your fill of forecasts for the new year. But for what it's worth, here's how I see 1993 panning out.

During the years I have seen countless forecasts on the gold price, economic upswings, demographic trends or whatever — and the majority have turned out to be incorrect.

For the most, the future is unpredictable. This is especially true in the case of South Africa at this point. For anyone to say with absolute conviction what is likely to happen is not only foolish but reckless.

Bear one thing in mind: the flow of history cannot be broken up into little parts, each 365 days long.

Time and events — each taking its cue from one and leading to another — flow continuously. Very little happens in isolation.

So let's look at the big picture and how it will affect Mr Average of suburbia. It tells us that the country is still gripped by the most serious recession since — can you believe it — the Anglo-Boer War. I wasn't even aware that we had an economy to speak of in those days. Maybe we'll all be driving ox-wagons again soon.

The economists tell us that the country is in reverse gear. Living standards are back to 1986 levels while the rest of the world, especially the Far East, has shown rapid growth.

After shrinking possibly 1,5 percent last year, the economy is likely to grow by between 1,5 percent and 2 percent this year, mainly thanks to a return to a normal rainfall pattern.

Business confidence and activity levels are likely to remain very depressed for most of the year, which will be characterised by uncertainty about the country's future political dispensation.

Consumers are not likely to embark on wild spending sprees but to continue to build their savings.

Against this backdrop, interest rates are likely to keep dropping, mainly because no one wants or needs the money. Interest rates rise only when businessmen see opportunities. By the end of the year the prime mortgage rate is likely to be about 14 percent.

Fortuitous warning

Likewise, deposit rates for investors in traditional investments — the banks, the Treasury and partbond companies — are likely to decline even further, continuing the proud tradition of penalising savers.

Inflation could settle at 10-12 percent, not because the Reserve Bank has managed to come to grips with the underlying inflationary fundamentals, but because consumers lack disposable income.

The stock market is set for an interesting, if not rocky, ride. It has started off very well with renewed interest in De Beers and, to a lesser extent, Iscor.

It seems that De Beers has been heavily oversold, mainly on the back of misplaced press comment, especially in the UK. As Oscar Wilde might have said: "The reports of De Beers' demise have been wildly exaggerated."

So if you would like a speculative investment this year, De Beers looks set to make a solid, if not brilliant, comeback. After bottoming at R44 a share late last year it closed at about R61 this week.

Likewise Iscor, which has also been heavily oversold, could be a good recovery stock for the rest of the year, judging from its showing earlier in the week.

Other stocks I'd put in my speculative portfolio for 1993 include Anglo American, JCI and Minorco.

For a more conservative portfolio with a combination of earnings and dividend potential I would look at Sage Group, Board of Executors, Santam Insurance, Foschini and CNA Gallo.

Recommending a unit trust strategy puts me somewhat on the horns of a dilemma.

My warning about the overheated stock market in May/June last year was fortuitous.

People who switched from equity-based funds to gilt funds at the time must be feeling very satisfied with themselves.

Property bargains

As the results from the unit trust companies indicate, the gilt and income funds vastly outpaced the equity-based funds in 1992 — for the third year running. UAL Gilt fund, for instance, showed a return of 23,7 percent, which — although not all have yet reported — should be substantially ahead of any other equity-based fund.

I am reluctant to recommend a wholesale switch back into equity funds as I still see some upward potential in the gilt funds. However, I see the JSE doing quite nicely this year, despite some ups and downs. Much depends on the behaviour of Wall Street.

A continued lack of interest in the property market has kept turnover at low levels. Prices for the year as a whole should end up 8-12 percent higher on average, with certain areas doing better than that.

Property is cheap in South Africa. If I had some spare cash I would be scouring the smalls for the bargains that are up for grabs, looking primarily for rent-producing properties in good areas with a great deal of security. That's where the action has been, and is likely to continue to be during the new year.

So to all readers of Money Matters, a prosperous and profitable new year, and keep those letters coming — they are really appreciated.

● On Wednesday in the "Financially Speaking" talk show on Radio 702 I will discuss the financial implications of education and take a look at South Africa's richest men.

New president to guide US towards 21st century

B/DAY 19/1/93

19/1/93.

PETER SOAL

POLITICIANS frequently dramatise events — elections, referendums, campaigns — as "watershed" occasions purely to capture the attention of the public. However, the campaign which culminated in the election of Bill Clinton as US president was doubtless a watershed event.

Fundamental changes occurred and the die has been cast for the 21st century. A new generation of politicians, most born in the '50s and '60s, were elected either to the White House or to Congress. In addition, a sizeable number of women and members of minority groups gained election to Congress.

The Democratic Party has been denied the presidency for 20 of the past 24 years In Clinton they have a new generation of Democrat who distanced himself from the traditional "tax and spend" image, and he shrewdly declined to be closely linked to any specific minority

Clinton coattails brought to Congress a large number of women and, following the redelimitation designed specifically to elect people of colour, many African Americans, a new Hispanic and Asian Americans and the first native American were elected California elected two women senators and Illinois the first black woman senator While the Democratic Party has a new image the Republicans are in search of new leadership, energy and direction

The election had several other notable consequences

☐ It reflected the reality that Clinton did not scare the middle class whom Bush said would be heavily taxed if the Democrat won. Clinton countered by saying he would tax the rich and, as the overwhelming majority of Americans regard themselves as middle class — they are neither rich nor poor — they voted for him;

☐ Women and men aware of women's issues are a new force to be reckoned with, as are minorities. There was a determined effort to have women who are not identified with the establishment elected. Most are Democrats and will therefore have some influence with the new administration;

☐ Ageing religious conservatives such as Pat Buchanan will be pushed aside by interest groups such as those who focus on gay and abortion issues;

☐ The Perot factor was deeply significant and he will certainly not fade into the background While Clinton chose the battleground of the domestic economy, the health care system and schooling with which to bruise Bush daily, Perot hammered away relentessly at the deficit and the national debt. With 19% support Perot cannot be ignored, and his ideas and supporters will somehow have to be folded into the Clinton administration if he wants their support in 1996;

☐ The revolt against the incumbents in Congress failed to materialise significantly. Many of those guilty of Congress banking indiscretions failed to gain nomination, but most incumbents nominated were re-elected. Incumbents are difficult to dislodge and so there is a strong move now to limit their number of terms This was approved in 14 different state referendums on election day, but has some way to go before being approved by Congress It is one of those issues activists have got their teeth into and which they will pursue with some vigour;

☐ The coalition cobbled together by Reagan has come to an end Dissatisfied Democrats returned to the party and significant gains were made in the west, Georgia, North Carolina and the northeast

It was a watershed election which has set the US on a new course. It can be compared with victories by Kennedy and Reagan Kennedy's clean-cut, attractive image and his articulate speeches set liberal hearts aflutter across the globe, and his election set the stage for the enactment of the civil rights legislation which was to follow Reagan's election was equally critical as he introduced Reaganomics whose consequences will occupy the minds of politicians for years to come as they battle to eliminate the deficit

Foreign policy was not a major issue in the campaign Polls showed that the most important issues were the economy, the economy and the economy. Foreign issues were somewhere near the bottom of the list after gay and abortion issues As far as the average American was concerned, they had won the Gulf war, the Cold War was over and they could congratulate themselves and have a nice day.

There is not much difference in the foreign policy approaches of Bush and Clinton as witnessed by Clinton's reaction to the latest events in the Gulf They both beat isolationists in their respective party primaries and conventions — Pat Buchanan and Jerry Brown respectively It is not unreasonable to expect a degree of "me tooism" from Clinton on most foreign policy issues

As far as SA is concerned, we can expect some emphasis on human rights and encouragement to proceed with negotiations as speedily as possible. If our negotiations proceed satisfactorily and the situation does not deteriorate we have little to fear from a Clinton administration There is every hope of continuing improvements in relations between SA and the US, and we can look forward to an increase in diplomatic, trade and travel contacts

A wonderful opportunity has been laid before Clinton to set the course of US history which will influence events as we prepare for the 21st century. I believe he has the capacity to meet that challenge. Time will tell whether he grasps the nettle

☐ **Soal, DP MP for Johannesburg North, was in the US last November to observe the election.**

LETTERS

Syfrets ups its share

By JEREMY WOODS

A MAJOR reorganisation of the sales force has resulted in Cape-based Syfrets Group increasing unit trust sales by 198% in one year to R694-million.

In terms of market share, Syfrets has more than doubled its piece of the unit trust cake with a 13,1% bite — up from 5,7%

And this growth looks set to continue.

(232)

Unit trust sales in the first two months of the current year are 150% ahead of the same months last year.

Mr Simon Steward, a senior general manager in charge of the investment management division, says: "The major factor behind these results is that the selling staff — or investment planners, as we prefer to call them — have been trained up and their efforts refocused."

Mr Steward, who joined Syfrets three years ago from Chase Manhattan Bank in London, where he was head of private banking, says the whole division has been through a variety of changes and these are now "bearing fruit throughout the entire division".

Last year the division, which includes retail sales and portfolio management, had an exceptional year representing 50% of Syfrets' net contribution before tax of R20-million.

S|Times 10/1/93 (Buss)

Advice

The various funds and fund managers have given another excellent performance but this has been the same for the last five years, he says.

Syfrets Growth fund is established in the industry as the top performing fund for the past five years.

But the areas that have come under Mr Steward's close scrutiny are unit trust sales and, in particular, financial incentives and the communication between investment planners and their clients.

Mr Steward says that when he arrived at Syfrets communication and motivation were not good on the floor or with clients.

"Now we sit down with our clients and work through a sophisticated computer investment programme to find out what their real financial needs are. Once these are established, we give the best financial advice we can.

"Some six-thousand business introducers, such as lawyers and accountants, were cut to two-and-a-half-thousand. Many of them were not performing, but we still had to run their accounts, look after them and send them literature."

Beware the dread S

S/Times (Buss) 10/1/93 (232)

NO BLOOD on the floor, but the JSE's price display boards looked redder than usual this week because it has cracked down on companies that do not produce timeous financial reports

Companies with June year-ends that failed to produce an annual report by the end of December have been branded with a red S on the JSE's price boards, denoting that they are under threat of suspension.

Richard Connellan, general manager of the listings division of the JSE, tells me that companies ignoring the statutory six months' time period in which to report financials are being given a final month's notice to deliver. Suspension will follow non-compliance.

The JSE S-marked nine companies on Tuesday that have failed to comply with its listing requirements. They are Cons Diamond Corporation, Cons Modder, Digoco, Femcotec, Foston, Grovewalk, Norvic, Quagga and South Roodepoort.

In terms of JSE listing requirements, a company is required to produce interim results or provisional (preliminary) results — they need not necessarily be audited — within three months of its half-year or year-end respectively.

Mr Connellan says that on the day following the due date of issue of results, a registered letter will be sent to the company asking for the matter's rectification within 14 days.

Thereafter, the JSE will publish a paid press announcement naming all the companies in breach of the rules

The cost of the announcement will be for the account of those companies, which will be suspended automatically at the end of that month if the company is still in breach

A special meeting of the general committee of the JSE will be convened to consider the continued suspension or termination of the listing

The first offenders — those who should have put out interim or preliminary results for the period to September — have already had letters. The JSE will make their names public in the press on January 19

Companies are required to produce annual reports of audited figures within six months of the year-end After five months have passed, the JSE will remind companies that only one month remains before their reports are due.

An extra month's grace will initially be granted, but failing production after seven months the company will be automatically suspended until such time as the annual report is submitted and its future existence on the JSE discussed.

Mr Connellan says the JSE has been among the more lenient stock markets in the world For example, in Australia, annual reports must be out within four months of the financial year-end and suspension is automatic in the event of non-compliance

"We are already having some success. Cons Modder's annual report arrived on Wednesday and its red S was removed," says Mr Connellan. "The idea is to get directors to give minority shareholders the information to which they are entitled timeously."

There are currently 24 suspensions on the JSE, representing the capital of 17 companies Hyperette, formerly Milly's, was suspended in November because of the lack of financial statements

Several are in varying degrees of liquidation, namely gold mines Nigel and Osprey, Quorum, Bester, TGH, Debonair, Trimtex, Crest, Claw, Focus and DPF. Eersteling and Presto are hoping for the lifting of their suspensions following a return to profitability.

Dab Investments distributed its assets to shareholders, as did Shoprite. Buffcor sold its business and became a cash shell.

RICHARD CONNELLAN

Conflicts of interests get an airing at two meetings

S Times (Buss) 232

10/1/93.

TWO meetings of shareholders take place this week in which the interests of minorities come under scrutiny

Tomorrow morning Racy's meeting will be reconvened after its adjournment on December 29, when a surprise offer for control of the company was made to the directors

Most of the directors in the consortium had made a bid for the company's assets at 51c a share — a discount to tangible net asset value of 83c and below the 60c offered by certain directors a few months previously Shareholders would also have got an 11,5c dividend proposed at that time

A counter-offer came from a minority shareholder representing 15% of the company Racy's directors might find themselves pushed to accept

They had touted the company for most of last year but failed to find a buyer, and charged an extraordinary item of R260 000 to the income statement in respect of costs.

On Wednesday, members of Micor meet to discuss the offer made to them by the directors of the company

Micor owns 91% of Micor Industries (Micind), as well as financing, insurance broking and overseas subsidiaries about which Micor has been exempted from making disclosure

Micor's directors Cecil and Mark Kaplan jointly have 60% of Micor and Gordon Frew 16%, giving a convenient 76% — enough to pass any special resolution.

They and some of Micor's management have formed the Hackenhoff consortium, which aims to buy the interests of Micor for R15-million, giving rise to a cash shell worth 90,7cps

It is proposed that about a third is distributed as a reduction in capital and the balance as dividend Micor's stated tangible net asset value is 200c a share

At the same time, Micor members would receive the nonrenounceable right to buy Micor's interest in Micind from the consortium at 20c a share

The net result is that the directors manage for their own account as consortium members the finance, insurance broking and overseas interests while passing on the freight forwarding, customs broking, travel and industrial equipment to Micor's minority

Both Micor and Racy procured fair-and-reasonable statements to justify the moves But one Micor director, M Delahunt, resigned over the proposal His statement, included in Micor's circular to shareholders, says that 90c a share is "grossly inadequate and detrimental to those shareholders of Micor who are not members of the consortium"

His objections included the "impressive results that will be achieved by the overseas division together with its exciting prospects and its significant rand-hedge value"

Mr Delahunt resigned because he could not recommend the scheme to shareholders while at the same time fulfilling fiduciary duty to the company

Conflicts of interest are inevitable where the directors are both buyers and sellers of a company's assets The minorities are striking back

Sage takes defensive stance

SAGE Fund unit trust has shown a total return of 1,5% for the 12 months to end-December against a drop of 1,7% in the all share index, fund managers announced at the weekend (232)

Sage Resources Fund, which is invested in mining shares, lost 14,7% in value for the same period. This compared with a 23,3% fall in the JSE mining producers index and a 13,4% drop in the mining financial index

Sage Fund's liquidity at the end of the quarter was R168m, or 18,7% of resources available for investment

It sold its holdings in Kersaf and Samancor and the remaining Wooltru shares, and established new holdings in Sentrachem and Foodcorp BDay 11/1/93

It made additions to Absa, Genbel, Gencor, Mid Wits, Nedcor, PP Rust Platinum, Sage Group, Sappi and Sasol, and small reductions in its holdings in Engen, Rembrandt and Richemont

In the foreign portfolio, the holding in French bonds was increased and new equity holdings were established in Siemens, Grand Metropolitan and Hong Kong & Shanghai Bank.

MARCIA KLEIN

At end-December, its 10 largest holdings were Richemont, Rembeheer, Rembrandt Group, Absa, Afrox, Gencor, Murray and Roberts, Tiger Oats, Anglo American and JCI

Sage said its Resources Fund had adopted a more defensive stance over the past quarter because of the continued delay in the global upswing Cash available for investment grew to R11m — or 22,8% of available funds — from R6,7m at the end of the previous quarter

It sold its holdings in Anamint, Beatrix, Western Deep Levels, Randcoal and Usko, and made new investments in New Wits and Tongaat

Fund managers said the financial and industrial indices reflected demanding ratings, and capital appreciation over 1993 would be limited to about 10% to 15% Individual share selection would be critical to performance

PE multiples and dividend yields were more favourable for mining shares, but improved returns on mining shares were likely only in the longer term

focus on monopolies

Sowetan 11/1/93

Tito Mboweni, a senior ANC economist, outlines the movement's policy towards monopolies. At the recent ANC workshop on antitrust policy, broad agreement was reached on the need to change radically South Africa's current competition law:

232

WHAT IS ANTITRUST POLICY? Antitrust policy is interchangeably referred to as competition policy as well.

The usage of the concept of antitrust originates from the United States in the 1880s when trusts was the common legal name for new combinations and the opposition to them was called the antitrust movement.

The trust as a legal device was soon abandoned but the antitrust name has continued. So basically antitrust is competition policy

Protection of competition

Antitrust policy therefore aims at the promotion and protection of competition It acts dispassionately against monopolies, and dominant firms (market dominance), anti-competitive behaviour or collusion and anti-competitive mergers.

In the United States, the law (Sherman Act and subsequent amendments) has given powers to the Federal Trade Commission (FTC), the Antitrust Division of the Justice Department and other agencies to ensure that competition is promoted and protected

Celebrated cases

The most celebrated cases of US antitrust actions are those which involved Standard Oil, AT&T and IBM

In the UK, there is a strict definition of monopolies. Two types of monopolies are identified by the law

These are scale and complex monopolies. Scale monopolies would exist where a person, company or members of an interconnected group of companies have at least 25 percent of market share

Complex monopolies would exist in situations where persons and companies which are members of a group, have at least 25 percent of the market and conduct their affairs by agreement in such a way as to prevent, restrict or distort competition.

In both cases, and subject to the recommendations of the Monopolies and Mergers Commission Merg (MMC) and acceptance of these by the Secretary of State for Trade and Industry, the persons, company or companies in question would be forced to divest so that they hold less than 25 percent of the market share.

Separation of powers

The UK has a triangular institutional framework, with clear separation of powers, to implement competition policy, that is, the office of Fair Trading, the Monopolies and Mergers Commission and the Department of Trade and Industry

Variations of these exist in other countries, most notably Germany

Tito Mboweni

Our workshop did not delve into the details of such issues as the level at which a monopoly can be said to exist or the sort of institutional framework which would be appropriate for South Africa

Strict procedures

However, there seems to have been some general preference for the UK type triangular institutional arrangements with a proviso that the minister for trade and industry should be compelled by strict procedures in responding to professional recommendations

What is clear to us though, is that both the current competition law in South Africa and the institutional framework within which competition policy operates, will have to change radically in order for a fresh start to antitrust to be realised here.

> **"What is clear to us though, is that both the current competition law in South Africa and the institutional framework within which competition policy operates, will have to change radically in order for a fresh start to antitrust to be realised here"**

The discussions at our workshop also focused from time to time on the issue of conglomerates and there was a general feeling (perhaps not a consensus) at the workshop that a special commission may have to be put in place to deal with the issue.

Related issues

The issue of conglomerates and antitrust are not as separate as other business people would argue We are of the opinion that a policy dealing with antitrust should also make suggestions on how to approach the issue of conglomerates and conglomerate power in the ecomony The issues are somewhat related

Antitrust may sound somewhat negative as far as some people are concerned However, this should not be the case

The concept of antitrust is popular on the ground and as such there is a preference to use it prominently than competitions policy

There is no contradiction between the two At the end of the day, antitrust is a pro-business policy and it is relevant here in South Africa as well

White knight dashing to aid Finance Week

By Derek Tommey [redacted] 232 [redacted] STAR 11/1/93.

A white knight is on the way to rescue the business publication, Finance Week, from the many parties interested in buying a stake in the magazine

Rand Merchant Bank (RMB) says it has started negotiations with an outside party which could lead to a fundamental restructuring of Finance Week Holdings' (FWH) share structure

Uncertainty

RMB adds that it has independently initiated the negotiations without regard to the present uncertainty over future ownership of shares in FWH held by Tollgate Group Holdings (TGH), now in provisional liquidation

TGH holds 7 610 shares in FWH, equal to 26,7 percent of its issued share capital, and these will have to be sold to help raise cash to pay TGH's creditors

The holder of these shares would be in a strong position to aquire control of the company.

However, the possibility implied in today's RMB announcement that a party — presumably acceptable to the current directors — might acquire a stake in FWH puts the whole matter in a different light

Oliver Hill . unrehabilitated insolvent

It is generally accepted that FWH is under-capitalised, and provided the majority of FWH's shareholders give their approval, it would be possible for the company to issue enough new shares to the yet unknown party in exchange for cash or assets to prevent any change of control

If this were to happen, the importance of the shares held by TGH would be sharply reduced

Meanwhile, Stewart Murray, a co-founder of Finance Week, has instituted legal proceedings against editor Allan Greenblo and Finance Week in the wake of allegations in the latest issue of the publication

Stewart Murray has denied allegations that he is "fronting' for an overseas buyer, Oliver Hill.

Hill is an unrehabilitated insolvent and is being sought by the police in connection with a R170 million exchange control fraud.

Murray says that Greenblo's accusations in Finance Week are totally without foundation and has instructed his attorneys to take appropriate legal action.

Informed sources say that Murray is suing Finance Week and Greenblo for a large sum of money.

Tollgate's provisional liquidator Chris van Zyl has reported that about 10 parties and institutions are interested in buying the FWH shares held by TGH

The parties are believed to include Times Media, publisher of the highly successful Financial Mail.

Times Media, by acquiring Finance Week, would stop it from falling into the hands of competitors and prevent it from becoming a serious threat to the Financial Mail.

Nasionale Pers, publisher of Finansies en Tegniek, is also know to be interested in acquiring the shares in FWH

While Finansies en Tegniek is a respected publication, it is published in Afrikaans, which severely limits its growth and profits

If Nasionale Pers were to acquire Finance Week, it could greatly expand its content and appeal simply by running articles in it from Finansies en Tegniek.

Argus, which publishes daily newspapers in centres outside the Eastern Cape, is also said to be a possible bidder Argus has no weekly financial publications

Contender

Also in the running for the Finance Week shares is Stewart Murray, one of the founders of Finance Week, who already controls 31 percent of the shares

Another possible contender is Hugh Murray, founder of Leadership magazine.

The attraction of Finance Week is that there is a general belief in the publishing industry that South Africa cannot provide enough advertising for more than two English-language financial weeklies But the industry believes that Finance Week, with more capital behind it, could be a lot more profitable.

Solid performance by unit trusts

STAR 11/1/93.

232

Metlife Unit Trust produced a creditable performance in 1992 — its maiden year — says portfolio manager Philip Morral

The trust's total return for the period, based on repurchase prices was 8,8 percent The JSE overall index, by contrast, showed a return of −2 percent

"Given the poor economic conditions and the volatility of the investment markets in 1992, we certainly chose a tough year to launch a general equity trust," says Mr Morral

"But in this difficult environment we produced a very competitive return, and that bodes well for the future"

The return was achieved while maintaining a low-risk profile for the fund

The trust has consistently held a high proportion of its funds in gilts and money market assets and so limited the unitholders' exposure to downside risk from falling share prices

"It is our objective to manage the extent of the unitholders' exposure to the share market actively and not just to act as share selectors So we are aggressive in moving in or out of the market By the end of the year we had more than 40 percent of the fund in gilts and cash"

He is confident he will reduce this percentage "when we see value in the share market", but right now he was in no hurry to increase the trust's exposure to shares

● Absa's general and industrial unit trust funds turned in overall and industrial index-beating performances for the year to December

The General Trust posted a gain of 6,88 percent against the overall index decline of 2,01 percent, while the Industrial Fund rose 13 percent, compared with the industrial index's modest 7,37 percent rise

Absa fund managers' managing director Ben Solomon says the new lump-sum investment package called Optimix Investment Plan should fill a major need in the unit trust market

A single lump sum is used to buy a five-year annuity payable monthly in arrears

The taxed annuity instalment is then used to buy units in Absa trusts on a monthly basis

● The four unit trust funds in Guardbank's stable enjoyed a satisfactory quarter to December 31, 1992, with the Industrial Fund turning in a glittering performance

It achieved a total return of 17,19 percent for the nine months from inception to December 1992

Guardbank has declared an income distribution for the Industrial Fund for the six months to end-December of 3,47c per unit, while the total income distribution since inception is 5,11c per unit

Guardbank's Growth Fund also performed well, achieving a total return of 10,51 percent for the year to December and outperforming the JSE as measured by the overall index

The Growth Fund's income distribution for the six months to December is 60,90c per unit (1991 55,40c).

Income distributions totalling 112,10c per unit have been declared (1991 118,07c)

However, the Resources Fund was disappointing, with the overall decrease in the unit price over the year to December, including capital movements and reinvestment of the attributable income distribution, aggregating at a negative 8,51 percent

The Resources Fund income distribution for the six months to December is 4,09c per unit (1991 3,74c)

For the year to December, income distributions totalling 7,84c per unit have been declared (1991 7,73c)

The Income Fund had a good year with a total return (capital appreciation and income reinvestment) of 23,58 percent, significantly outperforming the inflation rate as measured by the consumer price index over the same period

Income distribution for the six months to December is 7,98c per unit (1991 9,19c

For the year to December, income distributions totalling 16,89c per unit have been declared (1991 18,47c) — Sapa.

Good growth reflected in GuardBank's funds

B/DAY 11/1/93

MARCIA KLEIN 232

THE GuardBank Growth Fund showed a 10,5% increase in its unit price in the year to end-December, including capital appreciation and the reinvestment of attributable income distribution.

Fund managers said that in the 10 years to end-December, GuardBank Growth Fund had shown a total compound annual return of 23,5% a year.

In the past quarter, one new holding was established in Tiger Oats, and additions were made to holdings in First International Trust (FIT), Sasol and Premier Group. Some mining counters were disposed of.

The top 10 holdings at end-December included Liberty Group, Richemont, SA Breweries/Bevcon, Rembrandt Group, Sasol, Premier Group, Stanbic, FIT, FNB and Charter Consolidated.

The Industrial Fund, launched in April 1992, which invests only in financial and industrial shares, showed an overall increase of 17,2% for the nine months to end-December.

Fund managers said the fund had significantly outperformed the financial and industrial index since its inception.

The fund grew 44% in the quarter to end-December, during which time it acquired FIT, Reunert and Premier Group.

The overall decline in the unit price of the Resources Fund was 8,5%, compared with a decline of 25,5% in the all gold index, a drop of 39,7% in coal, 34,1% in diamonds and 23,8% in mining producers. The fund had a market value of R41,1m at end-December

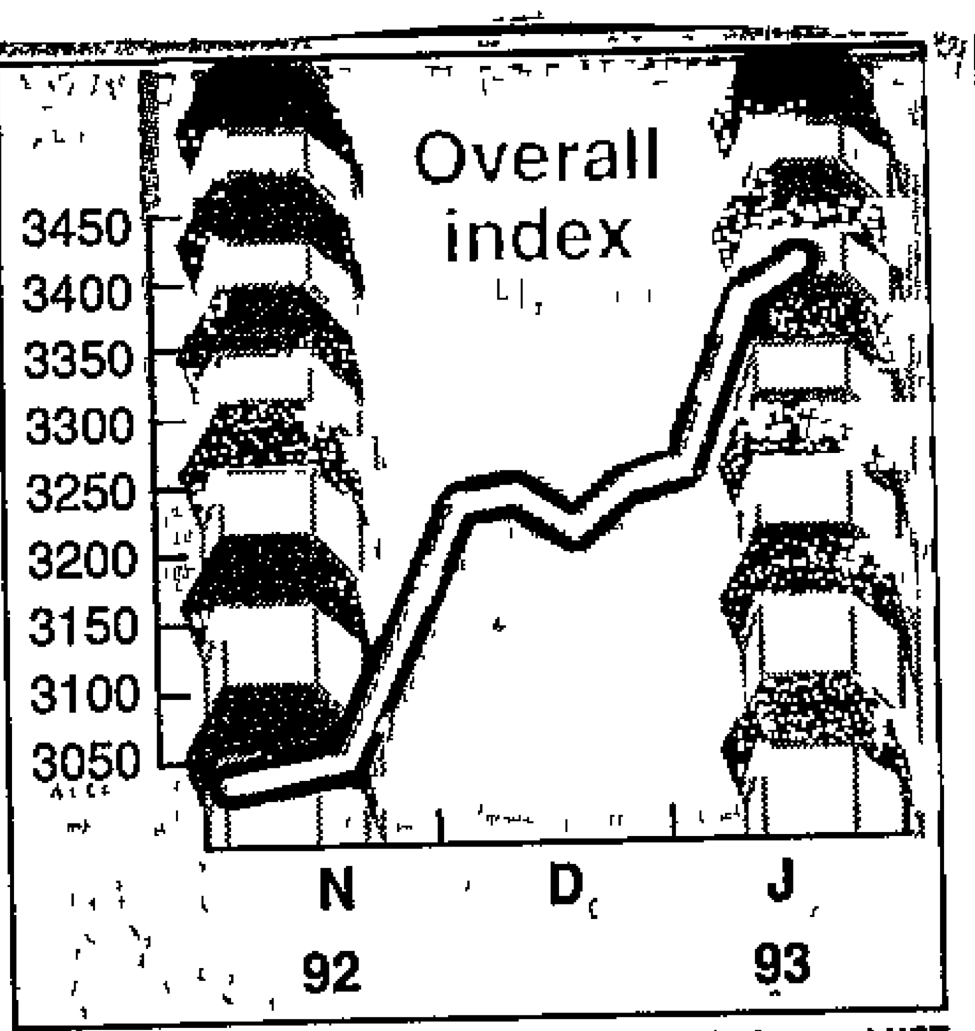
One new holding was acquired in Highveld Steel, and disposals were made in Anamint, Rusplats and Gencor

The Income Fund, which had a market value of R153,6m at end-December, showed a 23,58% increase in unit price for the year

Fund managers said the Income Fund had a "highly satisfactory year", and the total return significantly outperformed the inflation rate

They said short-term interest rates would decline from present levels over the year, but the decline would be "moderated by the prevailing disciplined monetary policy which is likely to continue".

Fund managers said the economy would "be hard pressed to move meaningfully ahead", and said a fragile confidence factor would be vital in determining investment levels.



Graphic LEE EMERTON Source I NET

Bull run shows signs of flagging

B/DAY 12/1/93 (232)

MERVYN HARRIS

SHARES closed sharply higher on Diagonal Street yesterday, but the January bull run showed signs of flagging with the softer trend of international bourses.

Dealers said renewed early follow-through buying from last week's strong upsurge tapered off towards the close of trading. They added that leading shares had raced ahead too quickly amid weakness on the Tokyo and European markets and Wall Street looking shaky.

The JSE's firm opening in active trade came on the back of further gains in bellwether De Beers and associate Anglo which continued to benefit from better than expected 1992 diamond sales figures. De Beers' rise of 150c to R65,25 lifted its gains to 13,4% since the start of the year.

The rise helped propel the overall index up 29 points to 3 411, with share gains outpacing losses by nearly four to one. The index has now gained 4,6% or 152 points since the start of the year

The industrial index ended 28 points up at 4 562 to lift its gains to 4,5% or 199 points since the beginning of the year Analysts noted that second-tier shares made up an increasing proportion of the most actively

☐ To Page 2

Bull run

B/DAY 12/1/93. (232)

☐ From Page 1

traded shares on the market

The JSE all gold index firmed 11 points to 801 despite a firmer finrand and a gold price which was fixed at $323,40 at both London settings. Dealers reported good physical demand for the metal at its lower levels but rises were being capped by Australian and SA producer sales However, the metal closed $1,65 down in London at $327,60

Analysts noted that the gold price in rand terms relative to the gold index was at its lowest level in a long time, which made shares attractive Stockbroker Meades De Klerk's David Meades said "In early September the gold price was R936/oz and the gold index 928 At present the gold index is hovering around 800 and the rand gold price is well above R1 000/oz"

JSE moves on investors' funds

TIM MARSLAND (232)

THE JSE was reinforcing procedures which allowed stockbrokers to pool clients' funds, exchange president Roy Andersen said yesterday.

Reacting to the proposed Deposit-Taking Institutions Amendment Bill, Andersen said the JSE believed the placement of funds by stockbrokers and other intermediaries should be "cautiously restrictive". This should permit pooling of funds but restrict where the funds may be invested

He said the JSE, in anticipation of changes to the Act, engaged accountants Deloitte & Touche to review the JSE's current procedures. The exchange would be issuing a comprehensive report shortly

At present, JSE procedures require members to: B/DAY 12/11/93

- Accept deposits from clients only in an agency capacity;
- Pool such funds and place them only with a deposit-taking institution,
- Separate clients' funds from the broker's own funds

The DTI Amendment Bill would allow money brokers to pool investors' funds and place the money with borrowers other than banks

Standard Mutual Fund position is vindicated

By Stephen Cranston 23?

The cautious position of the Standard Bank Mutual Fund, which had 40 percent of its assets in cash at the beginning of the year, has been vindicated, says Standard Bank Fund Managers' MD Derick Finlayson.

Finlayson says that the annual return on the fund was 13,94 percent.

The cash portion of the portfolio earned around 14 percent and the share content of the portfolio generated just over 13 percent — 15 percent ahead of the negative two percent return on the JSE overall share index.

The fund's top five shares are Liberty Life, Richemont, Liberty Holdings, Charter Consolidated and Remgro. SI M

During the quarter the fund increased holdings in Stanbic, Investec, Kersaf and Royal Foods. 12/1/93.

The entire holding in Amgold was disposed of, while holdings in Genbel were trimmed back.

The fund has declared an income distribution of 35,6c.

The Gold Fund's negative return was 22,9 percent, against a 25,6 percent negative return for the gold index.

The fund lightened its holding of Genbel during the quarter and disposed of its Dabi Investments

The fund has declared a distribution of 4,22c per unit.

The Extra Income Fund's assets increased by 94 percent for the year as investors were attracted away from falling short-term interest rates and negative returns of the equity market to the more stable high-yielding income funds.

The fund maintained the major part of its assets in lower-risk money market investments with a maturity of less than one year.

The fund has performed well with the return of 15,7 percent over one year.

It has declared an income distribution of 2,80c per unit.

The International Fund has made a negative return of 5,65 percent since its launch in May, compared with a 9,7 percent negative return on the overall index over that period.

A maiden income distribution of 3,17c per unit has been declared.

The Industrial Fund has recorded a return of 6,58 percent since May, compared with a negative return of 2,9 percent over that period for the industrial index.

The fund has declared a maiden income distribution of 5,28c.

Standard fund scores from avoiding stocks

BDay 12/1/93 (232)

DUMA GQUBULE

STAYING out of the stock market last year paid dividends for Standard Bank Extra Income Fund which gave its investors a return of 15,7% for the year to end-December.

The best-performing fund in the Standard Bank stable last year almost doubled its assets to R385m as investors opted for stable, high yielding funds. Itdeclared an income distribution of 2,80c a unit

But fund managers said the outlook for longer term interest rates was less clear.The parlous state of government finances and potential revenue raising measures such as increases in VAT and fuel levies were likely to create uncertainty ahead of the budget.

The fund had maintained the major part of its assets in lower risk money market investments with a maturity of one to six months.

Standard Bank Mutual Fund, the group's largest, achieved a return of 13,94% as the market value of its cautiously positioned portfolio increased by 18% to R611m

The portfolio had a 38% cash content, with industrial shares comprising 30%, financial shares 18% and mining shares 14%. The fund declared an income distribution of 35,6c comprising interest income of 24,68c and dividends of 10,92c

Standard Bank Fund Managers MD Derick Finlayson said the return on the fund was creditable.

The positioning of the portfolio had proved correct in an investment climate where share prices overall had retreated by 2%.

A feature in analysing the return was the share content, having earned 14% on the cash portion of the portfolio, generating returns of just over 13%, 15% ahead of the return on the all share index.

The return on the Standard Bank Gold Fund was -22,9% compared with a -25,6% return on the all gold index

The value of the portfolio declined to R154m from R224m and the income distribution came to 4,22c a unit, comprising 1,92% interest income and 2,30c dividend income. The fund had given investors a return of -6,35% over the past five years, compared with the -10,4% registered by the all gold index.

Fundamentals

The fund managers said fundamentals were not yet supportive of a major turnaround in the gold price. World economic growth rates were unlikely to cause inflationary concerns and the strength of the US dollar was expected to continue.

Standard Bank International Fund registered a return of -5,65% since its launch in May.

The fund managers said the fund had attracted nearly 7 500 investors contributing R38m since its launch

Standard Bank Industrial Fund recorded a return of 6,58% since its launch in May

The fund, with a portfolio worth R12,4m at end-December, had invested 58% in cash and the balance in industrial shares.

Bond market set for major change

BIDAY 13/1/93. (232)

TIM MARSLAND

THIS year will see the phasing in of the Bond Market Association (BMA), with the settlement method being tackled first, BMA CEO Graham Lund said yesterday

Lund said the BMA, which is a body set up in 1989 to regulate the fixed interest securities market, was putting together its final application for a trading licence from the Registrar

The BMA executive would meet on Monday to finalise its licence application

Stockbrokers, deposit-taking institutions, issuers, investors and independent intermediaries are members of the BMA.

Lund said the BMA would tackle the bond settlement system first

Payment and delivery for bonds are at present settled informally on the second Thursday after the deal takes place

This is done now by hand delivery of scrip and cheques, which increases the risk of stolen scrip

Lund said the BMA planned to bring players in the market together in a central place where settlement would take place.

The testing of computerised trade reporting could start around June, he said

In 1989, banks set up Unexcor, which was charged with setting up the computer system for the BMA.

The Reserve Bank also has a stake in the project, as it provided some of the capital

Lund said the final phase would be the setting up of a risk management system

He stressed the start-up dates depended on the licence application

Shortening the two-week settlement period would also be looked at

But this, he said, would depend on the needs of the market.

A dealer said that should the two-week settlement period be shortened, speculators would leave the bond market for the futures market.

The SA Futures Exchange (Safex) was planning to set up a new long bond future, which would attract speculators to the futures market, the dealer said

Safex was considering basing the contract on the all bond index or on a basket of bonds

The dealer said the withdrawal of speculators from the capital market would harm borrowers Borrowers were net sellers in the market and did not use it for hedging purposes.

Institutions normally bought bonds for the six-monthly coupon (interest) payment, and required physical delivery, whereas speculators bought the bonds to take advantage of price movements, but did not necessarily want physical delivery

Shortening the delivery period could have severe implications for the cost of government borrowing, as the bulk of the government's funding came from the market, the dealer said

Southern Equity Fund returns a high 13,59%

BIDAY 13/1/93. 232

DUMA GQUBULE

SOUTHERN Life Unit Trusts beat the market in the 12 months to end December, yielding returns above industry averages

The Southern Equity Fund, the group's largest with a market value of R158,6m, gave investors a return of 13,59% in a year when the all share index returned -2%

Southern Unit Trusts GM Carel de Ridder said the fund had turned in a good performance in an extremely difficult market The key was that fund managers had not seen the market as a whole, but had instead probed for sectors offering value and specific undervalued companies with good earnings track records and prospects, he said

Major holdings in the fund, as a percentage of market value, were Richemont (5,7%), Johnnies (5%), Mobile (4,8%), Dimension Data (4,4%) and Foschini (4,2%) Liquidity in the fund was 17,2%

He said the portfolio managers had, during the last quarter, taken a cautious view of the market. The fund had increased its stake in Amgold, Johnnies, First National, Stanbic, SAB, Safren, Foschini and Lefic and disposed of Anamint and FIT.

De Ridder said the new Southern Pure Specialist Fund, the group's so-called socially responsible fund which excludes investments in certain sectors, had performed well since its July launch, due to a low exposure to commodities

The fund had been one of the industry's best performers over the last quarter, despite the constraints of buying from a selected list of counters, and attracted R9,3m in six months Much inflow was from first-time investors, mostly people of religious persuasions with objections to investing in companies which earned profits from liquor, tobacco, gambling and interest

The fund's five largest holdings, as a percentage of market value, were Afrox (9,7%), Dimension Data (6,3%), Mobile (6,2%), Cadswep (5,9%) and Foschini (5,8%) The Southern Mining Fund returned -13,32% for the year, the best performance of all mining funds, de Ridder said. The market value of its portfolio was R19,7m at end December

Anglovaal N-shares (8,3%), PP Rust (8%), De Beers (7,3%), Anglos (7,1%) and Rusplat (4,6%) were the top counters in the fund, which De Ridder said had outperformed the mining producers index, which returned -23,8%, and the mining financial index with its return of -13,8%

During the quarter the fund added to its holdings in Driefontein and reduced interests in Southvall and Osil and sold out East Dagga, Harties and Impala

The Southern Income fund, the fourth unit trust launched by Southern Life, opened to investors last month The fund had attracted R1,3m Its focus would be quality, marketable fixed interest instruments, intended to give investors steady income as well as capital growth, he said

The uncertain economy and financial markets highlighted the need for an income fund Gilts, he said, were expected to outperform money market returns during the year, offering good investment opportunities

Southern unit trusts do well

Southern Life's four unit trust funds put in a good performance in the quarter to December, yielding returns above the industry averages. (232)

General manager (investments) Carel de Ridder said yesterday the equity fund performance of 13,59 percent for the past year was most encouraging when compared with the average return on the JSE overall index of -2 percent.

STAR 13/1/93.

"The Southern Pure Specialist Fund has performed well since its launch in July, due mainly to its low exposure to commodities.

"In the first six months, the fund attracted R9,3 million, with much of this inflow coming from first-time investors."

Mr de Ridder said portfolio managers had taken a cautious view of the stock market during the quarter.

Southern Equity Fund increased its stake in Amgold, Anglos, Johnnies, First National, Stanbic, SAB, Safren, Foschini and Lefic and disposed of Anamint and FIT.

The Mining Fund added to its holdings in Driefontein, reduced its interests in Southvaal and Ofsil and sold out of East Dagga, Harties and Impala. The Pure Specialist Fund increased its shares in Suncrush, Foschini and Waltons.

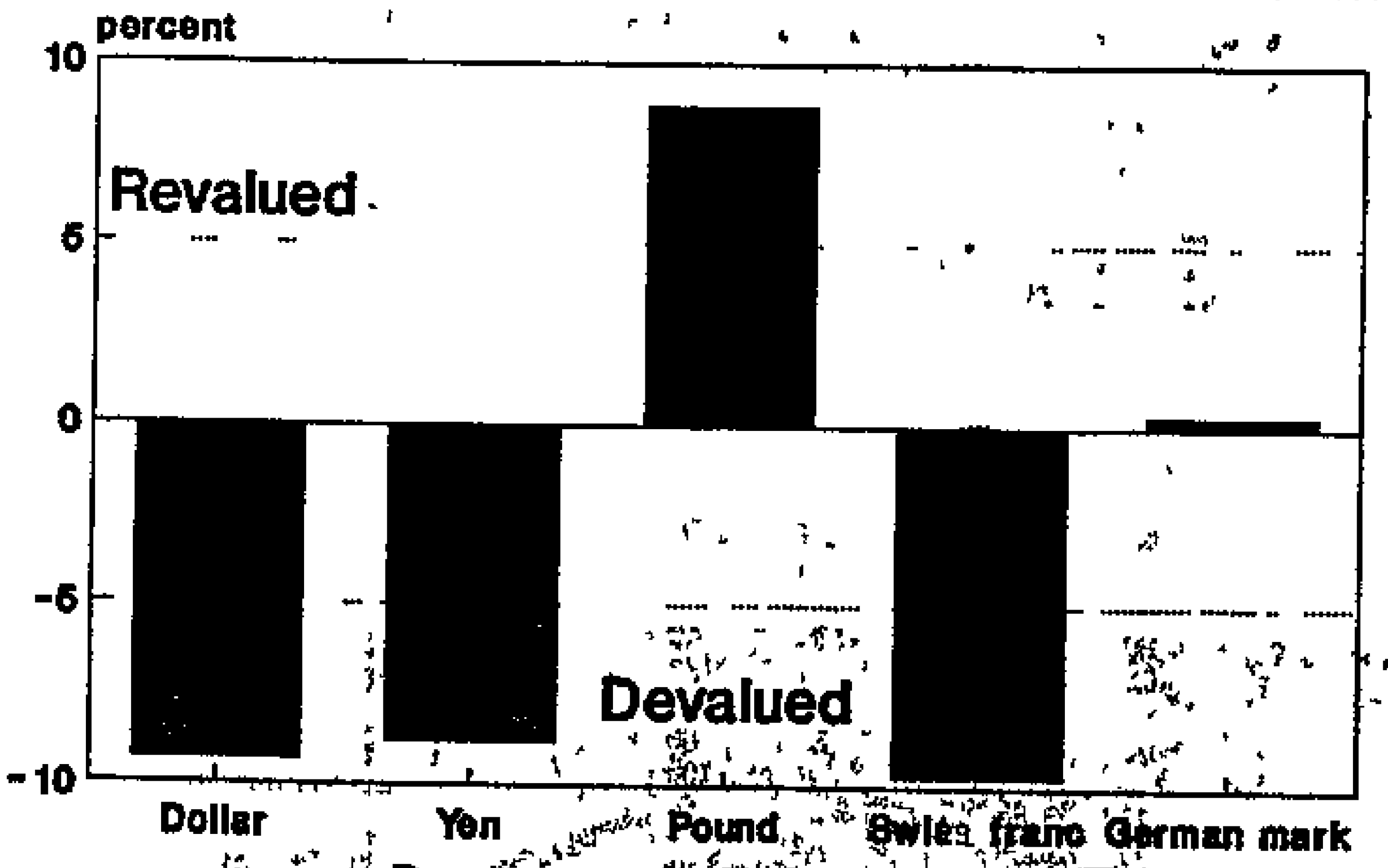
The Southern Income Fund, the fourth unit trust to be launched by Southern Life, opened to investors in December with an initial investment in the money market.

"The investment focus of this fund will be on quality, marketable fixed-interest instruments, aimed at giving investors steady income and capital growth."

Mr de Ridder said the uncertain state of the economy — and more particularly the financial markets — highlighted the need for an income fund.

"Investor confidence has been knocked by the collapse of companies marketing unsecured fixed-interest investments." — Sapa.

A beneficial devaluation



Rand moves since June 1992

STAR 13/1/93 232

By Derek Tommey

Three major gold mines yesterday reported higher earnings and profits for the December quarter, despite a steady drop in the dollar gold price — and several other gold mines are also expected to announce better results in coming weeks

This happy improvement in the state of the troubled gold mining industry is the result of the rand's quiet devaluation in the past six months.

It has lifted the rand price of many key exports by around 10 percent — and should lead to an upturn in industrial activity in coming months, if it has not done so already.

Appreciated

Since the end of June the exchange rate of the rand has fallen by around 10 percent against the US dollar and by a similar amount against the Japanese yen.

However, the rand has appreciated fractionally against the German mark and gained around 10 percent against the British pound.

The rise against sterling was not the result of action by South Africa, but stemmed from Britain's decision to devalue its currency by 18 percent.

The area where the rand's devaluation against the dollar has shown up most clearly is in the gold price.

Although the dollar price of gold dropped from $343,40 at the end of June to $333,20 at the end of December, the rand price climbed from R951,83 to R1015,61.

The devaluation of the rand has obviously benefited the gold mining industry and should also help producers of other minerals.

Export prices of coal, platinum, palladium, diamonds, copper, manganese, ferro-alloys, and products such as plastics, paper and packaging materials, chemicals and timber products have all risen by about 10 percent.

The benefits should soon start showing up in increased business activity and in the profits of these producers.

Brokers say platinum producers Impala and Rustenburg, chemical manufacturers Sasol, AECI and Sentrachem, and paper and pulp producers Mondi and Sappi should see some better results this year.

As the main recipients of the higher earnings from these products are the large mining houses such as Anglo American, JCI, Gencor, and Anglovaal which have substantial share holdings in these producers, brokers are also forecasting that it should be a good year for their shares as well.

However, there is nothing free in this world and South Africans must expect to pay for the increase in economic activity from the devaluation in lower living standards.

For example, petrol and other dollar-denominated imports will cost more, as will Japanese electronic goods and anything imported from the US.

The Reserve Bank can be expected to keep a tight rein on the economy to stop inflation taking off.

In fact, only if the devaluation results in increased exports and the generation of greater wealth will it be worthwhile in the long run.

Market value of unit trusts now R13,5-bn

STAR 14/1/93 (232)

The net inflow of funds into the unit trust industry of R738,2 million in the December 1992 quarter was only marginally lower than the record net inflow of the previous quarter.

The Association of Unit Trusts (AUT) says unit trust sales amounted to R1124,4 million in the quarter, while repurchases of R386,2 million were the lowest in over a year, and significantly lower than the repurchases in the September quarter.

The market value of the 47 unit trusts approached R13,5 billion at the end of the quarter as almost R2,5 billion in net new money flowed into the industry.

AUT chairman Clive Turner says the sustained high level of sales and the commendable investment performance are encouraging, taking into account the difficult market conditions.

"We are also greatly encouraged by the lower level of repurchases, which confirms our view that investors are taking a long-term view of their unit trust investment."

The trend to move to high-income trusts continued in the quarter, although general equity trusts were still the most popular type of fund.

At the end of December, the market value of the general equity trusts exceeded R10 billion for the first time, representing 74,4 percent of the total market value

The average total return on the 21 general equity funds over the last year was 6,17 percent, while the JSE overall index contracted by 2,01 percent.

The three industrial funds achieved an average total return of 10,16 percent, compared with the JSE industrial index, which grew by 7,37 percent.

The performance of the two gold funds almost matched that of the JSE gold index — an average of negative 25,49 percent, against the index's negative 25,60.

The six mining and resources funds posted an average 14,88 percent decline over the past year, compared with the 13,83 percent decline in the mining financial index and the 23,82 per centdrop in the mining producers index.

The high-income trusts continued to attract support and the 12-month average return of 21,32 percent achieved by the six funds compares favourably with the 15,67 percent recorded by the Carsons Money Market index and the 27,72 percent achieved by the all-bond price index.— Sapa

Tollgate Holdings finally liquidated

STAR 14/1/93

Own Correspondent

232

CAPE TOWN — Tollgate Holdings Limited, with debts of more than R300 million, has finally beeen liquidated.

The order was made final in the Supreme Court yesterday after an application by Amalgamated Banks of South Africa

Subsidiaries Travelcor, Fetlar Foods, Greyhound and Quicksilver, dormant Norths Industries, TGH Group Limited and Kyalami International Circuit were also wound-up.

Provisional orders against Motorvia and Entercor were extended to February 24.

Absa was owed R305 millions and other banks R70 million.

Economy set to recover this year

THE past year posed a [illegible] to a large number of investors due to political uncertainties which to [illegible] extent contributed to our economic downturn. We are anticipating a recovery [illegible] but the recovery will not [illegible].

[illegible] months and that [illegible] deposit [illegible]

[illegible] Income and Gilt Funds [illegible] income fund taking into [illegible] interest rates at the banks.

[illegible] income fund is [illegible] is not linked to the equity market. It is designed [illegible] higher regular [illegible] capital stability [illegible] capital gains [illegible]

■ **Advantages of investing in an Income Fund are highlighted:**

unavailable to the retail market and individual investors.

Your investment in an income fund portfolio will be focussed on securities such as

Debentures

Financially sound preference [illegible]

[illegible] certificate deposits

[illegible] deposits

Government and public utility,

You will enjoy a high degree of [illegible] ability and liquidity on your investment [illegible] not locked up for [illegible] specific period of time, they can be [illegible] to other funds or invest- [illegible] avail- [illegible]

For [illegible] who is dependent entirely upon interest income his or [illegible] the interest [illegible] investment in [illegible] reduce that risk [illegible] provide the [illegible] possible capital appreciation [illegible] when share [illegible] income [illegible] protected [illegible] ensure that [illegible] yields in [illegible] interest rate cycle.

Fraudulent merger deal cost Malbak R18m, court hears

232

SUSAN RUSSELL

MALBAK lost R18m after the company was fraudulently induced into merging its tyre division with Quality Tyres in 1988, company director Denzil McGlashan told the Johannesburg Magistrate's Court yesterday

BDay 14/1/93.

McGlashan said he had been personally involved in merger negotiations between his company and Quality Tyres

He was testifying at the trial of former accountant and Quality Tyres financial director Edward Philip

Philip has pleaded guilty to 12 counts of fraud involving R35m and three counts of stealing a total of R147 000

He has admitted falsifying company records and financial statements and misrepresenting Quality Tyre's creditworthiness to fraudulently obtain R29,5m in loans from eight financial insitutions

Philip has also admitted fraudulently inducing Malbak into the merger by misrepresenting Quality Tyre's financial position.

Quality Tyres was liquidated in November 1989

McGlashan said Malbak's tyre division, Supertread, and Thomas Bande, sold into Quality Tyres in exchange for shares in the company.

Supertread and Thomas Bande were valued at R12m-R13m each at the time, he said.

After the merger the Thomas family sold their shareholding to Malbak and Quality Tyres which paid R6m each for their stakes.

McGlashan said Malbak lost its initial capital investment plus the R6m it paid for the Thomas family shares

"We didn't get paid out one cent when the company was liquidated," he told the court.

Malbak subsequently entered into a compromise with Quality Tyres' liquidators in terms of which it paid 31c in the rand to certain concurrent creditors and acquired Quality Tyres' operating subsidiary.

McGlashan said Malbak's losses incurred in the merger were not mitigated by entering into the compromise which had been an additional investment

Fancourt provisionally liquidated

232

STM 14/1/93

Fancourt Hotels Pty and its exclusive resort in George will continue to operate, although Fancourt Hotels was placed in provisional liquidation in the Cape Town Supreme Court yesterday

According to a statement by the group, the golf and leisure resort in George, which is managed by the international Orient Express hotel group, currently has a high occupancy rate and "will remain open for business"

Management

Fancourt said that according to the liquidators, the decision to apply for the liquidation was taken to consolidate the management of the Fancourt operating companies.

This was because "although the development vests in three companies, all three are inextricably interlinked"

The provisional liquidation of Fancourt Properties and Fancourt Holdings was granted in the Cape Town Supreme Court last month — Sapa

R2,5bn ploughed into unit trusts

BIDay 14/1/93. (232)

DUMA GQUBULE

INVESTORS ploughed nearly R2,5bn in new money into unit trusts during the year ended December, despite the squeeze on disposable incomes and the poor stock market performance.

Association of Unit Trusts (AUT) chairman Clive Turner said yesterday the market value of the industry's 47 funds had increased to R13,5bn on December 31.

There were 242 000 new accounts opened during the year bringing the total number of accounts to 1,18-million.

He said the figures were satisfactory in the light of prevailing sociopolitical and economic uncertainties.

Unit trust sales during the December quarter were R1,12bn, the third highest in the industry's 27-year history.

Repurchases at R386,2m were the lowest since September 1991, giving a net inflow of R738,2m.

Turner said the industry was greatly encouraged by the lower level of repurchases, which confirmed the view that investors were taking a long term view of their unit trust investments.

Many investors had used the lower price levels to increase their holdings. The main feature of the year, fund managers said, was the income funds which comfortably outperformed equity-based funds.

Declining interest rates had boosted the bond market during the year.

According to the University of Pretoria's Graduate School of Management, which publishes a quarterly review of unit trust results, assets under the management of income funds more than doubled to R2,1bn at end-December from R854m the previous year.

The four best-performing funds over the year (based on a lump sum investment) were all high income funds, with Metboard Income Fund topping the list with a return of 25,66%, the review said

The AUT said high income trusts continued in 1992 to attract support, with the industry's six funds achieving an average return of 21,32% compared with the 15,67% recorded by the Carsons money market index and the 27,72% achieved by the all-bond index.

The managers of the 21 general equity funds achieved an average total return (income plus capital appreciation) of 6,17% in a year when the return on the JSE all-share index was -2%.

The total returns of the general equity trusts ranged from -4,84% to a return of 15,44%.

The University of Pretoria's Prof Hugo Lamprechts, however, said all the income funds had shown capital losses during the last quarter as long term rates picked up again

Interest income had helped four of the funds achieve positive returns for the quarter

He said income funds may not prove as good an investment in the year ahead if long term rates increased. Over the past five years, the return on general equity funds was 20,64% compared with the 16,81% return on the JSE all-share index.

Decline

Among the specialist equity trusts for the past year, the three industrial funds achieved an average return of 10,16% compared with the JSE industrial index's 7,37%. The two gold funds returned an average -25,49% against the gold index's -25,6%.

The six mining and resources funds reported an average 14,88% decline compared with the 13,83% decline in the mining financial index and the 23,82% drop in the mining producers' index.

Over the past three years, based on a lump sum investment, the Pretoria University survey found Sanlam Industrial Trust and Syfrets Growth fund to be the best performers with returns of 22,27% and 20,16% respectively.

Over five years, Syfrets Growth Fund (26,57%) and Sanlam Industrial Fund (24,42%) were the top funds.

Micor to open its books for independent audit

BIDAY 14/1/93 (232)

TIM MARSLAND

MICOR's management has agreed to open the group's books to independent evaluators after vigorous complaints by minority shareholders that the controlling directors were attempting to buy Micor's assets for far less than their true worth

At a shareholders' meeting yesterday to approve the buyout of minorities, Allan Gray Investments and Sechold, which together represent 31% of shareholders, won access to the complete accounts

An auditing firm and a firm of stockbrokers are to value the company and should complete their work — particularly evaluation of the foreign operations and locations Micor has largely concealed from shareholders — before the meeting is resumed on January 27.

A consortium of directors headed by chairman Cecil Kaplan and his son Mark has offered 90,719c a share for Micor's assets and the right of minority shareholders to buy back 130 Micind shares for every 100 Micor shares held at a cash price of 20c Micor holds 92% of Micind

An analyst said this effectively meant minorities were being offered 138c a share compared with the net worth of 200c gleaned from the partial disclosure of the formal accounts

Micor's controlling directors do not disclose complete details of the group's foreign assets, making use of Section 15a of the Companies Act to hide them and their trading performances

Section 15a was designed to protect SA firms with foreign operations during the the years when SA was subject to sanctions. Micor has travel and finance businesses in the UK and US

Yesterday, former director Mick Delahunt, who ran the offshore business and who had disputed the fairness of the price offered by the Kaplans, made a cash offer for the foreign assets

Delahunt quit the company when the Kaplans made their offer as he believed it to have been unfair, particularly as the offshore business was a rand-hedge investment

He said that in September the board approved a balance sheet stating Micor's total net assets of R33m, but pointed out that the Kaplans' offer in December had valued the company at only R15m based on a multiple of earnings.

An analyst said the R15m excluded the value of the offer to buy Micind shares

Accused

Minorities were unable to make a fair assessment of the company as they did not have access to all the information available to the directors' consortium

Another analyst, closely associated with the directors' bid, said the offer was fair, based on Micor's earnings capacity He accused the minorities of "trying to get a better price for the shares"

He underscored his contention by saying that when the company had planned a rights offer earlier in 1992, it was unable to find underwriters at 60c a share

The rights offer was subsequently dropped due to the lack of interest

Cecil Kaplan would not comment on yesterday's developments

Liquidations sharply higher

STAR 15/1/93.

(232)

Finance Staff

More than nine companies and close corporations were liquidated every working day in the first 11 months of 1992, Central Statistical Service (CSS) figures show.

Liquidations totalled 2 206 between January and November last year, almost 31 percent more than the 1 686 in the same period in 1991, and by far the largest number in the past six years.

Compulsory liquidations rose by more than 33 percent to 1 998, against 1 497 in the same period of 1991

However, with the exception of the 11-month period in 1991, the number of voluntary liquidations was the lowest in the six years reviewed by the CSS

Last year there were 208 voluntary liquidations, compared with 189 in 1991 By contrast, there were 610 voluntary liquidations in 1988 and 531 in 1989.

Insolvencies rose by 13,5 percent to 3 919 in the 10 months from January to October last year, against 3 454 in the same period in 1991.

The CSS says the number of company and close corporation liquidations was still showing a sharply increasing trend late last year.

In the three months to November, 614 companies and close corporations were liquidated — 38,9 percent more than the 442 in the corresponding period of 1991, and about 69 percent more than the 362 in the 1990 period.

The worst affected sectors were wholesale and retail trade, catering and accommodation services, financing, insurance, real estate and business services, manufacturing and construction

Although there were 1 283 insolvencies of individuals and partnerships in the three months to October last year — 16 percent more than in the previous three months — the total represented a 0,6 percent drop from the corresponding period in 1991

Commenting on the figures, Credit Guarantee economist Luke Doig says liquidations and sequestrations are stabilising "at an uncomfortably high level"

He warns that the poor Christmas sales and wage increases below inflation are set to force even more companies and individuals to go under.

STM 15/1/93.

JSE wielding bigger stick

By Leigh Hassall (232)

The Johannesburg Stock Exchange is arming itself with an array of measures designed to improve the quality of the stock market and provide greater investor protection

Now that South Africa is coming out of isolation, the question needs to be asked whether the JSE has kept in line with the standards of bourses overseas

The recent and much publicised reprimand of those companies who did not timeously file their statutory reports is only one of the measures the JSE has adopted

Roy Andersen, president of the JSE, says emphasis has also been placed on reviewing the listing requirements to make sure they are up to date and, where appropriate, meet international trends

With effect from January this year, listings requirements have been tightened up

As announced in February last year, the minimum capital requirements have doubled to R2 million for a main board listing and doubled to R1 million for a Development Capital Market (DCM) listing.

The Venture Capital Market (VCM) capital requirement has also increased substantially

In a further effort to increase capital protection, a minimum issue price of 50c per share has for the first time been stipulated for new listings on the DCM and VCM

Andersen says the JSE has assisted in improving the accounting disclosure in company statements for the benefit of shareholders

The JSE worked closely with the Institute of Chartered Accountants and the Standing Advisory Committee on Company Law on the recently revised Fourth Schedule of the Companies Act

Andersen says greater protection of minorities, especially where Section 228 of the Companies' Act is concerned, is currently being investigated

The level of disclosure in prospectuses, as covered by the Third Schedule, will also be reexamined

Syfrets corrals 43% of unit trusts investment

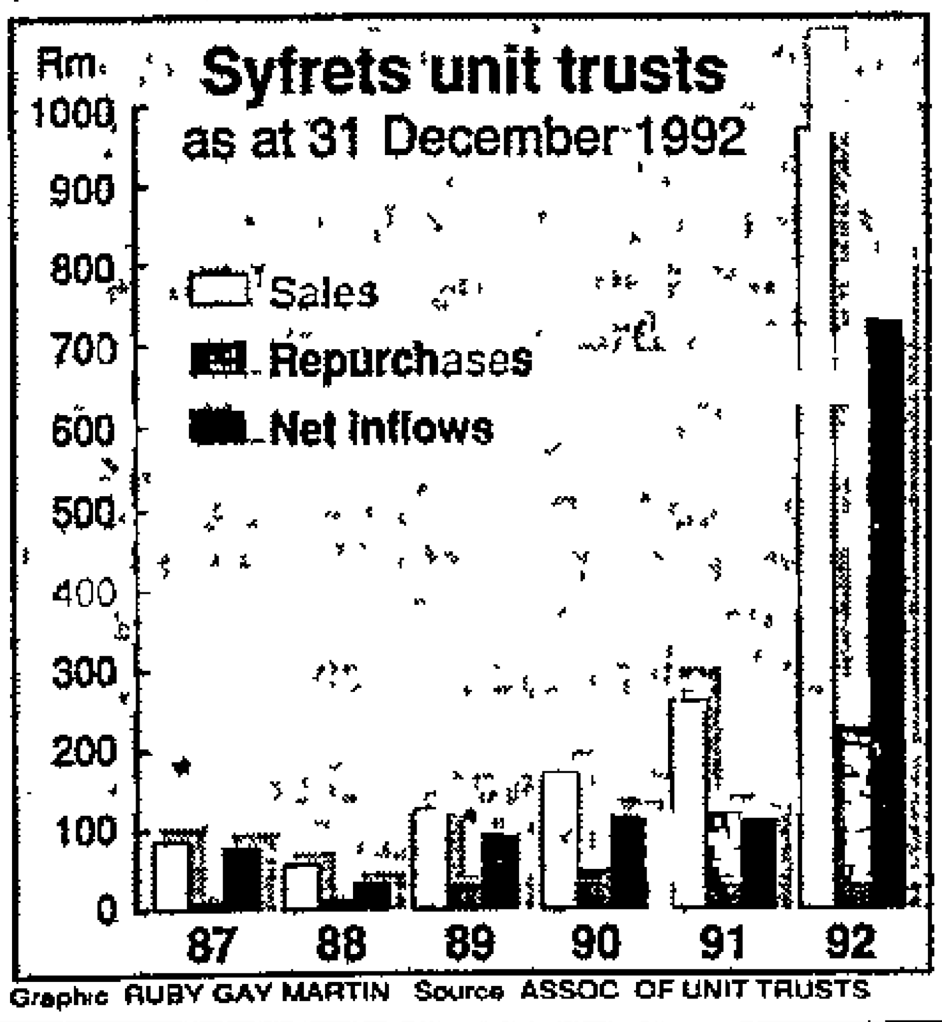
B/DAY 15/1/93. (232)

LINDA ENSOR

CAPE TOWN — Syfrets unit trusts experienced a net inflow of R318m during the quarter to end-December, an amount which represented 43% of the total inflow of R738m into the unit trust industry during the period.

Of this amount R167m was attracted into the Syfrets Income Fund, the highest net inflow into any one fund

The total market value of all the Syfrets unit trusts soared 42% to R1,7bn (R1,2bn) last year, despite the poor JSE performance. The market value of Syfrets Growth Fund reached R746,2m (R459,3m) by year-end, Syfrets Income Fund R643,1m (R363,6m), and Syfrets Trustee Fund R343,7m (R336,7m) while Syfrets Gilt Fund — launched last April — reached R268m



Graphic RUBY GAY MARTIN Source ASSOC OF UNIT TRUSTS

Syfrets Growth Fund produced a return of 15,10% in the year to end-December, compared with the 2,04% quarterly decline in the all share index It declared a quarterly income distribution of 2,91c a unit, bringing the year's total to 12,28c a unit

The equity portion of the fund represented 79,6% of the total and changed little during the quarter. Three new strategic holdings were acquired in SA Freight Corporation, KNJ Group and Clinic Holdings

Syfrets Income Fund, which invests mainly in deposits, gilts, debentures and NCDs, produced an annual return of 20,3% and declared a quarterly income distribution of 3,55c a unit which brought the total for the year to 15,33c a unit. The fund performed strongly despite a correction in the bull trend in the capital market.

Syfrets Gilt Fund declared a quarterly distribution of 33,31c a unit. The fund benefited from a switch by investors from equities to bonds which resulted in a net inflow of R84m

The more conservative Syfrets Trustee Fund, which invests trust monies, produced an annual return of 5,35% and declared a quarterly income distribution of 1,22c a unit, bringing the total distribution for the year to 4,97c a unit.

FM 15/1/93 (232)

THE JSE

Misdemeanour charges

Rumours that stockbrokers Gerald and Wayne Rosenberg have been charged with misdemeanours by the JSE have been confirmed It's understood the broking firm of which the Rosenbergs are partners, Irish & Menell Rosenberg, has also been embroiled in the affair "I can't comment," says JSE executive president Roy Andersen, "because the matter is coming before the general committee soon and I must be totally impartial"

The *FM* understands the charges originate from complaints laid by broker Frankel,

FM 15/1/93 (232)

from Oppression"

The Racy saga certainly includes some strange goings-on According to information provided to the *FM*, the affair began in March 1991 when MD Allan Jacobson told some minorities he was considering making an offer in his personal capacity for the Dinsa group, a portion of Racy's business carried on under the trade name of Diesel City Jacobson is alleged to have said an examination by Standard Merchant Bank (SMB) valued Dinsa at R3,4m and he was prepared to pay R3,5m

Gervis, who owns 3,9m shares in Racy (about 15%), reacted by proposing to Jacobson that he would be willing to better Jacobson's offer provided he could examine the company's records and accounts These were never made available and Jacobson subsequently announced a change of plan — Dinsa was not for sale Jacobson denies ever having received any written offer from Gervis

Last May, the Hendler brothers submitted an offer to buy Racy outright It appears they were supported by Finansbank Terms of the offer included the payment of a special dividend of 11,5c a share and the subsequent purchase of all shares at 60c each. That effectively valued the company at about R18,36m against an NAV of about R21,4m and, had the deal gone through, it would have given the Hendlers the company at a discount of about 14%

Jacobson says he would have been delighted to see the arrangement consummated It wasn't, he says, because certain conditions precedent weren't met The Hendler deal was aborted in June 1992

Attorney acting for the minorities led by Gervis, David Feldman, says he has pressed repeatedly for the reasons the suspensive conditions were not fulfilled Jacobson says these reasons have been disclosed

In November last year a further agreement was entered into between the Hendlers, Jacobson and Racy in terms of which it was agreed that all claims against each party would be waived That, says Feldman, includes any claims Racy and its shareholders may have against any of the parties for the mismanagement of the company "I emphatically and categorically deny that," responds Jacobson

Minorities are also upset that SMB, invited by the Racy board to represent minority interests, has found the proposed deal to be fair and reasonable There is considerable concern about the methods employed by SMB in its valuation procedures and one shareholder described SMB's valuation as "worthless"

Feldman complains bitterly that repeated requests for a full disclosure of the basis of SMB's valuation is met with refusals SMB executive director Mark Barnes says that while the bank won't disseminate all its voluminous paper work, it is willing to enter into free and open debate about the validity of the methods it has applied

The agreement selling Racy's assets to the Hendler family for R12,75m has been approved by a majority of shareholders Subsequently, the Jacobson family will purchase from the Hendlers the business known as Diesel City for R3,5m A counter offer by a consortium led by Gervis to buy a controlling interest was rejected by the present majority shareholders

Racy's JSE listing has been suspended. In an earlier announcement, directors said they would distribute the cash holdings to shareholders and delist the company if they were unable to find a buyer for the Racy cash shell or acquire appropriate assets before the end of January That, of course, depends on how well minorities fare in their intended action against the directors

David Gleason

RACY FM 15/1/93 (232)

Stripped of its assets

Minority bashing continues unabated On Tuesday, the controlling shareholders of Racy Group Holdings rammed through a resolution under S 228 of the Companies Act, the effect of which is to strip Racy of its assets and turn it into a cash shell

It was achieved only in the face of a highly disputatious meeting of shareholders which lasted about five hours The result was to leave behind a group of enraged minority stockholders determined to apply all legal means to prevent the sale of the assets to three directors — Ralph, Cyril and Elliot Hendler The sale price of R12,75m equates to about 51c a share, compared with the market price of 54c, and with a net tangible NAV of about 84c

A grouping of minority shareholders led by Sydney Gervis (Gervis for Service was an advertising jingle used by him some years ago) has decided to approach the Minister of Trade & Industry to ask, in terms of S 257 of the Act, for the appointment of inspectors to examine the affairs of the company

Assuming the investigation finds the company's business to have been managed to the detriment of shareholders — and minorities are confident it will — they expect the Minister to apply to the courts on behalf of minorities under the provisions of S 252 of the Act for what is quaintly termed "Relief

FM 15/1/93 (232) **FOX**

Max Pollak, Vinderine which claims Gerald Rosenberg used confidential client information belonging to it soon after he teamed up with Irish The JSE charges are being brought, apparently, under various sections of clause 3 280 of the exchange's rules and regulations

It appears that when Frankel acquired the firm of Menell Jack Hyman & Rosenberg, part of the arrangement was that Menell's client list would be taken over by the enlarged firm Subsequently, Gerald and Wayne Rosenberg left Frankel Later court actions saw the Rosenbergs allege the severance ended Frankel's ownership of their client list This was refuted by Frankel and various Supreme Court judgments have favoured Frankel

Rosenberg contacted former clients of his firm after he had merged with Irish & Co It's believed this is why Irish has been joined in the JSE action, but senior partner Martin Irish refuses to respond to any questions Asked to comment, Rosenberg replied "I am referring any questions you have back to the JSE and that's all I have to say about it"

David Gleason

Old Mutual funds dip to low point

(232)

THE six unit trust funds in the Old Mutual stable failed to match previous performances in the quarter to end-December 1992.

But the fund managers were optimistic that the portfolios were well-positioned for an expected turnaround in the country's economy. BIDAY

The funds had very little liquidity, compared with the rest of the unit trust industry.

A significant exposure to equities, on the whole, did not achieve good results. 15/1/93.

A presentation by Old Mutual in Johannesburg yesterday showed its six unit trusts in the short term, and especially over the last quarter, were among the poorest performers in the industry.

However, with the exception of the gold fund, the unit trusts' longer-term performance remained solid and provided good returns for the investor.

There were few changes in the unit trusts' portfolios during the December quarter, with most of the funds being fully invested.

Old Mutual investments manager Roland Schute was cautiously optimistic on the outlook for the equities market this year. — Sapa.

Powertech plans to raise R64m to fund purchase

8 | DAY 15/1/93 (232)

DUMA GQUBULE

THE JSE's first rights issue of the year was announced yesterday when Powertech said it planned to raise R64m from its shareholders to finance partially last month's R112m acquisition of an increased stake in Aberdare Cables.

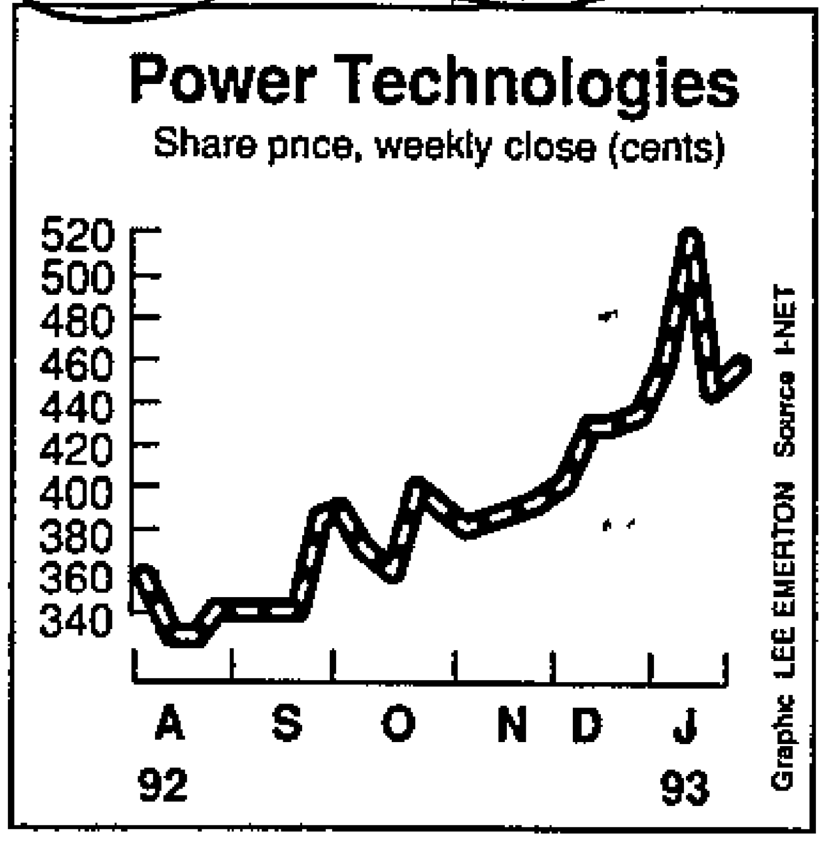
Executive chairman Peter Watt said holding company Altron had agreed to underwrite the rights issue, details of which would be given towards the end of the month.

The issue would increase the group's capital base, ensuring that finance was available for future growth, including that of newly-acquired listed subsidiary Picapli.

The capital injection would also enable Powertech to maximise future business opportunities, he said

Powertech last month paid Phillips R113m (R22,50c a share) for its 50% stake in former Aberdare holding company Consolidated Cable Investments (CCI), increasing its stake in the company to 89%

Watt said Powertech would offer Aberdare minorities either R23,10c a share or new Powertech ordinary shares at a ratio to be finalised at the end of January



Aberdare shares yesterday closed at a price of R24 on the JSE. Watt said the minorities were obtaining a 21% premium on the ruling price at the time of Powertech's acquisition of the SA Phillips stake

Aberdare shareholders were being offered an opportunity to participate in a broader-based Powertech which, through its significant resources and strategic investment in technology, was in a strong position to meet market demand

Powertech directors had proposed that 100 000 5,5% Aberdare preference shares in issue be converted and redeemed at their par value of 200c each for a consideration of R200 000. Acceptance of the offer would result in Aberdare becoming a wholly-owned subsidiary of Powertech to be delisted with effect from 26 February, he said.

Meanwhile, a Powertech statement said its plans to diversify had been boosted following Supreme Court sanction for its bid for control of listed white goods manufacturer, Picapli. The statement said that prior to Supreme Court approval, more than 99% of minority shareholders had voted in favour of Powertech's plans to buy out minorities in Picardi Holdings (Pichold) and Picardi Investments (Picbel) and take control of Picapli and its main operating company KIC.

Watt said Picapli would announce details of its own rights issue when it was clear how many Picbel and Pichold shareholders had opted for cash or Powertech shares.

CORPORATE PROFITS (232) FM 15/1/93

Back on a slippery slope

After signs of improvement the trend shows a marked deterioration

The *FM's* corporate profit round-up published a year ago was headed "Through the hoop" — as a prognosis, this proved remarkably accurate, though hardly in the sense intended.

It seemed then that corporate SA had seen the worst of the recession Expectations were running high that an acceptable political solution was in sight; there had been a fairly significant uptick in the economy during the third quarter of 1991 (the latest economic data available then), and, most significantly, average earnings growth had continued to recover after a marginal decline in 1990

Sadly, the hoop proved to be situated on the edge of a precipice Whatever positive indications there were at the start of 1992 had buckets of cold water poured on them throughout the year Effects on corporate earnings are clearly seen in the latest round-up which shows, on average, negative earnings growth of 2,7% — a 10-percentage-point turnaround from the situation at end-1991, and by far the worst performance since the start of the recession

The survey follows the familiar pattern· it is a round-up of results of major industrial/commercial companies which reported in the second half of calendar 1992, with an arbitrary annual turnover cut-off of around R100m.

The table is made up of about 170 companies having, for the most part, reporting periods — either for interim results or annual prelims — to the second or third quarters of the year Because of the size cut-off, the list remains mostly unchanged from survey to survey, thus providing a meaningful assessment of the JSE's major industrial companies

Comparing the latest results with those of a year ago, there have been deteriorations in four of the five income statement items on which the survey is based The exception was finance charges which, for the first time, declined by 5,4% on average against a 55% increase previously.

This improvement reflected a combination of lower interest rates, tighter asset management and, in some cases, the refinancing of debt with permanent capital through rights issues. Even this has backfired in that the savings in interest charges have generally been insufficient to compensate for the increased number of shares outstanding, so that rights issues, though benefiting balance sheet structures, seem to have contributed to the decline in EPS

Average turnover growth for the sample, at 11,9%, was almost two percentage points lower than the 13,7% average of a year ago. The only positive aspect is that the slowdown could be partly a reflection of lower inflation and not necessarily indicative of a corresponding reduction in turnover volumes. The 11,9% "growth" is almost one percentage point more than the current inflation rate, whereas last year's 13,7% turnover increase was negative relative to inflation.

But there was almost no profit benefit from the higher rand value of sales — continued and intense pressure on margins, as companies battled to keep their share of a static economic cake, took care of that The ratio of operating profit to sales declined over the year from 9,3% to 8,5% Growth in operating profit was a meagre 2,1%, down from 10% a year ago

As indicated earlier, the one bright spot in this latest round-up was that interest charges have moved into reverse The 5,4% decline here should have had the effect of doubling the pre-tax profit growth rate relative to operating profit, and is therefore estimated at 4%, but the more important consideration is that indicated interest cover for the sample has recovered from 5 times to 5,4 This equals the position as based on end-1990 results and suggests most companies have remained successful in maintaining sound balance sheet structures, despite the long and deep recession On average, companies appear to be well placed to finance greater activity when economic conditions permit

The disparity between a 4% positive growth in pre-tax profit and a 2,7% decline in EPS can be largely attributed to two factors· tax seems to be taking a larger proportion of profits as companies, having eliminated loss-making activities, start to run out of assessed tax losses, and rights issues have resulted in attributable profit being spread across a greater number of issued shares, with a dilution of EPS.

Averages throughout these surveys are based on the percentage change in total turnover, profits and so on for the full sample Slightly different results would be obtained by, for instance, averaging the individual company percentage changes; another variation would be derived (as in the composition of share price indices) if individual results were weighted according to company size.

The effect on EPS growth can be illustrated by comparing the 2,7% decline as calculated by the *FM* with the positive 0,7% growth implicit from the change in earnings yield on the JSE Industrial index over the past year — the main difference being that the index-based calculation is, in effect, weighted in terms of the market capitalisation of the companies concerned

In the case of dividend growth the variation is less marked, with the *FM's* calculation reflecting a 3,1% improvement over the year compared with the index-based calculation's 3,6%. In each case, the indication is that companies have generally maintained some dividend growth, despite flat or declining earnings — which in part can be attributed to a more comfortable internal cash flow, particularly those companies that have either restructured their balance sheets through injections of fresh permanent capital, or have retired significant debt through better asset management.

In most instances overall growth rates of the various income statement items reflected an improvement on the position six months ago The round-up published on July 17 showed a turnover increase of 7,6% against the latest 11,9%, operating profits up 0,9% against 2,1%, finance charges up 7% against this time's minus 5,4%, and dividend growth of 1,1% against 3,1% This leaves earnings growth which was still a positive 2,7% six months ago against the negative 2,7% now

The general improvement could be taken as a positive indication, or it may simply be the result of a different reporting period, remembering that though the list of companies included in the July round-up is basically the same, the companies now reporting annual results were then reporting interims, while the present six-monthly interims have replaced the previous annual figures

It could come as a surprise that five of the 19 sectors covered still showed real earnings growth These were Fishing, whose sole representative, Oceana, achieved 35% EPS growth in the year to end-September; Transport, where a 31% average EPS improvement was materially helped by a turnaround from loss to profit at Putco and continued sound growth at Trencor, Pharmaceuticals (19%), Printing & Publishing where Perskor was primarily responsible for a 14,5% average gain; and Food, where only Rainbow failed to grow

A feature of the latest round-up is the weakness of consumer stocks which, up until about a year ago, had held up well. This time, three of the five sectors with the greatest earnings declines are consumer-based, led by Motors (average earnings down 55,6%) where the Wesco group — Wesco, Toyota and Metair — were notable

Unless there is a dramatic improvement in political sentiment and, hence, business confidence, it is difficult to be optimistic about short-term profit prospects — a point emphasised in almost every annual report Indications are that, structurally, major companies are generally in reasonable shape, suggesting that the upturn, when it comes, will lead to strong profit recovery Until then, investment opportunities are likely to be confined mainly to special situations

Brian Thompson

appears to have made no provision. (218)

Munro says the sale of assets will cover the mine's losses while profits from retreatment of surface dumps — to continue after closure of the underground mine — will help pay for rehabilitation

Deelkraal cut its interim dividend to 5c from 15c because management is giving priority to the capital expenditure needed to ensure the mine's long-term future Munro says the final dividend will be under pressure and could be passed, though management would strive to avoid this

Flagship mine Driefontein trimmed its interim to 60c from 65c for the same reason, though the dividend stream from this top quality mine is much more secure Dries could, in fact, easily have maintained the interim despite the higher capital expenditure After providing for capex of R113m and the interim dividend of R122,4m in the six months to December, Dries still retained R17,5m in distributable earnings — equivalent to 8,5c a share

A striking feature is the continuing number of underground fires which have plagued the group for the past three quarters Munro believes the incidence is abnormally high for normal underground mining operations However, he won't say whether he thinks the fires are the result of a deliberate arson campaign against the group, which is what some analysts seem to believe. *Brendan Ryan*

NEW LISTINGS FM 15/1/93

Drying up

(232)

The kindest comment on 1992's listings is that a few substantial and interesting companies came to the market Otherwise it was, at best, a dreary year for new listings

With only 12 new shares appearing, the number of newcomers to the JSE sank to the lowest level since 1983, when seven companies were listed That compares with 16 in 1991 and 22 in 1990 When one remembers that 211 new companies joined the market in 1987, last year must have been a particularly dull one for the JSE's listings department

Of course, the weak economy is the underlying factor keeping a lot of companies away from the market JSE president Roy Andersen sees the low level of listings as a reflection of the economy, something he also believes is largely responsible for keeping private investors away

But for those investors with funds to spare and an interest in new equities, there was little on offer in 1992 Of the 12 new listings, only one — Venter Leisure — was a public offer and even then it was limited to 4m shares, the bulk (13m) of the issue being placed privately

Venter also turned out to be one of the biggest disappointments of the year, especially considering the fanfare at the time of its listing Together with another poor performer, C G Smith Sugar, the two share the spot at the bottom of the table as 1992's most depreciated counters

But most of the new listings were quality companies, whose shares have performed quite well RMB Holdings, City Lodge and Persetech have shown fair appreciation Langeberg has been the exception among the big companies, with its price losing ground

Of more concern, though, than the limited number of new shares listed is the relatively small amount of new capital raised through listings The total of R592,5m is about half that raised in new listings in 1991 Less than half the companies listed last year raised new capital, the rest coming to the market through restructuring exercises or a redistribution of shares

Seen simply from the standpoint of new listings, last year's figures may seem to suggest that the JSE was not fulfilling one of its primary functions, that of a supplier of capital — but that certainly does not hold true when rights issues and other forms of new equity issues are considered

Last year was a record year for rights issues — a total of R7,9bn was raised compared with 1991's R6,5bn This is clearly where the action has been on the JSE, as well as the corporate bond market, where Andersen expects to see increasing interest.

He also notes that when one includes the amount raised in rights issues and the R1,1bn introduced, but already raised, through new listings, total capital raised on the JSE in 1992 is R12,6bn compared to R9,6bn in 1991

But, by and large, last year's rights issues were carried out by the big companies, which suggest the market is working well for the established blue chips The smaller entrepreneurs are shying away, which again limits the choices available to private investors.

"Effectively, this is a reflection of the sensitivity of institutions about getting involved in second- and third-tier stocks," says Graham Drinkwater, FirstCorp's vice-president of corporate finance "The feedback we are getting from some institutions is that they won't even look at anything with a market capitalisation under R100m "

This, in turn, extends the cycle of institutional funds chasing a shrinking number of shares in 30 or 40 top companies Syfrets fund manager Tony Gibson says he would love to see some new, interesting shares listed, but he does not think there is much chance of that until the economy improves

"Until then, we are going to see cash flows chasing a limited number of shares," he says "Right now the entrepreneurs are not inclined to seek a listing, which makes it all rather dreary "

It seems this year is going to provide more of the same Forthcoming listings include split-offs from Scharrighuisen Holdings and Rand Mines, in both cases resulting from restructurings, which will see no new capital raised

Drinkwater says that with the institutions not really interested in smaller listings and with the market not looking a particularly attractive vehicle to raise equity through a listing, 1993 is unlikely to see significant capital raised through new flotations

Andersen thinks there may be a marginal improvement in listings this year, based on signs of a slight upturn in the market But he cautions that much depends on movement towards a political settlement and a drop in the level of violence *Shaun Harris*

FM 15/1/93 232

PROPERTY TRUSTS/STOCK

FM 15/1/93

As safe as houses?

232

Property is usually considered a relatively safe haven for investment during periods of uncertainty. This reputation is in danger of becoming tarnished if the trends indicated in this round-up of property trust and loan stock company annual reports are anything to go by.

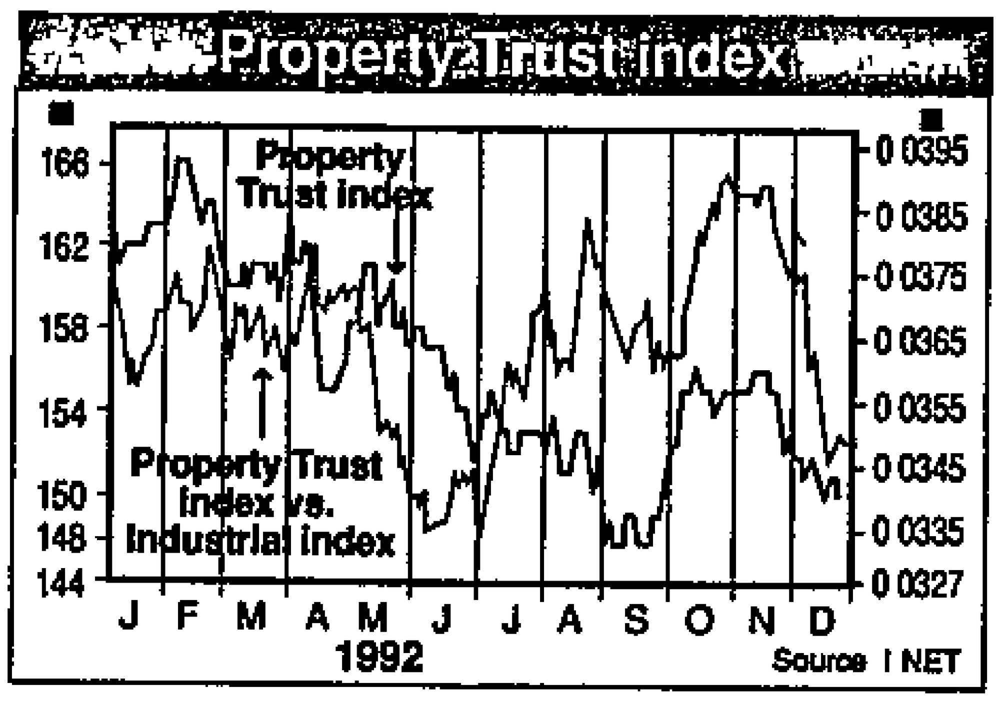
The round-up includes 16 annual reports received over the past six months or so, covering financial year-ends from March to October 1992. Of these, 12 are property trusts and the rest are loan stock companies. The latter, a comparatively new investment medium, are companies with a capital base comprising a small amount of equity to which is linked, indivisibly, a proportionately large quantity of variable rate debentures which are traded together with the equity, as combined units.

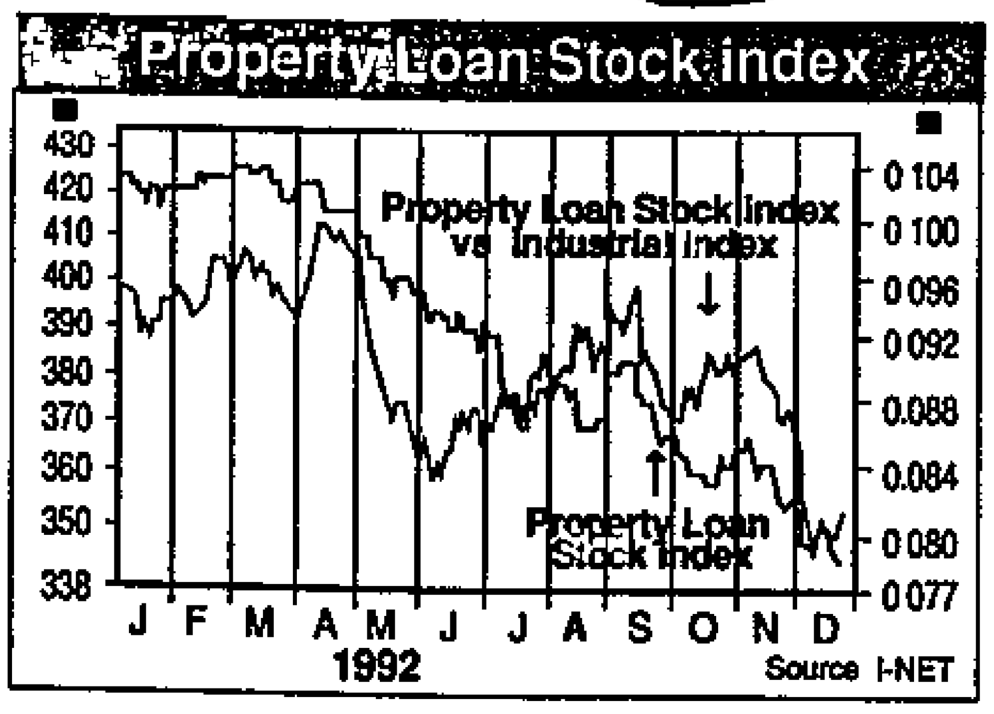
From an investment viewpoint, the two common points between these two types of investment are that neither pays tax and both distribute their entire net income to unitholders — the trusts in the form of dividends and the loan stock companies mainly in debenture interest (which is taxable in the hands of the recipient)

Results of the individual companies are summarised in the table. As a group, the 16 produced negative growth in income distributed of 0,7%, which compares with a 3,6% positive growth in dividends applicable to the companies making up the JSE Industrial index

Similarly, comparison of market prices with the industrial market does not favour these property companies Collectively, they suffered a 15,2% decline during calendar 1992, compared with a 5,6% appreciation in the Industrial index The combination of capital changes and income produced a composite negative return of 4,8% for investors in the property companies, versus an 8,3% positive return for the Industrial index

These averages are, however, distorted by unusually large falls in the market prices of three of the loan stock companies Growth-





point and Boardprop declined 30% and 23% respectively, reflecting steep drops in distributable income, while Pangbourne shed 27% The all-in investment return in respect of the 12 property trusts was a vastly better 11,4% which, if nothing else, means the average investor here should have been able to keep pace with inflation.

Even so, the recession has bitten as deeply in the property sector as elsewhere in the economy Most of the results have been affected by higher vacancy factors and another common — and related — complaint is the oversupply of accommodation, particularly in the commercial field where companies with portfolios dominated by offices have tended to underperform.

Of the five portfolios with more than 50% commercial letting space the only one to show any significant growth in distributable income was Sanland, with a 7,1% gain. Boardprop declined 12,1% and Histone was 4% lower, to give an overall 5,7% fall for this group as a whole.

This was significantly worse than the outcome in the other two major sectors Rather

Linked to turnover

surprisingly, portfolios weighted in favour of the retail sector produced the best growth, averaging 5,1%, probably because most retail leases have rentals linked to turnover, thereby providing some inflation-based income growth In the middle comes the industrial sector, with a 3,5% distribution improvement Though lower than the average for the retail sector, this was a satisfactory outcome in that the average here had to absorb a 9,5% decline at Metprop, which appears to have been one of the main casualties of increased vacancies.

Forecasting future results is hazardous, except to say that few of these companies are likely to produce significant distribution improvements until the economy turns Even then, benefits will not be evenly spread, at least in the initial stages, as much will depend on what gets the economy moving. A repeat of the usual pattern of a consumer-led upturn would favour retail-based portfolios, whereas if it is export-led (and there seems to be a growing weight of opinion that it will be) the industrial property sector would probably be first to benefit

On a long-term basis, an over-riding consideration is likely to be whether property managers have succeeded in maintaining the standards of their portfolios during the recession, thereby protecting the rental base. This

FM 15/1/93

could affect, particularly, retail and commercial space

232

A case in point is Sanland after a takeover of the trust's management in mid-1992 by Sanlam Properties, a review of the condition of the portfolio has revealed that considerable amounts will have to be spent on upgrading properties so that they remain competitive

The trust has warned that this expenditure could cause distributable income to decline this year Against that background, coupled with expectations that much of the space coming up for lease renewal will be difficult to relet and the fact that Sanlam and Metropolitan Life beween them own 98% of the units, Sanlam has warned that it could rationalise the trust within its overall property portfolio

Brian Thompson

FM 15|1|93.

CORPORATE PROFITS: TAKING A BRUISING

232

Company		Reporting Period	Turnover Rm	Turnover % change	Operating Profit Rm	Operating Profit % change	Finance Charges Rm	Finance Charges % change	EPS cents	EPS % change	DPS cents	DPS % change
INDUSTRIAL HOLDING												
Amic	I	Jun 30	3 276 0	4 9	170,0	−19 4	69 0	30 2	281,0	−15 6	110 0	0,0
Anglovaal Ind	P	Jun 30	7 959,7	7,8	776,7	−0 1	95 9	8,0	907,0	9 9	165 0	10,0
Barlow Rand	P	Sep 30	35 165,0	9,9	2 707 0	5,4	550,0	−18,4	437 5	1,5	173,0	1,8
Bidvest Group	P	Jun 30	596 0	44 8	60,1	69 8	§20 3	141 1	412,0	17 0	164,0	56,2
Bolton Ind	I	Aug 31	181,9	−5 9	•−2 3	—	n/d	—	−4 2	—	5,0	−33,3
BTR Dunlop	I	Jun 30	328 2	0 9	47,1	−13 1	2 8	−48,1	120,0	2 6	60,0	0,0
CG Smith	P	Sep 30	17 836,3	11,0	1 405 5	10,4	250,6	−2,8	882 3	7,8	308 0	7,7
Cullinan	P	Jun 30	509 6	−23 5	−13,2	—	21,9	−4,9	−230,4	—	0,0	—
Grincor	I	Jun 30	310,9	19 8	22,1	8,3	7,5	2,3	27,7	10,4	10,0	0,0
HLH	I	Sep 30	331,9	1,9	43,7	−23,4	14,7	5,6	15 8	−53,1	13,5	0,0
Imphold	P	Jun 25	781 3	30 7	72,6	27,7	10,3	65 8	45,7	19,3	17,5	16,7
Klipton	P	Jun 30	122 1	14 4	8,4	−28 0	2,9	96 3	39,0	−33,9	19,0	0,0
MacPhail	I	Jun 30	142 5	19,9	•4 8	1,4	n/d	—	18 7	6,9	5 5	0,0
Malbak	P	Aug 31	10 992,0	30 2	851,0	18,2	199,0	13,1	113,5	−8,5	33 5	3,1
Micor	P	Jun 30	731,2	39 0	•4 0	40,5	n/d	—	19 0	25,0	6,5	30,0
M & R Hold	P	Jun 30	5 842,0	26,9	501 6	55,3	35,4	50,0	485 0	−3,0	180,0	15,4
Ozz	I	Sep 30	62,1	1 0	8,7	1,3	§0 2	−84,2	29,0	19 8	—	—
Picbel	P	Jun 30	n/d	98 0	25,5	−17 0	10,9	−35,8	162,0	−13,4	0 0	—
Plate Glass	I	Sep 30	1 351,7	33,2	117 2	−7,8	§15,8	−7,1	138,0	9,5	65,0	0,0
Rentmeester	P	Jun 30	94,4	−30,1	5,1	—	4,6	−29,8	−116 8	—	0,0	—
Royal Corp	P	Aug 31	475,9	54,9	69 6	107,3	11,9	181,8	46 0	73,6	17 8	92,0
SA Bias Hold	I	Jun 30	n/d	—	•9,4	−20 8	n/d	—	33 4	−20,5	8,5	−22,7
Safcor	P	Jun 30	1 201,6	30,9	34 6	13,4	n/d	—	83 5	13,6	47,0	27,0
Saficon	I	Sep 30	1 372,8	66 9	22 7	−22,9	15,3	34 9	6,0	−84,2	0,0	—
Safren	P	Jun 30	4 698,3	7,5	771 9	13,5	67,1	−23 3	617 0	9,1	255 0	7,4
T & N Hold	I	Jun 30	216 5	4 9	20,7	38,0	§10,8	4 9	28,1	0 0	11 0	46,7
Toco Hold	I	Sep 30	81 4	23 8	11,0	7 0	1 6	−21 4	10,0	11 1	3,0	9,1
W & A Invest	I	Jun 30	1 523 9	−8 6	115,9	−32 6	▲57 2	−34,9	24,6	−29,3	11,0	−29,0
BEVERAGES, HOTELS AND LEISURE												
Amalgamated Bev	I	Sep 30	458 9	14 1	37,6	14 5	§3 5	43,0	19,2	15,0	8,0	14,3
Distillers Corp	P	Jun 30	n/d	5 3	178,8	0 3	n/d	—	67,0	5,7	39,0	11,4
Interleisure	P	Jun 30	400 9	4 6	67,9	−9 0	5 4	248 1	20,2	−6 9	11 0	0,0
Kersaf	P	Jun 30	2 050 2	14 6	514 5	6 1	27 9	47,6	240,0	9,1	147,0	8,9
M-Net	I	Sep 30	353,2	28,7	47 4	46,4	4,9	85 8	6,5	−36,3	—	—
SA Breweries	I	Sep 30	10 289,0	28,8	901 0	17,8	§245,0	9 9	93,4	5,9	35 0	6,1
Sun Bop	P	Jun 30	1 000,4	29,5	269 2	17,3	0,2	−76,1	191 0	7,9	132 0	0,0
Sun Ciskei	P	Jun 30	117 3	13,8	32,0	−2,0	1,6	−62,1	39 0	−7,1	27,0	−12,9
Suncrush	P	Jun 30	534,8	20,2	85 2	20,4	▲1,5	—	1 785 0	11 6	540 0	17,4
Transkei Sun	P	Jun 30	209,2	8,6	66 3	−2,4	0,1	17,9	37,0	0,3	27,3	0,9
BUILDING AND CONSTRUCTION												
Anglo-Alpha	I	Jun 30	374 8	6,4	68,1	−6 0	15,8	110 9	143,4	−7,7	46,0	0,0
Basil Read	P	Jun 30	460 2	−9 5	4,9	−65 7	▲15 1	125,1	−63 5	—	0,0	—
Basil Starke Group	I	Jun 30	59,6	−24,4	0,0	−99,4	2,3	0 7	−13 0	—	—	—
Blue Circle	I	Jun 30	376,0	−1,6	40 0	−26,8	7,7	932 3	93,0	−28 6	27 5	−50,0
Boumat	I	Sep 30	609 2	−1 0	12 8	−52 5	▲6 5	−44 4	10,5	−65 0	0,0	—
Everite Group	P	Jun 30	392 8	17,5	24 9	1 7	7,5	74 4	19 1	1,1	6,5	0,0
Grinaker	P	Jun 30	2 161,2	5,6	39 6	−61,2	15,6	51 9	−3,3	—	5 0	−85,3
Group Five	P	Jun 30	1 380 3	5 7	21 4	−38 3	4,3	—	99,0	−48,9	33,0	−48,4
Gypsum	I	Sep 30	n/d	—	16,8	−18 4	2 3	−46,5	90 8	−22,0	20,0	0,0
LTA	I	Sep 30	867,0	−13 1	25 9	7,3	n/d	—	68,0	28,3	—	—
PP Cement	P	Sep 30	899 0	9 8	195,9	5 9	7 3	−14,1	287 0	0,8	195,0	13,4
Shoredita	I	Jun 30	92 6	−12,7	4 7	−13,0	▲2,7	−3 5	13 3	3 1	4 0	0,0
Stocks & Stocks	P	Apr 30	1 438 7	6 8	53,1	19 0	20,0	17,3	38 0	−19,1	11,0	0,0
Supreme Industrial	I	Jun 30	96,8	9,7	9 0	−24,9	7,0	−7 4	4,2	−66,1	—	—
CHEMICALS AND OILS												
AECI	I	Jun 30	2 524,0	1,0	148 0	8,8	80,0	17 6	32,0	0,0	18 0	0,0
Chemsve	I	Jun 30	204,8	−14,7	19 4	−24,3	3,0	−42 1	132,0	−23,3	53 0	0,0
Engen	P	Aug 31	6 560 0	7,6	393 0	3,7	n/d	—	275,0	18 0	137 5	18,5
Omnia Holdings	I	Jun 30	167 0	−0,1	7 1	−46 4	12,2	12 9	−6,2	—	20,0	66,7
Sasol	P	Jun 25	7 853,9	3 9	1 758 6	−7,3	▲228,6	−39 2	202,0	9,4	78 0	9,1
Sentrachem	P	Aug 31	2 433,2	6,9	226 5	6,9	110,5	−13,1	62,0	15 2	20,0	11,1
Wayne Manufacturers	P	Jun 30	129,4	−0,3	•9 9	−26,8	n/d	—	10,2	−32,9	5,2	−13,3
CLOTHING, FOOTWEAR, TEXTILES												
Amshoe	I	Aug 31	123,6	−3,0	12,5	−23,5	2,4	−15 7	13,3	−17,9	—	—
Bolton Footwear	I	Aug 31	90,6	−9,7	4 1	−48,5	2,0	−2,1	4,2	−64 7	2,0	−33,3
Conshu	P	Jun 30	620,8	−0,1	54,8	−22 8	14,4	8,8	53,1	−20,3	24 5	−12,5
Da Gama	I	Sep 30	130 4	−6,3	13,7	−28 4	▲0,4	—	20 3	−34,9	6 5	−35,0
Frame	P	Jun 30	652,2	−0,9	−30 2	—	▲37,2	80 9	−238,8	—	0 0	—
Gubb & Inggs	P	Jun 30	293,9	12,2	18 8	52,7	5,0	−29 2	576,0	230 1	90,0	125,0
Lenco	I	Aug 31	281 4	16 6	31 1	0 1	n/d	—	25 8	16,9	—	—
Romatex	P	Sep 30	722 4	−2,4	40,0	0 5	15,8	−20 6	50 5	44,7	20 0	42,9
Seardel	P	Jun 30	1 058,7	6,7	55 2	−27,4	§37,0	25 9	43,0	−60 2	9,5	−58,7
Silveroak	P	Jun 30	178,8	2 2	17 3	18,3	5 7	−29,6	54 5	107,2	27,0	232,9
ELECTRONICS												
Aberdare	I	Jun 30	211,2	1,4	27 6	9 1	n/d	—	113 0	3,2	56,5	2,7
African Cables	P	Sep 30	♣248 1	44,5	♣28 6	57,1	♣1,8	−42 0	♣45,4	−3,3	♣21 6	−1,8
Allied Electronics	I	Aug 31	1 320,6	−1,1	130 4	−7,8	n/d	—	256,9	8,1	—	—
Allied Technologies	I	Aug 31	478,0	5 5	•74 7	2,4	n/d	—	410,3	0,4	—	—
Datakor	I	Sep 30	319 8	33,7	28,9	19,9	n/d	—	11,1	15,6	4,6	15,0
Femco Tech	P	Apr 30	♣120,5	12,4	♣−1,3	—	♣3,8	8,1	♣−18,0	—	♣0,0	—
Fintech	I	Aug 31	285,3	3,5	10,1	−11,3	n/d	—	85 3	30,0	—	—
Grintek	P	Jun 30	1 235,2	14,8	74 2	6,4	6,2	32,7	13 8	−7,4	3,7	−31,5
ISG	P	Sep 30	1 048,5	−0,1	59 7	−23,5	n/d	—	34 8	−5,2	22,0	—
Persetech	P	Sep 30	504 0	26 8	39 0	60 5	n/d	—	21,7	31,5	11,0	—
Power Tech	I	Aug 31	556 6	−8,0	•50,0	−15 4	n/d	—	13,8	−9,2	—	—
Q Data	P	Jun 30	148 4	18 4	19 3	26 7	n/d	—	63 3	24 9	20 4	20 0
Reunert	P	Sep 30	2 277,6	41,5	211,9	66,1	n/d	—	292,8	23 3	100,0	23,5
Siltek	P	Jun 30	979,0	19 0	68 8	19,4	7 2	−1,0	75 1	25,0	23 0	15,0
Tedelex	P	Aug 31	421,8	−17,6	−1 4	—	15,0	15,1	−32 0	—	0,0	—
Voltex	P	Jun 30	1 226,6	−2,5	91,8	−28,1	§33,0	−24,0	15,8	−16,8	6,8	−18,2
ENGINEERING												
African Oxygen	P	Sep 30	1 113,2	6,6	217,0	5,4	▲35,2	12,4	311,0	11,9	190,0	11,8
Cementation	P	Sep 30	265,3	−18,4	5 1	—	▲3 4	−62,0	4 4	—	0,0	—

FM 15/1/93

CORPORATE PROFITS: TAKING A BRUISING

232

Company		Reporting Period	Turnover Rm	Turnover % change	Operating Profit Rm	Operating Profit % change	Finance Charges Rm	Finance Charges % change	EPS cents	EPS % change	DPS cents	DPS % change
Chubb Hold	I	Oct 9	91,9	2,8	6,8	55,2	▲1,2	−45,5	53,4	72,8	14,0	55,6
Dorbyl	P	Sep 30	2 977 1	2,8	141,1	−18 5	▲37,2	12,5	287,6	−21,2	108 0	0,0
Ed L Bateman	P	Jun 30	633 9	−19 4	36,9	2 0	5,1	115 6	88 1	9,7	30,5	15,1
Fenner	P	Aug 31	233,0	−5,2	28 7	3 2	§2 3	−44,4	73 1	10,1	23,0	4,5
Fraser Alex	P	Jun 30	350,3	49,7	•26,3	7,7	n/d	—	115,4	−7,6	39,0	0,0
Genrec	P	Jun 30	526 5	−11 2	48 4	20 3	1 6	—	289 0	8,2	105 0	16,7
Haggie	I	Jun 30	606 5	3,9	64 4	4,0	▲9,9	2,2	169 7	4 7	47 0	0,0
Metkor	P	Sep 30	3 229,4	0 4	135 1	−27 1	47 3	−3 4	13 2	−38,9	13 8	−11,7
NEI Africa	I	Jun 30	290,9	−19,2	−11 0	—	§15,7	15,3	−429,4	—	0,0	—
Standard Eng	P	Aug 31	688 4	7,7	70,8	−3,8	15,5	−14,3	121,5	0,5	42 0	5,0
Unihold	I	Jun 30	140,4	33,6	6 8	−38,5	5,1	62,3	3,4	−70,4	0,0	—
FISHING												
Oceana Fishing	P	Sep 30	375 4	15,2	36,3	71,4	n/d	—	192,8	35,0	120,0	33,3
FOOD												
Cadbury Schweppes	I	Jun 13	296,5	23,6	26,3	21,6	6 7	50,4	61,2	28,0	15,0	25,0
CGS Food	P	Sep 30	12 749 6	12,5	872 0	9,8	180,0	−0,4	321,9	7,0	105,0	6,1
ICS	P	Jun 30	2 143 4	1,6	26,5	−5,6	10,8	−39,5	147,0	22,5	45,0	21,6
I & J	P	Jun 30	1 638 5	15,9	107,4	10,5	10,7	93,8	258,4	9,8	86,0	10,3
Langeberg	P	Sep 30	741 8	14,9	102,9	29,6	§15,4	−9,9	54,7	40,6	16,0	41,6
Lebowa Bakeries	P	Sep 30	♣102,2	12,2	♣10,8	1,1	♣0 6	−37,2	♣24,3	5,7	♣9,5	2,7
Premier Group	I	Oct 31	5 420,0	21 2	212 7	9 3	▲17 7	−55 1	113 0	14,1	36,0	12,5
Rainbow Chicken	I	Sep 30	787,5	6 3	−0,5	—	18 2	24 2	−5 1	—	0,0	—
Tiger Oats	P	Sep 30	9 212 0	15 4	677,0	13,2	▲74,0	−16 9	230 0	11 1	79 0	11,3
FURNITURE AND HOUSEHOLD												
Afcol	I	Sep 30	391 7	0,7	17,3	−22,8	3,3	−68 9	51,9	2,4	26 0	2,0
Amrel	I	Sep 30	469 4	1 5	30,2	−15 2	§34 2	−3 3	−22 9	—	0 0	—
Ellerine	P	Aug 31	588 2	−0 7	97,8	−6 6	▲2 2	—	702 0	−9,3	233 0	−9,3
Mathieson & Ashley	P	Jun 30	145,7	16 5	0 6	−74 2	3 4	31 4	−6 5	—	0,0	—
Morkels	I	Sep 30	143,3	5 3	9,6	21 9	8 5	14,0	1,3	18,2	0,0	—
Rusfurn	P	Jun 30	1 422,7	1 0	4 1	—	85 4	2,0	−443,0	—	0,0	—
MOTOR												
Brian Porter	P	Jun 30	340,8	11 0	7,5	2 6	▲3 8	25,6	63,4	−18,9	18,0	−14,3
Combined Motor	I	Aug 31	263 4	32 0	3,0	0 8	▲1 7	43 3	4,6	−28,1	1,6	−23,8
Gentyre	I	Jun 30	243,8	6 3	22,6	−11,1	n/d	—	179 0	−3,8	55,0	0,0
McCarthy Group	I	Jun 30	3 072 7	6,2	103,5	−2,1	16,7	139 5	50 9	−14,9	21,0	−10,6
Metair	I	Jun 30	n/d	—	•4,5	−88 2	n/d	—	12,0	−90,8	—	—
Toyota	I	Jun 30	1 515,8	−11,6	59,4	−54 1	31,7	9 1	29 1	−74,4	0,0	—
Urquhart Motor	P	Jun 30	279 3	19,0	5,3	−10 5	2,5	3 627 3	10 3	−69,3	6,0	—
Vektra	I	Jun 30	230,3	−5 1	11,3	−10 6	5,8	−14,9	16,2	−0,6	6,0	0,0
Wesco	I	Jun 30	1 515,8	−11 6	58,7	−61,6	31,7	−39,4	27,0	−90,4	—	—
PAPER AND PACKAGING												
Afcom Group	P	Jun 30	120 0	12,1	15 6	27,6	3,6	4 6	21 7	23 3	8 7	24,3
Carlton Paper	P	Aug 31	444 4	0,9	54,8	−18,3	3,6	10 1	207 0	−20,6	75,0	0,0
Coates	I	Jun 30	86 5	10,8	9,3	17 5	n/d	—	141 8	17,5	21,0	10 5
Consol	P	Jun 30	2 097 6	1,3	290,9	−8 9	§0 6	−98,2	216,7	11,6	62,0	12,7
CTP Holdings	I	Sep 30	288 2	10 6	28 6	−0 6	2 0	−39,9	51,7	8,4	6,7	8,9
Holdains	P	Aug 31	2 316 4	18 7	192 9	11 5	43 2	1,2	349,3	−2,5	121 0	0,0
Nampak	P	Sep 30	4 364 2	9 3	495 6	12 6	▲54,8	−5,4	531 0	8 1	205 0	7,9
Sappi	I	Aug 31	2 022 8	13,5	221 2	−14,0	§4,5	96,4	130 0	18 2	80 0	0,0
PHARMACEUTICAL AND MEDICAL												
Adcock Ingram	P	Sep 30	915 0	18 3	140,9	19 0	5 8	−4 5	279 0	18,7	105,0	19,3
Premier Pharm	I	Oct 31	234,7	4,5	60 4	11,9	n/d	—	36,0	21,6	13 0	30,0
PRINTING AND PUBLISHING												
Argus	I	Sep 30	1 007 9	12,9	71,8	13,5	8,8	193 7	84 0	3,7	15 0	0,0
Caxton	I	Sep 30	288 2	10,6	28,8	−1,0	2,0	−39,9	32,5	9,8	4,0	13,0
Perskorgroep	P	Jun 30	673 3	12,3	•43,0	32,4	n/d	—	386 9	17,4	49,0	10,1
Times Media	I	Sep 30	178 8	19,1	29,5	35,2	3,0	222,3	98,0	15 3	24 0	9,1
RETAILERS AND WHOLESALERS												
Bergers Trading	I	Jun 30	70 2	−0,9	•1,5	−61,8	n/d	—	1,2	−60 0	—	—
Boymans*	I	Sep 30	110,4	0,1	5,0	−30,2	3,6	−32,4	2,7	−68 2	0,0	—
Cashbuild	P	Jun 27	425,9	10,0	15 9	−10,0	§0,7	219,0	33,3	−9,5	13 5	−10,0
CNA Gallo	I	Sep 30	419,7	15,2	21,9	23,9	§10 3	45,4	37,0	−4,4	13 0	0,0
Edgars	I	Sep 30	1 406,4	8,7	194 4	6,9	§36 3	17,1	162,0	4,5	38,0	5,6
Foschini	I	Sep 30	n/d	—	•73,9	19 6	n/d	—	89,3	20,7	—	—
Gresham	I	Oct 31	492 0	5,0	6,5	−44,7	▲4,2	−21 9	2 6	−62,9	0,0	—
Mas Holdings	I	Aug 31	110 9	13,3	•−0,9	—	n/d	—	−3,6	—	0,0	—
Midas	I	Aug 31	148,5	2,1	4,0	−45,8	4,3	39 4	−14 3	—	0,0	—
OK Bazaars	I	Sep 30	2 544,7	4,1	58 6	−21,9	▲57,0	−0,7	20,0	−72,2	10,0	−73,0
Pep	I	Aug 31	679,5	−11 2	76 9	6,7	9,8	361 2	18 9	1,1	7,5	10,3
Pepkor	I	Aug 31	3 716,9	171,9	96 6	11,6	28 6	25 8	28 2	18,0	8,0	12,7
Pick n Pay	I	Aug 31	3 096,8	10,0	57 9	2,5	n/d	—	46,6	15,3	14 5	16,0
Smart Centre	I	Aug 31	80 3	4,1	6,3	−2,0	2,0	−35,0	6,0	20,0	—	—
Specialty Stores	I	Aug 31	164 4	31,2	12,2	5 2	4 1	52,6	29,4	2 8	10,0	0,0
Teljoy Hold	I	Sep 30	87,9	2 2	16 7	−5,8	§5,6	−6 4	13 8	−3,5	4,5	0,0
Waltons	I	Aug 31	376,0	5,5	30 7	−21,5	§8,5	1 5	13,6	−27,3	5,0	−28,6
Wooltru	P	Jun 28	3 804,4	15,2	•164 7	−38,7	n/d	—	263,3	−37,6	170,0	0,0
STEEL AND ALLIED												
CMI	P	Jun 30	306,4	11,6	14 9	—	▲10,6	−45 3	−12 0	—	0 0	—
Highveld	I	Jun 30	696,2	7,4	•35 9	−28,5	n/d	—	35,1	−46,2	20,0	−33,3
Iscor	P	Jun 30	8 616,0	16,6	748,0	−14,4	403 0	73,0	18,5	−44,6	6 0	−45,5
SUGAR												
CG Smith Sugar	P	Sep 30	1 143 4	15 3	142,9	6 1	35 0	13,5	55,3	—	23,0	—
Tongaat-Hulett	I	Sep 30	1 947 3	−3 6	141,6	−0 2	38,9	−27,5	87,4	1,9	23 0	0,0
TOBACCO AND MATCH												
Lion Match	I	Sep 30	138,5	−16 0	17 1	7,9	3,7	−42,4	13,3	17,4	5,3	16,7
Rembrandt Group	I	Sep 30	n/d	—	559 1	−1,5	19 0	−18,8	87,2	4,8	14 2	12,7
Utico	I	Jun 30	270 2	11,5	24 0	19 1	2 2	167,0	195,0	11 4	117,0	11,4
TRANSPORTATION												
Cargo Carriers	I	Aug 31	91 3	−2 1	−1,4	—	3,0	−21 5	−11 3	—	0,0	—
Putco	P	Jun 30	397,9	10,6	23 2	—	0,0	−99,5	53,2	—	30 0	0,0
Trencor	P	Jun 30	997,7	20,3	•170,1	28,9	n/d	—	905,0	23,2	195 0	21,9
Unitrans	P	Jun 30	♣327,3	27,3	♣43 9	17,4	♣7,4	−43,1	♣88,9	22,6	♣25 6	8,9

I = Interim P = Preliminary n/d = Not disclosed • = Income before tax ▲ = Net interest § = Net finance charges ♣ = Annualised * = 7 months

Bringing some simplicty to moving-average exercise

(232)

STAR 16/11/93.

LAST week we looked at the use of a single moving average as a means of alerting the share market chartist to a significant change of overall market direction. Other than learning how to create moving averages themselves, the most important observation we made was that what on average works well for a particular market or a particular share at a particular time, might not work so well at another time

Uncomfortable

Long-term averages such as the most popular 200-day and 150-day moving average conventions that were extremely popular in the 1970s and early 1980s, proved in the aftermath of the great September 1987 crash to be somewhat inadequate because they failed to react soon enough to alert investors to move out of that precipitously falling market

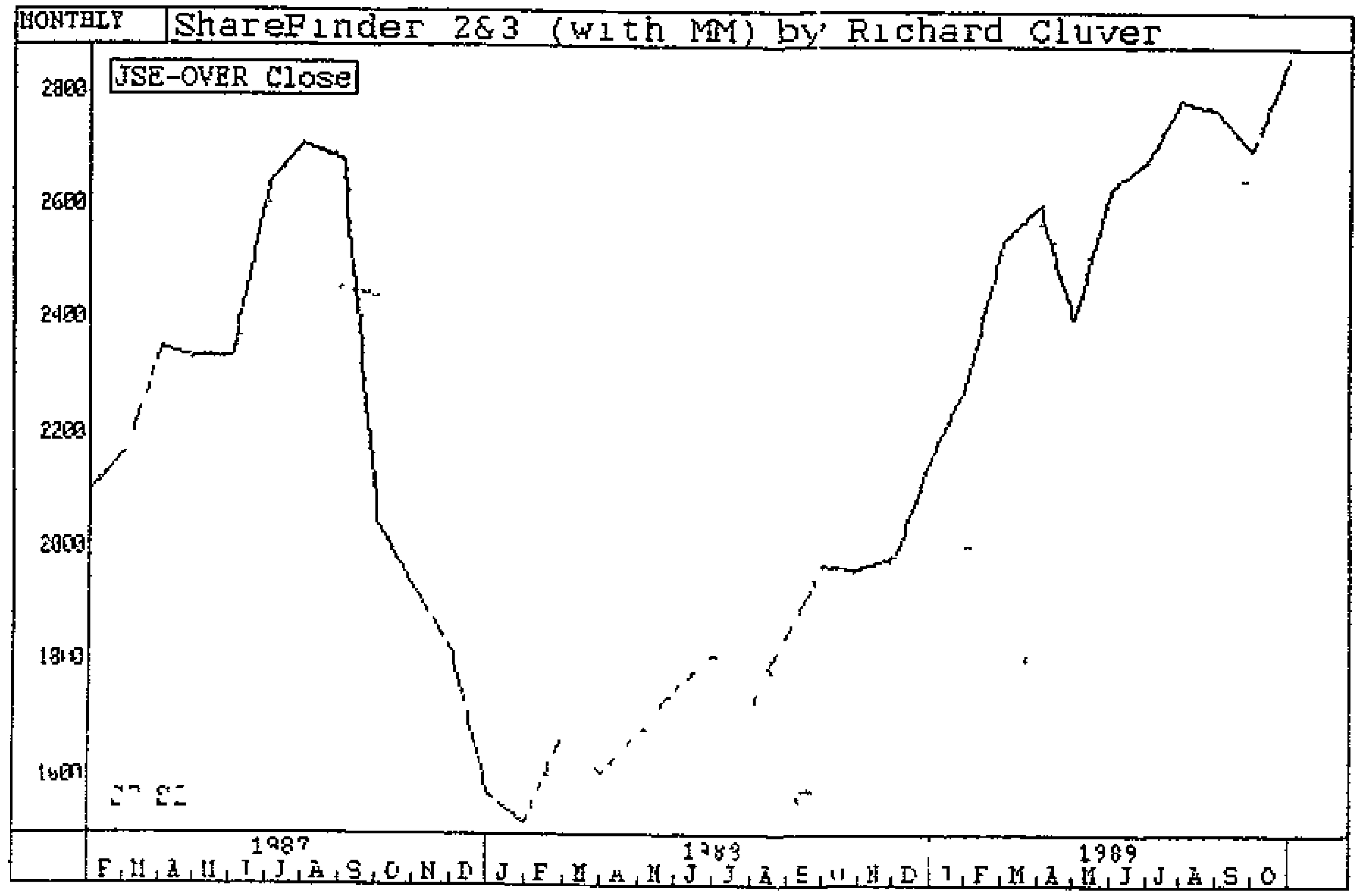
The problem, however, with shorter-term averages is that they are inclined to whip-saw, producing buy and sell signals so frequently as to make the average long-term investor uncomfortable — frequently enough, perhaps, to lead the Receiver of Revenue to conclude that if you made use of them, you might be indulging in taxable share-market trading rather than merely protecting your investment capital against loss

Nowadays, of course, with the advent of personal computers to speed the process, it has become easy for the average investor to experiment with a series of different averages until he finds the one that seems to be working best for his personal needs

Increasingly, too, we are seeing the advent of optimiser programs, that is, computer programs which sequentially test the variable numbers that are used in each technical analysis indicator in order to determine which, for a given time, would have produced the most reliable results

For the ordinary investor who is reluctant to go to such expense, there is, however, a reasonably accurate alternative which is so simple that even the beginner with a well-sharpened pencil and graph paper can employ it.

As the accompanying illustration of the JSE Actuaries Overall Index plotted on a month-end data basis makes clear, the downward intersection of the index through its two-month moving average (equivalent to a 40-day moving average) would have taken an investor out of the market on September 30 1987, just a month after the August 31 peak. In that month, the JSE Overall Index had fallen a mere 1 percent.



CHOPPING AND CHANGING: How buy and sell indications would have taken an investor in an out of the market.

FOOTSTEPS TO FORTUNE

RICHARD *Cluver*

It would, furthermore, have produced a fresh buy signal on March 31 1988, just a month after the market reached its lowest point on February 28, and that delay would have cost our investor a mere 10,67 percent of the incipient recovery

Unfortunately, however, it would also have had our investor selling out again a month later, buying back the month after that for just two months before taking him out and then back again repeatedly in the following successive months

Traditionally, students of moving-average theory have argued that the answer to this dilemma is to regard the intersection of a short-term moving average by its index (or a share price for that matter) on the way down as a kind of "take your marks" signal, as a warning that increased vigilance is required. They would act only when the short-term moving average itself intersected a long-term moving average

A useful alternative strategy, the one that I in fact usually employ, is to act as soon as a long-term moving average changes direction Note in the illustration that a seven-month (that is the same as a 140-day, because there are usually 20 trading days in a month) moving average changed direction at precisely the same time as a two-month moving average

Confirmation that this was indeed a valid sale signal came within a few weeks when the index itself, followed soon afterwards by its two-month moving average, cut down through the seven-month moving average.

After the market finally bottomed out on February 28 of 1988, the seven-month moving average actually took a further six months to finally change direction, turning up on August 31 It would have persuaded an investor to sell again on August 31 1990, buy back again on April 3 1990 and would have kept him in until the end of July 1992

Such a strategy would have involved a long-term investor in a total of six transactions, that is four more than a basic buy-and-hold strategy, or an average of one transaction every 22,25 months between February 28 1985 and July 31 1992 and would have resulted in an overall capital gain of 320,15 percent.

In contrast, the investor who bought on February 28 1985 and held on until July 1992 would have achieved a 259,64 percent gain.

Efficiency

This calculation ignores the interest income the capital could have earned during the 18 months the investor would have been out of the market. However, it also ignores the brokerage he would have been charged on the four additional transactions

Comparing the buy-and-hold strategy in overall percentage terms to this moving average system suggests that the latter offers a greater efficiency of 23,31 percent It is perhaps not enough to excite the serious investor, which is why a large number of earlier-signaling decision-making techniques have been developed since the advent of personal computers made number crunching such an easything to do

Next week we will, accordingly, look at some of these variations on the moving-average theme

[redacted]

Unit trust returns beat share market

Star 16/1/93

WHILE some fund managers expect the bull run to continue, others warn that the golden period for income and gilt funds is drawing to a close. (232)

INVESTORS in unit trust gilt and income funds came out tops in 1992, with their returns again handsomely outstripping the general equity and specialist funds

Top honours for the year (on a repurchase-to-repurchase basis) go to UAL Gilt Fund, which recorded a return of 23,76 percent.

Hot on its heels were Metboard Income Fund with 23,66 percent and Guardbank Income Fund with 23,04 percent.

Even taking into consideration the funds' tax liability, after-tax returns will still be way ahead of the inflation rate, which has dropped to 11 percent

Gilt and income fund returns were boosted by high interest rates and bullishness in capital markets during most of 1992

Warning

However, while some fund managers expect the bull run to continue, others warn that the golden period for income and gilt funds is drawing to a close

Much depends on the inflation rate. If it continues to drop, the bull market in gilt rates will continue for a while yet

This is how the gilt and income funds performed during 1992 (repurchase-to-repurchase)

UAL Gilt Fund 23,76 percent; Metboard Income Fund 23,66 percent, Guardbank 23,04 percent, Syfrets Income Fund 20,31 percent; Old Mutual Income Fund 18,34 percent; Standard Bank Extra Income 15,53 percent (Source Professor Hugo Lambrecht, Graduate Business School at the University of Pretoria)

The race for top spot in the unit trust industry performance league, in terms of general equity funds, is hotting up Still in the lead over periods ranging between one and five years is Cape-based Syfrets, followed by Southern and Standard Bank

Syfrets has led the general equity trusts since its inception in late 1987, and it will take some doing for the other funds to catch up

In its favour, of course, is the fact that it launched its fund after the October 1987 crash, picking up a portfolio of shares that recovered strongly

Investors have been pouring money into the hands of its fund managers at an unbelievable rate

During the September quarter the two funds in the Syfrets stable attracted 43 percent (R318 million) of the R738 million that flowed into the unit trust industry The Income Fund alone attracted R167 million

Despite a choppy equity market in 1992 — during which the JSE all-share index declined 2,4 percent — the three general equity fund front-runners outperformed the market strongly

This was a credit to the fund managers, especially considering the restrictions under which they were required to operate

Only two of the 22 general equity funds — Old Mutual Investors and Sanlam Index Trust — failed to at least match the JSE all-share index

Old Mutual, in particular, must be concerned about the fact that its fund shrank 5,13 percent during 1992 Several factors contributed to this, says Old Mutual fund manager Rowland Chute.

One was heavy exposure to equities at the beginning of the year, to De Beers in particular

At a media conference this week, Chute said this exposure to equities was likely to be vindicated during the next couple of years Old Mutual remained ahead of the pack over longer periods, but in recent years its performance had dropped back somewhat

For the unit trust industry 1992 was yet another year of substantial growth, despite the JSE's uncertain performance

The market value of the 47 funds operating rose to R13,5 billion, almost R2,5 billion flowed into the funds

In the December quarter, unit trust sales amounted to R1,24 billion — the third highest in the industry's 27-year history — while repurchases, at R386,2 million, were the lowest since September 1991

Association of Unit Trust Companies chairman Clive Turner said this week "After what could be described as a difficult quarter with the uncertain market conditions, we are greatly encouraged by the lower level of repurchases, which confirms our view that investors are taking a longer-term view of their unit trust investment, many undoubtedly used the lower price levels to their advantage to increase their unit holdings"

What Turner might well have added was that investors started using "switching" facilities to a greater extent, committing large amounts of money to the gilt and fixed income funds

Most fund managers reported a sharp upsurge in the number of switches, specially since June, when the JSE peaked.

It seemed that sophisticated investors thought the market was overvalued and was heading for lower levels, which it did

For a switch to be truly effective, one must move to equities when they are at lower levels

The JSE bottomed out during October It has risen substantially since then, but has not yet recovered all the losses incurred in the June-October period.

The question now arises When to switch back?

My advice is switch: only half of your funds into equities, keeping the other half in an income or gilt fund

To be dogmatic in the face of what is likely to be a very uncertain year on the JSE would be foolish.

Turnaround

While the market has been very firm since fund managers returned from their holidays earlier this month, analysts remain cautious about the outlook for the rest of the year because of the dramatic turnaround in sentiment surrounding De Beers

The factors likely to influence the JSE this year can be divided roughly as follows

POSITIVE: Declining interest rates (normally very good for equity markets), rising political hopes, strong foreign markets, especially Wall Street and London, institutional cash flows, shortage of scrip, recovering economy/companies, lower inflation.

NEGATIVE: Weak world markets (a sharp correction on Wall Street cannot be ruled out — some analysts say it is only a matter of time), negative local political developments, upturn in interest rates, a hard-hitting Budget; reimposition of tax on dividends, drought.

□ *For a discussion on unit trusts and their performance figures, tune in to Financially Speaking on Radio 702 on Wednesday evening at 8 pm Lambrecht will be my studio guest*

FUND	1 YEAR %	FUND	3 YEARS %	FUND	5 YEARS %
Syfrets	15,10	Syfrets	20,16	Syfrets	26,57
Southern	13,59	Sanlam Div	17,00	Guardbank	23,42
Standard	13,30	Standard	15,08	Standard	22,35
BOE	10,52	Guardbank	14,07	UAL	22,17
Guardbank	10,05	Southern	13,66	Momentum	20,98
NBS Hallmark	8,71	Sanlam Trust	13,17	Sage	20,42
Metlife	8,52	Sage	11,87	Sanlam Index	19,53
ABSA	7,01	NBS Hall	11,60	O Mutual	19 19
Norwich	6,97	Momentum	10,84	Sanlam Trust	18,22
Syfrets Trust	6,50	UAL	10,79	Metfund	18,15
UAL	5,99	Sanlam Index	9,53	Sanlam Div	16,22
CU	5,96	Metfund	9,39		
Sanlam Div	4,83	Norwich	8,09		
Metfund	4,74	O Mutual	7,50		
Fedgro	4,43				
IGI	2,75				
Sage	1,26				
Momentum	0,58				
Sanlam Trust	(0,34)				
Sanlam Index	(3,18)				
Old Mutual	(5,13)				

Performance figures for general equity funds

Gilt, income funds prove winners

Wed Jan 13 quotations for unit trusts:

General Equity Funds:

ABSA	139 74	130,72	5,65
BOE Growth	152,58	142,55	3,66
Community Growth Fund	109,15	103,13	n/a
Fedgro	123 98	115,75	4,98
CU Growth	115,89	108,20	4,39
Guardbank Growth	2461,73	2306,43	4,86
IGI	131,58	123,32	3,48
Momentum	235,32	220,37	4,51
Metfund	190,54	177,80	4,30
Metlife	117,35	109,66	7,20
NBS Hallmark	942,35	880,03	5,19
Norwich	351,78	328,49	4,08
Old Mutual Investors	2629 84	2452,01	3,65
Sage	2383,60	2224,84	4,07
Sanlam	1624,06	1518,63	3,41
Sanlam Index	1205,06	1128,53	4,01
Sanlam Dividend	453,58	425,25	4,73
Southern Equity	206,71	193,50	4,15
Standard	1164,69	1093,95	7,10
Syfrets Growth	289,25	270,82	4,53
Syfrets Trustee	119,40	111,83	4,44
UAL	2034,13	1910,06	5,29

Specialist Equity Funds:

ABSA Industrial	133,28	124,67	4,24
Guardbank Resources	127,41	119,39	6,57
Guardbank Industrial	124,18	116,42	5,87
Sage Resources	96,12	89,87	6,34
Sanlam Industrial	1049,12	981,79	3,27
Sanlam Mining	236,27	221,14	5,47
Southern Mining	117,97	110,46	5,61
Southern Pure	120,70	113,01	n/a
Standard Gold	125,99	118,13	8,31
Standard Industrial	109,88	103,57	5,10
Standard International	102,49	95,96	3,30
UAL Mining and Resources	324,62	304,04	4,71
UAL Selected Opportunities	1911,34	1788,18	3,81
Old Mutual Mining	210,93	196,39	4,80
Old Mutual Industrial	362,62	337,88	4,05
Old Mutual Gold Fund	76,76	71,49	7,11
Old Mutual Top Companies	239,78	223,52	4,65

Income/Gilt Funds:

Guardbank Income	118,27	115,84	14,58
Old Mutual Income	110,09	108,89	12,56
Southern Income Fund	524,19	513,71	n/a
Standard Income	92,86	91,89	13,53
Syfrets Income	108,31	107,22	14,30
Syfrets Gilt	1088,04	1077,16	n/a
UAL Gilt	1210,64	1198,53	12,93

Investors bullish about 1993

SOUTH 16/1 - 20/1/93. (232)

OLD Mutual Unit Trusts had a R133,4-million inflow in the December quarter as investor sentiment turned bullish on stock market prospects for 1993.

Senior portfolio manager Mr Adrian Allardice says investors have been taking the view that after the market hiccups of the past year, the outlook for equities is at least mildly encouraging and, with interest rates continuing to head lower, the JSE will attract investment.

"Our view is still that there is at least a better than 60 percent chance of equities moving up this year. Investors should be investing in equity unit trusts The market held up reasonably last year in spite of political setbacks and violence, with the pessimists once again being disappointed."

Allardice says the market is not cheap, but that there is considerable latent demand for equities and that interest rates should remain low this year.

"Political sentiment will play a major role in determining the market's direction along with economic fundamentals. The first six months are likely to be tough with unemployment increasing, but the second half should see some improvement."

Unless there are unexpected new tax measures, the Budget is unlikely to have much impact on the stock market in the medium term.

"Although we are still receiving mixed signals on the world economy, looking back in 18 months' time economists will probably recognise 1993 as the turning point."

On gold, Allardice says he is not optimistic on the outlook but nor is he overly pessimistic.

"We are probably going to see the rand gold price hovering around the R1 000 an ounce level for some time.

There are few changes in Old Mutual Unit Trusts' portfolios during the quarter, with most funds remaining fairly fully invested.

Old Mutual Investors' Funds switched part of its De Beers holding into Anamint with small additions to both Sasol and Tongaat. Liquidity rose from 9,4 to 11,6 percent on the back of strong inflows.

Old Mutual Top Companies' major purchases were Natsel and Murray and Roberts, while the holdings of Sasol and Fraser Alexander were topped up. Liquidity rose to 17,2 percent Shares sold included mail order house Mas Holdings, ferrochrome producer CMI and Samancor Top Companies portfolio is focused on blue chips and emerging blue chips.

Old Mutual Gold Fund increased its stake in Harties and Zandpan as well as Elands The holding in Westwits was sold and some Southgo were sold. Liquidity increased marginally from 9,1 to 12,4 percent.

Old Mutual Mining part switched from De Beers to Anamint and the stake in Lydenburg was sold. Rusplats was a new holding while there were additions to Rand Coal and Anglos. Liquidity rose to 12,9 percent.

OLD MUTUAL

Helping you make the most of the Stock Exchange

A racy week as two families look to divorce

S/Times (BUSS) 17/1/93. (332)

DIAGONAL STREET by JULIE WALKER

RACY's resolution to approve the disposal of the company's assets to a consortium of directors — passed in general meeting this week — could be overturned if a rival consortium s attempts to bring about a ministerial inquiry into Racy's affairs are successful

The well-attended meeting was forum to the outrage felt by the minorities, some of whom had formed a consortium which made an offer for the controlling share of Racy at 56c a share, compared with the 51c which will be left in the Racy cash shell after the disposal of all its assets — namely Enterprises

The rival consortium was led by Beni Kaplan and Syd Gervis and represented almost 20% of the equity

The consortium making an offer for Enterprises was led by the three brothers Hendler — Cyril Ralph and Elliot — who sold their trucking business into Racy in 1987 in return for shares.

At the same time the Jacobson family — Allan Ivor and Jerrold — sold its holding in Dinsa (trading as engine rebuilder Diesel City) into Racy too and came by the controlling shareholding.

That no love is lost between the two families is patent.

The Hendlers will on-sell Dinsa to the Jacobsons for R3 5-million after the deal, resulting in a complete di vorce

In May last year the Hendlers, as Sundial, made an offer for control of Racy at 60c a share and a dividend of 11 5c was proposed.

The resultant 71,5c would not quite have matched the 75c minorities paid to come aboard in 1987 but was much better than the subsequent asset-strip and cash-shell status now prevailing

It was disclosed at the meeting that one of the reasons why the Hendlers' first bid fell through was their inability to lodge collateral. A property which needed to be worth R2,8 million was valued at R2 65-million — a multi-million rand deal scuppered for the sake of R150 000 worth of security

David Feldman, an attorney acting for the Kaplan Gervis consortium, said this was an extraneous factor to the deal proposed at the time

Racy managing director Allan Jacobson chaired the meeting in the absence of his brother Ivor, who lives in America.

Allan Jacobson declined to read out the terms of the Kaplan-Gervis offer to the meeting, saying it had no relevance. He said the reasons for its being turned down were that the conditions of the offer were unacceptable, but would say no more.

Mr Feldman was obliged to tell those not privy to the details about three objections raised by the controlling shareholders.

- Restraints of trade on Ivor Jacobson,
- The belief that the Hendlers would sue the Jacobsons for breach of agreement, and
- The approval of R400 000 to be deducted out of the proceeds, even if the sale of Enterprises to the Hendlers did not go through.

The dilemma was this. The agreement signed between the Hendlers, the Jacobsons and the directors of Racy (all six are such) was so binding that it left no room for its setting aside in the event of a better offer — even though Racy's last accounts showed an extraordinary expense of R260 000 applied to unsuccessful attempts to sell Racy and of which about R160 000 was spent on the earlier Hendler Sundial offer

On the other hand, the directors are in breach of their fiduciary duty to shareholders if they reject a higher offer As shareholders, they can sell to whom they like at whatever price, but as the management of the company they have an obligation towards all shareholders.

If the Jacobsons accepted the higher offer and voted against the resolution to dispose of Enterprises the Hendlers would sue

But by rejecting the higher offer for their shareholding, they incurred the wrath of the Kaplan-Gervis consortium to such an extent as to invite ministerial intervention. So they used the notion of unacceptable conditions as the defence

Mr Feldman told the meeting of his intention to apply, in terms of section 257 of the Companies Act, for the appointment of an investigation into the affairs of Racy The findings of the inquiry could result in proceedings being brought against Racy and include the setting aside of the resolution.

But for now the minorities feel they have been hard done by, the Hendlers sit with their bargain and the standing of the fair-and-reasonable profession in the eyes of minority shareholders falls even further

Allan Jacobson gets a R250 000 restraint of trade payment tax free but one minority is taking him to the Small Claims Court on a claim of R4 879,20 being a loss in value of 15 200 shares because of decisions taken at Monday's meeting

And the question remains — why are Racy's assets so good for the Jacobsons and Hendlers yet so bad for the rest of the members?

ISSY GOLDBERG, chairman of the Shareholders' Association, took up cudgels on behalf of minorities at Racy and Micor this week He vows to have Section 228 of the Companies Act amended to prevent expropriation of assets by directors in consortium

Lots of questions, lots of no answers

S/Times (BUSS) 17/1/93. (332)

MICOR's shareholders' meeting to discuss the disposal of the assets to the Hackenhoff consortium — comprising two directors and others — was adjourned for two weeks at the request of parties representing 31% of the company

However, Micor chairman Cecil Kaplan allowed debate to proceed before the adjournment was proposed.

Adjournment was requested by lawyer Edward Nathan & Friedland partner Alan Feinstein, representing Allan Gray Investment Counsel among others. Allan Gray is believed to have invested heavily in Micor on behalf of clients and might be making a counter-offer

Also on the grapevine is talk that a Merhold-Rand Merchant Bank consortium is also making a bid for the company

Merhold's Christopher Seabrooke sat quietly throughout the meeting and was seen disappearing into Mr Kaplan's office afterwards.

Mr Feinstein and his clients also declined to debate, but other shareholders and one former director, Mick Delahunt — who resigned in protest at the Hackenhoff proposal — raised many important issues.

Alan Hooper representing more than 300 000 shares, asked Kessel Feinstein's Zell Rangecroft the basis on which he had arrived at a fair and reasonable value of R1? million (90 7cps) for Micor against book value of R33-million at June 30 last year

Mr Delahunt supported. how could Kessel Feinstein opine fairness on accounts on September 3 yet notionally get rid of R18-million of worth three months later?

Mr Rangecroft replied that there were many ways to value a company The JSE set a value — for Micor 60c to 70c mainly His net outcome was an amalgam of return on assets, earnings sustainability, cash flow, dividends and risk profiles and price-earnings ratios.

Mr Hooper replied that these were criteria applied to a going concern when in effect, Micor was being liquidated into a cash shell.

Mr Hooper said that he had himself 20 years' experience in liquidations and the only basis on which he informs creditors of a company's worth is realiseable asset value. He said that what the assets had earned or were likely to earn were of no interest.

He asked if the debtors had been offered elsewhere for sale, fully realiseable as they were? He said vehicles often realised more than their book worth if they had been depreciated properly, something he assumed the auditors would have insisted on.

Mr Delahunt made a verbal unconditional cash offer for Micor's offshore investment at book value on the spot. He said he knew their potential because he had set them up Rumour has it he is authorised to go up to R20-million.

Corporate consultant DMB Securities' Charles Turner said that net asset value was not important, only what a person was prepared to pay for the assets Obviously someone is prepared to pay more

The directors have a fiduciary duty towards all shareholders, even if it means rumbling their consortium's bid to buy Micor's assets cheaply

Mr Kaplan defends the proposal on the grounds that Micor members have the option to take up 130 Micor Industries shares at 20c each for every 100 Micor held. He says that, based on net asset value, the total benefit to Micor members taking up the option is 138,8cps.

Issy Goldberg, chairman of the Shareholders' Association, raised assessed tax losses the dichotomy of the section of the Companies Act that allowed directors to expropriate shareholders and questioned the necessity of keeping secret details of the offshore assets in these days of newfound respectability for South Africa abroad.

He was told that secrecy remained essential.

Mr Delahunt sought from Mr Rangecroft the reason why he had not been consulted after resigning from the Micor board.

Mr Rangecroft's reply was that he possessed all relevant information, and Mr Kaplan had furnished him with enough detail about Mr Delahunt s difference of opinion to enable him to carry out his task.

Mr Delahunt also wanted to know if the members of Hackenhoff other than the directors, had been privy to the information discretely given to some parties.

He was not answered

Minority bite back at their bank adviser

S/Times (BUSS) 17/1/93.

THE method by which Standard Merchant Bank arrived at its fair and-reasonable statement in evaluating Racy came under severe scrutiny in Racy's general meeting this week.

Racy's directors, who themselves formed the consortium that bought Racy's assets, appointed SMB to act on behalf of the minority and to advise them.

SMB's Mark Barnes attended the meeting.

At issue was the discrepancy between the stated book net asset value of 83,6c

Mr Barnes said they were not consulted because SMB acts independently But the minorities were not satisfied, particularly when Mr Barnes conceded that he had discussed various issues with the management of Racy

The minorities saw this as a clear conflict of interest because the management wanted to buy the assets and would have painted the least favourable scenario

Mr Barnes denied this ...

minorities, had requested them.

In summary, SMB considered the weighted average profits before interest and tax, applied a gearing adjustment, looked at capital expenditure and used a sustainable debt-equity ratio of 35%

The interest was deducted and a price five times earnings arrived at as the value of the company — namely, R12,75-million or 51cps

Racy's auditor, KPMG Aiken & Peat's representative Theo Jager, agreed with Mr Barnes that 51c was fair and ...

of the directors. No loss had been incurred since then and another R5-million had been spent.

"The assets should be worth R30 million and you've got R12-million," Mr Levy told Mr Barnes I have to pinch myself to remind me that you represent the minority"

Mr Levy said the company had generated a cash flow of 70c a share every year over the last five years if depreciation is added back

He said he was prepared to swear on the Bible and in court that Cyril Hendler told him in June 1992 that Racy would earn 18c that year because new contracts had been won.

Mr Barnes did not consider cash flow in his valuation SMB was paid R100 000 for the fair and-reasonable statement.

Mr Barnes said two transport experts were consulted on valuing Racy, one of which was Unitrans. Unitrans had looked at Racy with a view to an acquisition last year The minority was of the opinion that Unitrans's figures would have favoured it as buyer

Neither the tangible asset value was considered, nor was any value attributed to agencies and franchises held by Racy A 5 by 5 insurance policy maturing in September this year at R772 040 was valued at R465 000.

A fixed property at Springfield, professionally evaluated at R2-million in July 1992, was lopped to R1,5-million by SMB because it was designed as a transport operation.

In answer to a question from Issy Goldberg of the Shareholders' Association, Mr Barnes said he advised shareholders to accept the 56c offered "without hesitation"

KNJ tools up to trade in Africa

S/Times (BUSS) 17/1/93

KNJ, post the Sukhulu merger, has established a R90-million a year turnover subsidiary with the takeover of Midas s Homequip and Motoquip The company, MTM Trading, is the biggest small tool and machine tool business in Africa. Sukhulu has a strong history of global and African trade

Bad year for foreign investors

STAR 18/1/93 232

By Derek Tommey

Foreign investors took a beating on the JSE last year

Their losses, measured in dollars, averaged 28 percent of their portfolios, figures issued by the British magazine, The Economist, show

But British investors, measuring the value of their investment in sterling and holding only gold shares, fared even worse

This is shown by the 54,3 percent drop in the Financial Times gold share index, despite the rand firming against the pound

SA investors were more fortunate, their overall gains averaging 4,6 percent.

Brokers in Johannesburg said at the weekend the factors which gave US and British investors such a bad time could turn around and provide then with handsome profits this year.

Some foreign investors already appear aware of this Much of the buying last week of De Beers, which pushed up its price from R64 to around R69,50 on Friday, was US investment demand, brokers said

The factors hurting foreign investors last year were the weak gold price, the drop in the rand against the dollar and the collapse of the financial rand, said Richard Jesse of Martin and Co

Howver, he expected some recovery in the financial rand exchange rate this year

Minister of Finance Derek Keys recently took steps to reduce the number of finrands in circulation

Though it could take some time for the measure to work, it would seem that given a better economic and political climate, the financial rand should firm.

As share prices on the JSE are also expected to improve, US shareholders should get a double benefit.

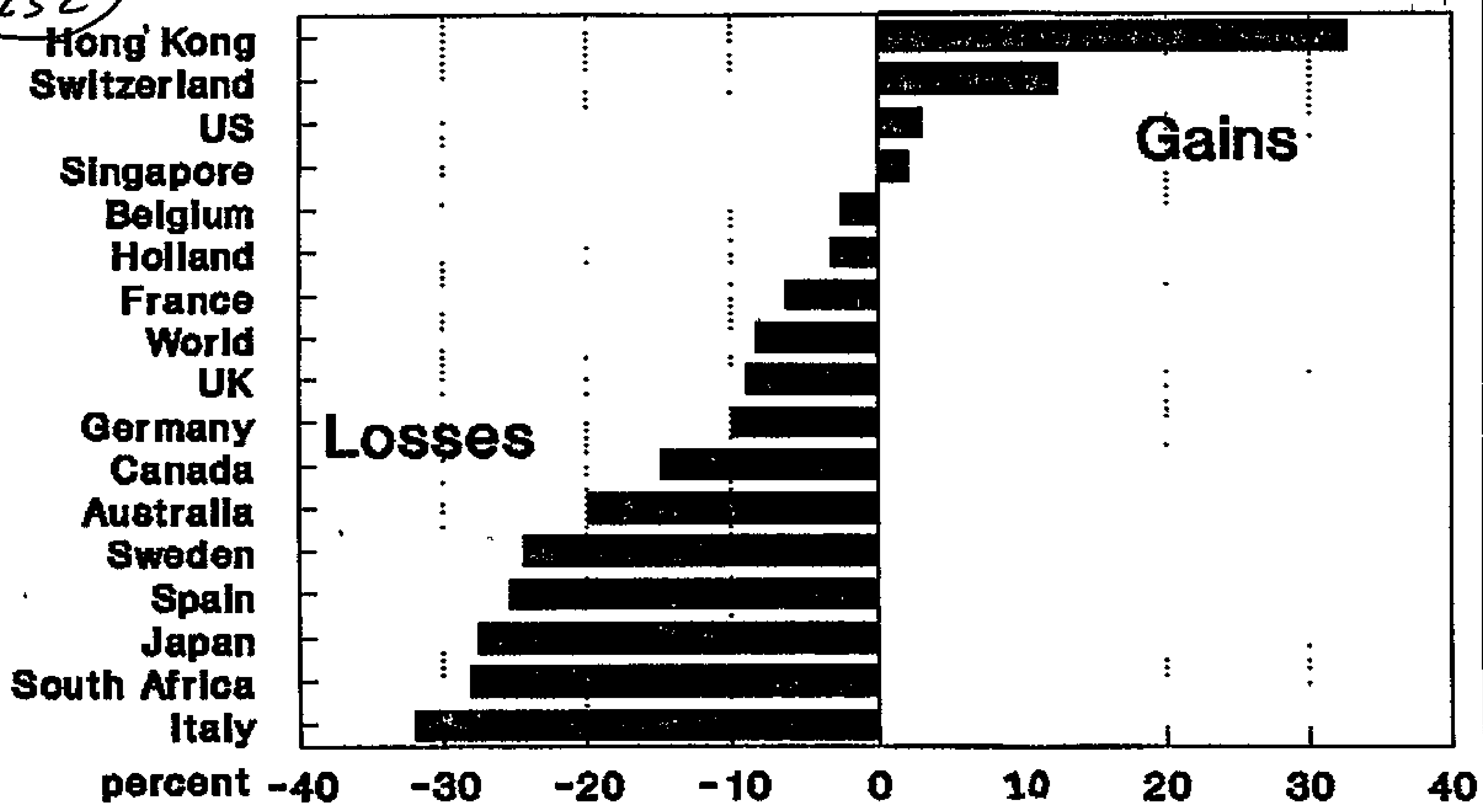
Dawid Meades of Meades De Klerk said there had been a definite US interest in De Beers

However, it is not yet clear whether it is coming just from one investment house or a number

He was also expecting US investors to show more interest in gold shares

Some investment advisers in the US have been voicing concern about the problems facing the American economy and have been suggesting an investment in some of top-quality SA gold shares

The yields on South African golds are high by American standards and, with a built-in boost likely to come from the firming of the financial rand, Americans should find them attractive



Share market performances in US dollars

Source The Economist

MONEY MARKETS by Tim Marsland

Beware of killing the golden goose

Blorny 18/1/93. (232)

CERTAIN vested interests in the capital market are proposing scrapping the two-week settlement period on bonds

Speculators, who largely create the liquidity in the market, will be forced to look for greener pastures

The futures market is well aware of this fact and is planning to create a new home for them by setting up a contract based either on the all bond index or on a basket of bonds

Such a contract is good for the investor and would affect the bond market only if the settlement period is tampered with

For speculators the two-week settlement period, which essentially creates a forward market, is crucial to their business as it allows them to trade on price movements without having to either deliver or pay for bonds.

Speculators who wish to maintain their position over the Thursday settlement make use of carry agents to either borrow cash or scrip to tide them over

Should speculators quit, the volatility may go out of the market

The two-week settlement period does allow for some credit risk, but historically this has been virtually non-existent

There will be severe consequences for issuers of scrip, such as government, as they wish to raise cash on a regular basis from the market

They ~~want~~ hard cash for their scrip, unlike the futures contract which will probably be cash settlement

Should the futures contract be for physical settlement, this would pose problems to issuers due to the three-month close-out period

Attempting to sell stock on a regular basis into an illiquid capital market would be a tough task, as investors normally purchase bonds in one go and plan to hold them for some length of time

So, while the vested interests may see speculators as unnecessary players who live off the fat of the land, they could kill the golden goose that pays for the borrowed eggs.

Liquidation figures continue to climb

GERALD REILLY 232

PRETORIA — In the three months to end September, 614 companies and close corporations were liquidated — 38,9% more than in the same period last year and 69,9% more than in the corresponding 1990 period, Central Statistical Service figures released at the weekend showed.

During November alone, 199 liquidations were recorded — 68,6% more than in the November before. Insolvencies of individuals and partnerships in the three months to end October amounted to 1 283 — 16,1% more than in the previous quarter.

Econometrix economist Tony Twine said he expected the trend to continue until at least into the third quarter of the year.

BDay 18/1/93.

Barlow shareholders say yes

STAR 19/1/93

Barlow Rand shareholders have unanimously supported the distribution by way of a dividend in specie of a portion of Barlows' entitlement to 22,2 million shares in Randgold and Exploration.

The shareholders gave their backing for the distribution, which will maintain Barlows' 35 percent interest in Randgold at a general meeting in Johannesburg yesterday

The distribution will be in the ratio of six ordinary shares in Randgold for every 100 Barlows shares held at the close of business on January 29

Randgold is one of the companies recently created by the restructuring of the old Rand Mines group into the Barlows Mineral Resources Division.

Its shares will be listed on the Johannesburg Stock Exchange on February 1 1993.

At the group's annual general meeting, chairman Warren Clewlow said trading conditions had remained difficult during the first quarter of the 1993 financial year.

"Should these persist at the current depressed levels in the second quarter, earnings for the half-year to March 31 1993 will be below those of the corresponding period in 1992," he said — Sapa

(232)

Second corporate bond issue expected

TIM MARSLAND

THE corporate bond market is set to expand by half as another top industrial firm follows SA Breweries' lead with a R500m issue, merchant bank sources say.

The brewer launched its R1bn bond in December. BIDAY 19/1/93.

Standard Merchant Bank corporate finance GM John Bestbier, who was closely linked with the SAB deal, said a number of new bonds were needed to create liquidity in the corporate bond market

"We intend bringing a number of new bonds to the market with similar terms to those of the SAB issue," he said It was important to have a number of corporate bonds "pitched in the same area which would create trading opportunities between the various bonds" (232)

He was reluctant to name the company planning the new bond issue, but said it should have the same standing as SAB

Current legislation meant future bond issues would be done by private placement, he said.

SAB financial director Selwyn MacFar-

☐ To Page 2

Bond issue

BIDAY 19/1/93. (232)

☐ From Page 1

lane said he was "delighted" with the issue He said SAB would look at the market again in the next few years should it need to raise long-term capital

Dealers have expressed concern with the low trading volume of the SAB issue However, a dealer said the market might have had "unrealistic" expectations that the SAB bond, which matures in 2001, would be actively traded. He said the bond was not intended for speculative purposes.

"The idea was to bring borrowers and lenders together, which was done very well"

Bestbier pointed out that corporate bonds were a new instrument in SA and would take time to attain popularity "The bond was also issued early in December, a traditionally quiet period in the markets"

The SAB bond was at 14,690% yesterday compared with a yield of 14,90% when it was issued

Supreme liquidators 'to report soon'

(232) PETER GALLI

BDay 19/1/93

THE 6 000 debenture holders in the two provisionally liquidated Supreme group companies should soon learn the fate of their R270m investment

The liquidators would meet today and an announcement was expected soon afterwards, one of the provisional liquidators, Oliver Powell, said yesterday

"We are still awaiting one report and once this has been received we will be able to decide what action to take in the best interests of the debenture holders"

Another of the liquidators, Les Cohen, said investigations were being completed. "What then remains is for us to work out the best and most viable solution for debenture holders," he said.

One of the options open to the liquidators is to distribute the shares held by the two provisionally liquidated holding companies in listed Supreme Industrial Holdings (SIH) and its subsidiaries Supreme Manufacturing Holdings (SMH) and Protea Furnishers (Profurn) to the debenture holders. This would effectively make the debenture holders the majority shareholder in those companies and would also eliminate the need to find a buyer.

The liquidators' have said previously that this was one option being considered, and it is believed to be the route most

☐ To Page 2

Supreme BDay 19/1/93.

(232) ☐ From Page 1

likely to be followed. However, this would have to be sanctioned by the court and the JSE JSE president Roy Andersen said yesterday the exchange had not yet been approached in this regard

SIH, SMH and Profurn recently announced they had reached agreement with the joint provisional liquidators of their controlling holding companies, Supreme Investment Holdings and Supreme Holdings, to unlock them as subsidiaries In terms of the scheme the three companies would be released from all guarantees and/ or securities which they furnished to their two holding companies and/or the trustee for the debenture holders Profurn would capitalise the R45m loan owing to its ultimate controlling company.

Barlow Rand earnings may drop

BARLOW Rand said yesterday that if tough trading conditions persisted, earnings for the first half to end-March would be lower than those of the corresponding period in 1992 B/Day 19/1/93

Chairman Warren Clewlow told the annual meeting local and international trading conditions remained difficult in the first quarter of the current financial year

"Should these persist at the current depressed levels in the second quarter, earnings for the half-year will be below those of the corresponding period in 1992"

Clewlow's comments follow his warning last November that it would be difficult to show growth in earnings this year as a meaningful improvement in the economy was unlikely in 1993.

Barlows shareholders voted at a general meeting for a dividend in specie of a portion of Barlow Rand's entitlement to 22,2-million shares in Randgold Exploration (Randgold) Randgold is to issue 29 820 610 shares

(232) ([redacted])

The distribution will be in a ratio of six ordinary shares in Randgold for every 100 Barlows shares held on January 29, and will result in Barlows' interest in Randgold being maintained at about 35%, Barlows said in a statement

Randgold is due to be listed on the JSE on February 1 — Reuter.

More JSE companies warned

Finance Staff (232) STAR 20/1/93

The JSE says five companies which have failed to comply with listing requirements by not submitting their preliminary or interim reports or annual financial statements within the stipulated periods are under threat of suspension or possible termination of their listings

They are Laser Transport Holdings, Foston, Quagga Holdings, Revere Resources and Pointer

The companies have until the end of January to comply

Joint bid for liquidation

232

DUMA GQUBULE

A CONSORTIUM of creditors will apply for the liquidation of advertising agency Media Business which allegedly owes it about R20m. B|DAY 20|1|93.

A spokesman for the consortium, which incudes the Newspaper Press Union, M-Net and Argus, said it had been decided on Friday to take collective action against Media Business in the interest of all creditors

The SABC withdrew from the consortium after Media Business had paid 50% of its debt of more than R1m, a spokesman said

Subsequently a second cheque for the balance of the debt had been dishonoured by the bank.

The SABC was reconsidering the situation after Media Business had failed to provide securities for outstanding debts.

Media Business could not be contacted for comment.

COMPANIES

Futures exchange ponders rebate plan

BIDAY 20/1/93 (232)

TIM MARSLAND

THE SA Futures Exchange is planning to cut dealing costs on options transactions through a rebate system because of the market's success, says exchange CEO Stuart Rees.

The move comes amid continuing low volumes on the JSE's Traded Options Market (TOM)

Rees said yesterday high volumes in the options market had allowed the exchange to cut costs Turnover of 1 000 contracts a day had been budgeted for, but was currently running at around 2 800.

Rees said the product committee had approved the idea.

The exchange executive committee had still to decide on final details of the rebate.

However, it is expected that costs will be reduced by up to two-thirds. The rebate will apply on a minimum number of contracts traded.

Options contracts currently cost R7 a trade and R2 a contract.

The exchange launched the options market in October and it is expected to pay for itself by March.

An option contract gives the holder the right, but not obligation, to buy (call option) or sell (put option) an underlying asset at a predetermined price during a specified period

TOM manager Jonathon Sims said the JSE continued to support TOM and was planning a campaign to promote it.

He said despite the low volumes, SA still warranted such a market.

The futures market was fortunate in that the underlying instruments on which options were based were highly liquid.

It had attracted a number of dedicated participants, which TOM had yet to do .

Rees said the two markets complemented each other.

"Higher volume on TOM translates to higher volume on the JSE, which benefits our market," he said.

Educated

One options dealer said TOM's failure lay in it being order-driven rather than quote-driven, as was the case with the futures market.

Sims said while this could be a reason, ultimately investors had to be educated about how to use the market. "Even with a quote-driven market, there has to be an ultimate buyer and seller," he said

The dealer said players had to have easy access to the underlying instrument to implement investment strategy. This was difficult with the JSE because of its relative lack of liquidity, he said.

SA garments jet to Kazakhstan

PETER DELMAR

THE world's largest cargo aircraft will load a R10m consignment of clothing at Durban's Louis Botha Airport today destined for the newly independent state of Kazakhstan.

Durban-based New South African Garment Manufacturers, the export arm of the A M Moolla Group, has clinched R30m in export orders to former Soviet Union states

BIDAY 20/1/93

A Russian Antonov A N 124 cargo plane was specially chartered to take the first consignment of 7 500 cartons worth R10m.

A M Moolla director Mahamed Dhai said yesterday group CE Sadek Vajed sealed the orders during a seven-week marketing tour of several Commonwealth of Independent States (CIS) countries.

"The group has proved what many of us believed for some time, that if local manufacturers, and particularly the top brass, get out of their offices and do some travelling, there are niche markets that can be found," said Dhai.

Kazakhstan is a large, but sparsely populated state in the south-east of the former Soviet Union which previously had virtually no trade links with SA.

Dhai said the export order broke a perception most South Africans had of life in the area Most of the clothes were middle to upmarket garments which would cost the average person two to three months' pay

Dhai said SA could emulate Mauritius, where government encouraged clothing exports, thereby creating 60 000 jobs

Gencor deflates Lonrho talk

JONO WATERS

MARKET speculation that Gencor would buy up Lonrho's assets in SA if the group restructured was not an issue at the moment, chairman Brian Gilbertson said yesterday. Bl Day 20/1/93

In spite of Lonrho's failed rights issue, neither Lonrho nor German financier Dieter Bock, who had bought nearly half of Tiny Rowland's 14,1% Lonrho stake, had indicated they wished to sell the SA assets, he said (Laerstate, the Dutch company owned by Bock, had subscribed for 27,6-million of the 29,1-million shares taken up in the rights issue) [redacted]

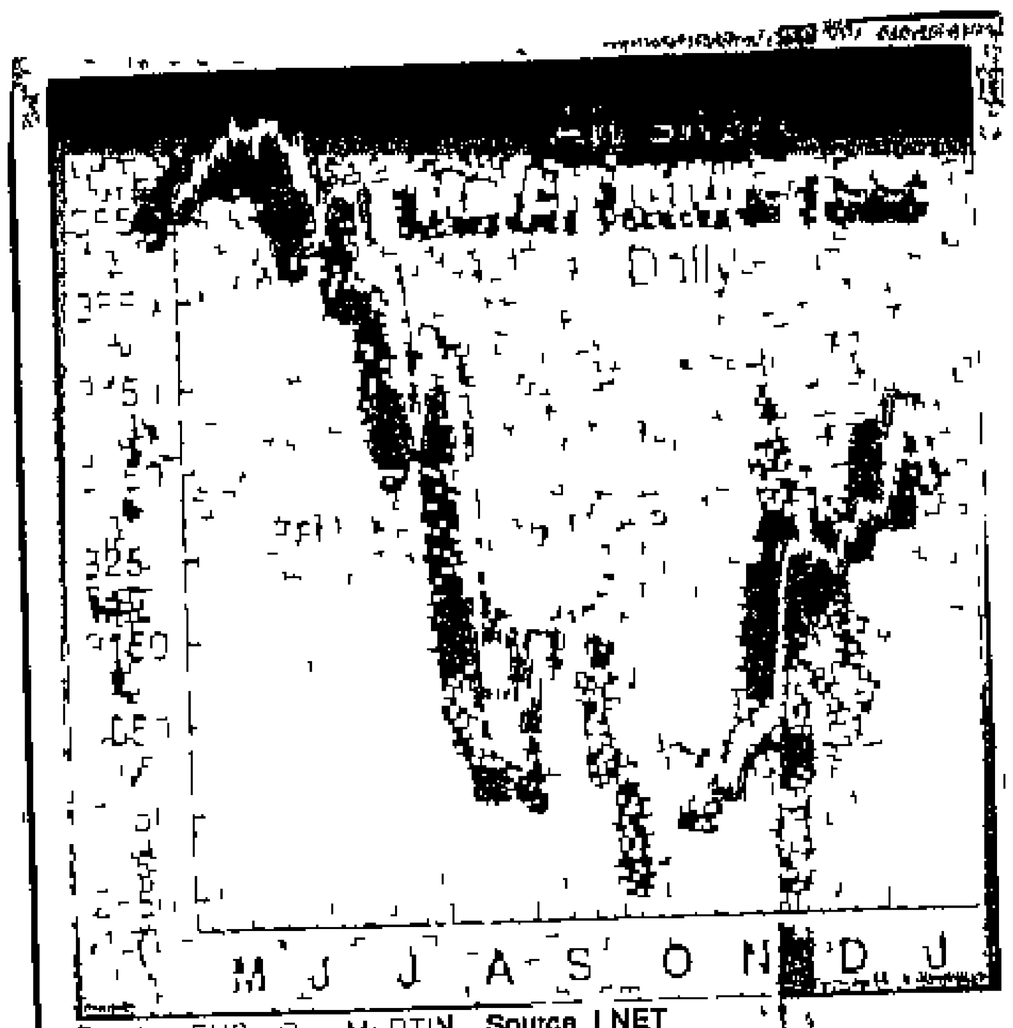
"But, in all truth, we have not given much thought to the buying of Lonrho's assets in this country," Gilbertson said

Lonrho has a 73% interest in Western Platinum and Eastern Platinum near Rustenburg, with Gencor holding the balance

Lonrho also has a 78% stake in coal and anthracite producer Duiker Exploration, which holds 36% of Eastern Gold Holdings Duiker has a 25,8% stake in a joint venture with Anglo American and Freegold to explore Freegold's northern division

An Anglo spokesman yesterday declined to say whether the corporation would be interested in a possible sale by Lonrho "We don't comment on market speculation," she said 0232 [redacted]

Lonrho also has two fully owned subsidiaries — vehicle distributors LSA Motors and aircraft distributors National Airways and Finance Corporation.



Graphic FUDI BARI MARTIN Source I NET

Panic selling puts damper on futures

TIM MARSLAND and MERVYN HARRIS

(232)

PANIC selling pushed equity futures contracts sharply lower yesterday after an early sell-off in De Beers and Anglos shares on the JSE, dealers said.

The March 1993 all share contract ended at about 3 323 yesterday, compared with a previous close of 3 346 and was at a 37-point discount to the JSE all share index.

The equity-based futures contracts are based on the JSE's all share, all gold and industrial indices.

The contracts are priced at the index level multiplied by R10.

A futures dealer said the big discount between the futures contracts and the spot indices emphasised investors' bearish outlook for the JSE. BDAY 21/1/93

Active trade in options on futures also underlined uncertainty in the market.

The market's fortunes were closely linked to events in the US and how President Bill Clinton would handle the economy, the dealer said

"The futures market is looking for clearer direction at the moment. The short-term outlook is bearish, but the market should turn closer to the March close-out."

The JSE overall index declined 22 points to 3 360 on the back of a 19-point fall in the industrial index to 4 521 and a six-point

☐ To Page 2

Futures BDAY 21/1/93

(232) ☐ From Page 1

decline in the all gold index to 771.

De Beers came under pressure on the JSE after suffering one of its sharpest falls overnight in New York on Tuesday, with the downtrend of the shares spilling over to lead the rest of the market lower.

After falling to a low of R64,50, the shares rebounded to close 150c down on the day at R65,25 in heavy trade. More than 655 000 shares worth R43m changed hands in 120 deals.

Turnover was more than double that of the previous day.

Dealers said the decline of the shares and weak international bourses encouraged profit-taking in other shares after recent sharp gains on the market

KENNISGEWING 56 VAN 1993

SUID-AFRIKAANSE RESERWEBANK

Staat van bates en laste op die 31ste dag van Desember 1992

	1992-12-31	1992-11-30	Verandering
Laste	R	R	R
Aandelekapitaal	2 000 000	2 000 000	—
Reserwefonds	93 325 065	93 325 065	—
Note in omloop	12 445 041 022	12 207 815 597	237 225 425
Deposito's:			
Regering	6 141 754 422	7 598 360 802	(1 456 606 380)
Provinsiale administrasies	—	114 055 883	(114 055 883)
Depositonemende instellings	2 335 163 025	2 568 972 437	(233 809 412)
Ander	80 779 077	77 856 787	2 922 290
Ander laste	5 029 818 662	5 221 644 602	(191 825 940)
	R26 127 881 273	**27 884 031 173**	**(1 756 149 900)**
Bates			
Goud	6 082 606 618	6 389 004 647	(306 398 029)
Buitelandse bates	3 021 230 515	4 177 566 857	(1 156 336 342)
Totaal aan goud en buitelandse bates	**9 103 837 133**	**10 566 571 504**	**(1 462 734 371)**
Binnelandse bates:			
Verdiskonteerde wissels	3 754 080 000	3 771 120 000	(17 040 000)
Lenings en voorskotte:			
Regering	—	—	—
Ander	1 548 009 593	1 498 652 713	49 356 880
Sekuriteite:			
Regering	835 573 759	453 580 219	381 993 540
Ander	122 985 045	1 122 985 045	(1 000 000 000)
Ander bates	10 763 395 743	10 471 121 692	292 274 051
	R26 127 881 273	**27 884 031 173**	**(1 756 149 900)**
Rand per fyn ons	R915,13	R911,09	R4,04
Goudbesit in fyn onse	6 646 713	7 012 485	(365 772)

Pretoria, 8 Januarie 1993

C. J. SWANEPOEL,
Hoofbestuurder.

(22 Januarie 1993)

NOTICE 57 OF 1993

FINANCIAL SERVICES BOARD

THE JOHANNESBURG STOCK EXCHANGE

NOTICE REGARDING AMENDMENT OF RULES

232

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), it is hereby notified that the Johannesburg Stock Exchange has applied to the Registrar of Stock Exchanges for approval to make amendments to its rules, as set forth in the Schedule hereto.

2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Stock Exchange) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Stock Exchanges, Private Bag X238, Pretoria, 0001, within a period of **30 days** from date of this notice.

KENNISGEWING 57 VAN 1993

RAAD OP FINANSIËLE DIENSTE

DIE JOHANNESBURGSE EFFEKTEBEURS

KENNISGEWING BETREFFENDE WYSIGING VAN REELS

1. Ingevolge artikel 12 (6) van die Wet op Beheer van Effektebeurse, 1985 (Wet No 1 van 1985), word hierby bekendgemaak dat die Johannesburgse Effektebeurs by die Registrateur van Effektebeurse aansoek gedoen het om goedkeuring van wysigings aan sy reels, soos uiteengesit in die Bylae hiervan.

2. Ingevolge artikel 12 (7) van genoemde Wet word alle belanghebbendes (uitgesonderd lede van die Effektebeurs) wat beswaar het teen die voorgestelde wysigings, hierby versoek om hul besware binne 'n tydperk van **30 dae** vanaf die datum van hierdie kennisgewing by die Registrateur van Effektebeurse, Privaatsak X238, Pretoria, 0001, in te dien.

232

SCHEDULE

GENERAL EXPLANATORY NOTES

1. Words in square brackets ([ ]) indicate omissions from existing rules
2. Words underlined with solid line (——) indicate insertions in existing rules

PROPOSED AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 5.260

Safe Custody Scrip:

5.260 5 260 1 No broking firm shall hold securities as defined in 5 260.2 on behalf of any person without the prior written approval of the Committee, which approval shall be granted on an annual basis, and on the condition that such broking firm complies at all times to the satisfaction of the Committee with the provisions of 5.270 The Committee may at any time review and withdraw such approval.

2. PROPOSED AMENDMENT OF RULE 5.290

Managed Accounts:

5.290 1 A broking firm shall not operate a managed account without the prior written approval of the Committee which approval when granted shall be on an annual basis and on the condition that [—]

[5.290.1] such broking firm complies at all times to the satisfaction of the Committee with the provisions of 5.300[;]. The Committee may at any time review and withdraw such approval

5.290 2 [s]Securities received in respect of or arising from the operation of a managed account and which are retained by the broking firm which operates such account shall constitute securities which a client has requested the broking firm to hold for him in safekeeping and shall be dealt with at all times in the manner set forth in 5.260 and 5.270[, and]

5.290.3 [t]The mandate shall provide[s] that all cash received by a broking firm in respect of or arising from the operation of a managed account and which is not paid over to the client or to his order by the broking firm upon receipt of such cash, shall be deposited by the broking firm for the account and in the name of the client with JSE Trustees (Pty) Limited.

3. PROPOSED AMENDMENT OF RULE 5.390

Money Market Transactions:

5.390.1 5.390.1.2 For the purpose of this rule, "institution" means any—

bank registered in terms of the Deposit-Taking Institutions Act, 1990,

mutual building society registered in terms of the Mutual Building Societies Act, 1965,

building society registered in terms of the Deposit-Taking Institutions Act, 1990[;

company or any subsidiary of a company whose shares are listed on the JSE;

government body, local authority or public corporation].

5 390 2 5 390.2.1 In purchasing or selling short-term money market instruments a broking firm may act only as an agent on behalf of clients unless the client is—

5.390.2.1.1 an institution required to be registered by the Financial Services Board [Registrar of Financial Institutions, the Registrar of Banks] and the Registrar of Deposit-Taking Institutions [Building Societies]; or.

4. PROPOSED AMENDMENT OF RULE 14.215

Margin:

232

14.215 Securities deposited as margin with TOCH shall be registered in the name of a nominee company appointed to act as agent on behalf of TOCH [TOCH Nominees (Pty) Limited] and shall be deposited with the TOCH bank Such securities shall be recorded and distinguished so that they can at all times be identified as belonging to the person who has deposited such margin

BYLAE

ALGEMENE VERDUIDELIKENDE NOTAS

1. Woorde tussen vierkantige hakies ([ ]) dui skrappings uit bestaande reels aan.
2. Woorde met 'n volstreep daaronder (——) dui invoegings in bestaande reels aan

VOORGESTELDE WYSIGINGS AAN DIE REËLS VAN DIE JOHANNESBURGSE EFFEKTEBEURS

1. VOORGESTELDE WYSIGING VAN REËL 5.260

Effektebewyse in veilige bewaring:

5.260 5 260.1 Sonder die voorafverkreë skriftelike goedkeuring van die Komitee hou geen makelaarsfirma namens iemand effekte soos in 5.260 2 omskryf nie, welke goedkeuring op 'n jaarlikse grondslag verleen word en op die voorwaarde dat sodanige makelaarsfirma te alle tye die bepalings van 5.270 tot die bevrediging van die Komitee nakom Die Komitee kan te eniger tyd sodanige goedkeuring hersien en terugtrek.

2. VOORGESTELDE WYSIGING VAN REËL 5.290

Bestuurde rekenings:

5.290.1 'n Makelaarsfirma bestuur nie 'n bestuurde rekening sonder die voorafverkreë skriftelike goedkeuring van die Komitee nie, welke goedkeuring, wanneer verleen, op 'n jaarlikse grondslag is en op voorwaarde dat [—]

[5.290 1] sodanige makelaarsfirma te alle tye die bepalings van 5.300 tot die bevrediging van die Komitee nakom[,] Die Komitee kan te eniger tyd sodanige goedkeuring hersien en terugtrek.

5.290.2 [e]Effekte wat ten opsigte van die bestuur van 'n bestuurde rekening ontvang word of daaruit voortspruit en wat deur die makelaarsfirma wat sodanige rekening bestuur, behou word, effekte uitmaak wat op versoek van 'n kliënt deur die makelaarsfirma vir hom in veilige bewaring gehou word en dat daarmee te alle tye op die wyse in 5.260 en 5.270 uiteengesit, gehandel word.[; en]

5 290 3 [d]Die volmag bepaal dat alle kontant wat 'n makelaarsfirma ten opsigte van die bestuur van 'n bestuurde rekening ontvang of wat daaruit voortspruit en wat nie deur die makelaarsfirma by die ontvangs van sodanige kontant aan die kliënt of sy order betaal word nie, deur die makelaarsfirma vir die rekening, en op die naam, van die kliënt by JSE Trustees (Edms.) Bpk. gedeponeer word.

3. VOORGESTELDE WYSIGING VAN REËL 5.390

Geldmarktransaksies:

5.390.1 5.390.1.2 By die toepassing van hierdie reel, beteken "instelling" enige—

bank wat ingevolge die Wet op Depositonemende Instellings, 1990, geregistreer is;

onderlinge bouvereniging wat ingevolge die Wet op Onderlinge Bouverenigings, 1965, geregistreer is,

bouvereniging wat ingevolge die Wet op Depositonemende Instellings, 1990, geregistreer is[;

MICOR 232

Predators queuing up

Frenzied jostling to establish prime positions around freight and travel company Micor has been the talk of the market This follows the announcement by the controlling shareholders that they intend buying the assets at a price well below NAV (but significantly above the market price when the deal was disclosed) It's almost certain that counterbids will be tabled shortly

Enraged minorities succeeded in securing an adjournment "to give time for the proposals to be considered in more depth " That is a polite way of saying some minorities want to determine whether they can structure a deal of better advantage to shareholders The general meeting will be held on Wednesday, January 27. FM 22/1/93

Controlling shareholders, principally the Kaplan family with about 45% of the issued equity, have indicated they want to accept an offer from a consortium to buy the core businesses of Micor for about 90c a share The company's auditors, Kessel Feinstein, have indicated the offer is "fair and reasonable" taken with the right to acquire shares in Micor Industrial (Micind) which, says senior partner Zel Rangecroft, increases the offer price to R1,38 per share

As the buying consortium is controlled 60% by the Kaplan family, minority shareholders believe the Kaplans are selling the assets to themselves. And the Kaplans, who also control the Micor board, have elected to sanction the arrangement by using S 228 of the Companies Act, which provides that a resolution may be approved by a simple majority of voting shareholders This has evoked howls of protest

The *FM* has now found that the proposals for the asset strip were formulated by the Kaplans after a Johannesburg financial institution, unnamed but since learnt to be Sechold, was alleged to have indicated it intended launching a takeover bid with the ultimate purpose of stripping the assets to realise value

Sechold MD Arthur Kelly says the allega-

continued

FM 22/1/93

tion is "nonsense", director Louis Ehrlich says the company acquired shares in Micor almost by accident "The stock is tightly held, so we took what looked a good opportunity when 1m shares were offered to us," he says. "We were attracted by the substantial market price discount to NAV Later, we discussed the group's future with the Kaplans, but any suggestion we were on the asset stripping trail is rubbish."

Kelly says the first Sechold knew about the controlling shareholders' decision to strip out the core businesses was when the bank's executives read the notice in the media. "It's not attractive to us as a business What we want is to ensure we are paid what the company's worth — and that's a lot more than the derisory offer that's been made."

Allan Gray, the Cape-based investment operation, is equally incensed by the offer Executive director Jack Mitchell has joined Sechold in an effort to ensure minorities are better treated He has indicated that, if necessary, application will be made to the Courts in terms of S252 of the Act, which provides for minorities to be given relief from oppression

Micor's activities include significant overseas operations, particularly in Europe and the US In terms of a S15A ruling, Micor's directors are exempted from disclosing details of foreign operations.

A Micor director, company employee Michael Delahunt, took such exception to the buyout proposals that he resigned from the board At last week's meeting, he announced he would submit a firm cash offer, based on NAV, backed by appropriate guarantees, to buy Micor's overseas companies. Delahunt claims the exciting prospects of the overseas division, its rand hedge qualities and anticipated impressive results, have been ignored by the Kaplans and Micor's auditors. But he refuses to divulge the source of his funding.

More than one minority shareholder commented unfavourably on the wide discrepancy in NAV figures indicated by recent reports The annual accounts for the year to June 1992 and dated September 8 show a NAV of about R33m The circular containing the buy-out proposal and dated December 9 — three months later — indicates NAV of about R15m

Meanwhile, SA Bias Holdings and Merhold chairman Christopher Seabrooke confirms he is interested, in principle, in acquiring certain Micor assets. He declined to enlarge on his intentions. "I know I'm being cagey," he says. "I've held discussions with Sechold, Allan Gray and the Kaplans and we hope to be in a position to formulate an offer soon "

Rand Merchant Bank executive director Reg Sherrell says the bank is advising Seabrooke and may provide bridging finance. "Our principal concern is to ensure shareholders receive adequate compensation," he says. "On the face of it, the offer made seems very unsatisfactory."

Predators are queuing up and that can

232

only be because they sense a killing can be made Shareholders should take care to ensure it isn't done at their expense

David Gleason & Kate Rushton

UNIT TRUSTS FM 22/1/93

Strategy dilemmas (232)

The weak performance of the JSE during September and October was partly behind the generally low year-on-year returns achieved by the general equity and specialist funds in the fourth quarter of 1992 In their defence, portfolio managers cite the negative 2% return on the JSE All-Share index and inflation of about 11% in 1992 (not that high inflation has deterred them in the past)

According to performance figures released by Pretoria University's Graduate School of Management, the weighted average annual return on general equity trusts was 5,8% Syfrets Growth made the highest one-year return of 15,1% (it remains comfortably ahead over three and five years), followed by Southern Equity (13,6%) Lagging were Sanlam Index Trust with a negative return of 3,2% and Old Mutual Investors' Fund with negative 5,1%

The average annual return on mining funds was a negative 15%, compared with 9% at the end of September Sanlam's Mining performed poorly with a negative 22,3%, narrowly bettering the negative 23,8% return of the JSE Mining Producers index The two gold funds, housed by Old Mutual and Standard Bank, continued to prove poor investments even with more liquid portfolios

Investors in the six high income funds (the new Southern Income has yet to invest its funds of R1,3m) continued to enjoy significant gains, as capital values increased with the decline in interest rates Twelve-month returns on these trusts ranged from 15,5% to

* continued →

P.T.O

25,7%, and over five years the returns averaged 16,8% Old Mutual portfolio manager Rowland Chute argues that combating inflation will not be a priority in the medium term in the new SA and for this reason, Old Mutual's funds are heavily invested in equities

A quarterly analysis of shares bought and sold shows that funds have in general maintained or reduced liquidity Though comprehensive figures are still to be released by the Association of Unit Trusts, it appears that, during the fourth quarter, the trusts bought more equities than they sold

Even allowing for the steady inflow of funds for investment, that presumably indicates renewed confidence on the part of portfolio managers The public, too, showed confidence A further 47 000 new accounts were opened during the three months, bringing the total to 1 180 965.

Liquidity in the general equity trusts varied between 10% and 41%, this excludes the Community Growth Fund, which invested in equities for the first time but retained 68% of its portfolio in cash

A trend highly visible in the general equity funds (specialist funds have fewer options available) is a continuing move from gold, metals and minerals to the financial, industrial and value-added companies Among the shares affected has been Samancor — Sage, Metfund, Sanlam Index and Trust funds have sold their entire holdings. Sanlam Index was peculiar in that it made no purchases but was at the forefront in reducing its exposure to gold shares

Of no surprise, considering the near-halving of its market capitalisation, is the offloading of De Beers by a number of funds Sellers included Syfrets Growth, BOE Growth; Old Mutual's Investors, Mining, and Top Company funds, and UAL Mining and Resources. However, Norwich Trust took advantage of the lower price and added it to its holdings

Of the mining houses, Gencor and Johnnies fell out of favour, especially with the Sanlam trusts but also with Guardbank Resources

Commercial Union Growth sold its entire holdings of NBS, but NBS Hallmark also lightened its holdings of the share

Some trusts committed funds to shares previously not held in their portfolios There has been a move into the food sector, either directly or through holding companies Sage bought Foodcorp for the first time, as did Norwich Trust Momentum and Fedgro purchased Malbak, the BOE acquired an interest in Spur, while Royal Foods was brought on to the portfolio by Standard's International and Industrial funds.

There was no evidence of an increase in the funds' exposure to Royal, which might have been expected after all the hype about this stock over the quarter Guardbank gained exposure to the food sector by buying into Tiger Oats

Other new holdings included Fintech by IGI and the BOE, and Siltek by Metfund and Absa

There is general agreement about the performance prospects for unit trusts in the coming year Says Metfund portfolio manager Steve Mills "The market has discounted a poor earnings performance on the JSE this year, though there may be positive movements in the short term, in anticipation of a rebound in earnings in 1994 Metfund is positioning itself to take advantage of opportunities which will ensure real returns in 1994."

While unit trusts are unlikely to match the performances achieved over the past decade, they remain one of the better investment options available. As ever, the volatility of the JSE makes short-term analysis of unit trusts misleading The three-to-five-year figures give a more useful picture *Marylou Greig*

A mixed performance

Unit Trusts	% of Portfolio							Performance % Lump Sum Investment				Mark value (Rm)	
General Equity	Liquidity	Gold	Mining finance	Other mining	Financial	Industrial	Other Assets	1 yr to Sep 92	1 yr to Dec 92	3 yr to Dec 92	5 yr to Dec 92	Sep 92	Dec 92
Old Mutual	12	2	19	9	7	51	—	1	(5)	8	19	2 972	3 842
Sanlam Trust	25	3	12	7	9	44	—	3	(0,3)	13	18	593	612
Sanlam Index	23	5	13	9	5	45	—	0,4	(3)	10	20	877	907
Sanlam Dividend	37	1	8	5	8	41	—	5	5	17	16	93	109
Guardbank	18	2	11	4	25	34	11	10	10	3	14	1 437	1 498
Standard Mutual	37	2	10	3	18	30	—	12	13	15	22	574	612
UAL	36	—	14	9	17	24	—	8	6	11	22	618	637
Sygro	20	2	9	4	7	58	—	14	15	20	27	648	746
Syfrets Trustee	18	—	14	8	13	47	—	8	7	—	—	336	344
Community Growth	68	—	—	—	4	28	—	—	—	—	—	7	21
Sage	19	2	11	6	9	49	1	7	1	12	20	920	988
Momentum	18	—	14	—	18	58	—	6	0,6	11	21	54	54
Southern Equity	17	2	17	5	11	47	1	13	14	14	—	137	159
NBS Hallmark	21	—	17	2	11	49	—	9	9	12	—	43	47
Norwick Trust	14	1	16	16	13	40	—	9	7	8	—	21	23
Metfund	15	—	8	3	20	43	11	7	5	(2)	9	25	25
Absa	29	3	9	2	7	39	11	11	7	—	—	69	84
CU Growth	15	3	12	7	17	46	—	7	6	—	—	26	25
IGI	26	3	3	—	9	59	—	8	3	—	—	45	48
BOE Growth	10	1	10	2	12	61	4	12	11	—	—	66	74
Fedgro	12	2	18	4	15	36	13	10	4	—	—	35	39
Metlife	41	—	15	4	7	33	—	—	9	—	—	20	22
Specialist Equity													
Old Mutual Mining	13	11	40	31	—	5	—	(18)	(18)	(11)	2	88	87
Old Mutual Gold	12	67	21	—	—	—	—	(21)	(28)	—	—	42	42
Old Mutual Industrial	14	—	—	—	20	66	—	5	6	—	—	94	103
Old Mutual Top Comp	31	—	11	5	13	48	—	—	7	—	—	138	150
Sanlam Mining	25	13	32	26	—	4	—	(10)	(22)	(6)	6	79	70
Sanlam Industrial	24	—	2	—	5	69	—	9	10	22	24	230	247
Guardbank Resources	12	17	24	19	—	16	12	(3)	(9)	(1)	12	45	41
Guardbank Industrial	28	—	—	—	23	49	—	—	—	—	—	8	12
Standard Gold	29	43	28	—	—	—	—	(17)	(23)	(19)	(6)	166	154
Standard International	16	—	20	18	16	30	—	—	—	—	—	27	39
Standard Industrial	58	—	4	—	—	38	—	—	—	—	—	8	12
UAL M & R	22	7	41	28	—	2	—	(6)	(14)	(3)	8	187	178
UAL Select	17	1	3	5	6	68	—	3	15	18	19	108	122
Sage Resources	22	14	27	16	—	19	2	(9)	(15)	(6)	5	51	49
Southern Mining	11	19	35	31	—	4	—	(10)	(13)	(7)	—	20	20
Southern Pure	17	—	—	2	—	81	—	—	—	—	—	8	9
Absa Industrial	29	—	—	—	14	57	—	18	21	—	—	3	4

Row over lowered matric standards

Staff Reporter

THE lowering of pass requirements for matriculants — some of whom received cerficates with a 25% pass in certain subjects — has resulted in a row between the Department of Education and Culture and two teacher organisations

President of Cape Teachers' Professional Association (CTPA) and the Union of Teachers' Associations of SA (Utasa), Mr Archie Vergotine, said the "lowering of standards to create, artificially, a higher pass rate is completely unacceptable".

232

Attacked

He said that Std 8, 9 and 10 pupils who would fail on the standard grade if they got less than a $33\frac{1}{3}\%$, could be successful with 25% on the standard grade when their marks were recalculated on the lower grade in certain subjects CT 22/1/93

Mr Vergotine said yesterday that the director of Education, Mr J A Arendse, had attacked him for statements he made in December, but had not addressed the issue

MASTERBOND

Link to failed hospital project

(232)

FM 22/1/93.

Aftershocks of the Masterbond collapse rumble on This time it is Masterbond's involvement in Cape Town's failed Elizabeth Hospital (*Economy* January 15) The project has come close to scuppering eight partners of prestigious accounting and auditing firm Fisher, Hoffman, Stride who participated in the scheme in their personal capacities Now it transpires that the building, which the hospital would have occupied, received mortgage bond finance from Masterbond Some sources says this amounted to R17m, against which about R11m had been drawn by the time the ill-starred investment trust company collapsed.

A private company, originally named Shadeports and now called Advertising Centre, secured the rights to the building in Buitengracht Street opposite Riebeeck Square The company is owned by two trusts that reflect the ultimate ownership of Cape Town attorney Joubert Rabie and his colleague, Fasie Malherbe, Masterbond holds 30%.

Rabie, the driving force behind the development, concluded an arrangement with Elizabeth Hospital under which it agreed to lease the premises for 10 years at about R1m a year Equipped with that, Rabie, whose legal firm was active on behalf of Masterbond, made an approach to the investment company which agreed to finance the scheme provided it was given a 30% equity stake in the property holding company Masterbond also negotiated the right to syndicate the property, from which Rabie estimates it would have earned at least R1m in fees

Consultant to the Masterbond curators Don Slade confirms that drawings by Advertising Centre against the loan totalled about R11m when Masterbond was put into provisional liquidation Asked to account for this expenditure, Rabie says the purchase price of the building was about R3,15m, expenditure on renovations and alterations took up R4,35m, and R600 000 was spent on equipment and furnishings That totals R8,1m Rabie says the balance is largely accounted for by bond-raising fees taken by Masterbond at the outset, building running costs and interest which has been capitalised over the period

Slade tells the *FM* "I want to make the point that the curators (of Masterbond) are negotiating with a number of parties interested in purchasing the building We don't want anything to prejudice those discussions"

One approach

It has been confirmed that JSE-listed Clinic Holdings, which operates the City Park Hospital near the site of the ill-fated Elizabeth, has already made one approach to buy the building for about R3,2m Clinic previously purchased the Elizabeth's equipment from the company's liquidators

Various sources report that independent valuations of the Elizabeth Hospital building were around R6m Rabie says interest shown by Port Elizabeth-based Park Drive Clinics, in leasing the building on the same terms as those accepted by Elizabeth Hospital, was frustrated because the hospital operating licence is held by the liquidators and is not available

Clinic's offer of about half the valuation amount may have been an initial tongue-in-cheek approach but it is, nevertheless, a far cry from the R11m owed to Masterbond Creditors must be wondering whether the flow of bad news will ever end *David Gleason*

ON BAIL

Willie Smit, former MD of the President Insurance Co — now in liquidation — faces possible charges of theft and/or fraud. The Office for Serious Economic Offences (Oseo) is also contemplating charges under the Insurance and Companies Acts

Smit and co-director Kobie Maree have appeared in the Roodepoort Magistrate's Court. They are now on bail of R120 000 each, while Oseo completes its investigation into the circumstances which led to the failure of the insurer (*Economy* November 13, 27 and December 4). Their passports have been seized.

A decision on whether to prosecute will be made after the Oseo report has been considered by the attorney-general.

Oseo's investigation has spread to all the companies with which Smit and Maree were connected. After President was placed in curatorship, Smit negotiated a merger of three insurance broking firms to form a company called PPM

The broking firms were Smit's original firm, Profsure, Monosure and a controversial Edenvale-based brokerage, Panorama, which had previously run foul of the Financial Services Board for selling insurance under the umbrella of the Co-operatives Act

Oseo believes the ownership of PPM, which is still trading, is substantially the same as the control which existed at President. Certainly, the reports of the original curator, Robert Shaw, refer to inter-company transactions and the difficulties of establishing what premiums had been paid over by the brokers to President

PENSION FUND LITIGATION

Who's the boss?

There has been a twist in the case in which two big pension funds are suing investment company Dulis Beleggings, four businessmen and a Delmas physician in the Pretoria Supreme Court over rentals allegedly owed on Lizawald building, in Pretoria's Paul Kruger Street.

A sale agreement shows that the Motor Industry Staff Association (Misa) and the Motor Industry Pension Fund bought Lizawald for R4,8m from Dulis The funds are claiming R1,6m rent arrears over an 18-month period Dulis had undertaken a head lease on the building (which was let to a variety of subtenants, including Telkom) as a condition of sale Three of the four businessmen had signed as guarantors, though the doctor denies providing suretyship

Pretoria quantity surveyors Gert Meyer, Jaco Storm, Johannes (Taillies) Taljaard, and Delmas physician Francis Xavier Roome, though listed as Dulis directors on a statutory CM29 form lodged with the Registrar of Companies, deny they are directors.

They claim they have not signed a CM27 form accepting directorships (The Companies Act requires directors' appointment to be recorded on a CM29, and directors' acceptance by a CM27, which is normally held by the relevant company itself)

The *FM* can find no record indicating that Rouxfin MD Thys Roux was a director of Dulis It has also emerged that the CM29 was not lodged until November 26 1992, two years and seven months after the sale of the building was concluded Auditor Andre van Staden, who signed the CM29 on behalf of Dulis, won't comment on why there was a delay He says he prepared a CM27 but can't recall whether the four signed it

If the four's denial is correct, Dulis would seem to have no valid directors, and the sale and lease agreements could be null and void But the four, together with Pretoria businessman Roux, are directors of another company, Paul Krugerstraat 67 (Edms) This bought Lizawald from Sanlam for R3m, three months before it was resold to the pension funds

Roome says he became involved after being invited by Thys Roux to join Paul Krugerstraat 67 (Edms) He insists this company, not Dulis, bought Lizawald (Roome had an earlier association with Roux In

CORPORATE PAPER 23

Coming out

FM 22/1/93

Low trading volumes in SA's first corporate bond issue should not affect the prospects for issues coming to the market over the next few months The intrinsic value of blue-chip paper should ensure the issues are taken up by institutions starved of quality equity

One of the reasons trading in the R1bn issue of SAB paper is low, according to Mark Barnes, executive director of Standard Merchant Bank (SMB), which is lead manager and one of the market makers in the issue, is that it is being held for long-term investment

continued

rather than to make a short-term capital profit. Tim Hacker, of sponsoring broker Fergusson Bros, estimates roughly two-thirds of the SAB stock is held by institutions — for the long term

Barnes says speculative investors would probably trade in the far larger RSA 147, for example, at least until the corporate bond market is more established. Redemption dates are similar. the year 2000 for SAB paper and 1999 for RSA 147 stock. Options are available in the RSA 147.

JSE figures show that, after its highly successful launch on December 4 (*Economy* December 11), trading in SAB tailed off sharply from R224,5m on the first day. These figures, of course, reflect only a portion of total trade in the paper — about 10%, according to SMB's Chris Kenny, though others put the ratio at up to 30%. Off-JSE trade is said to have followed a similar pattern, inhibited by the holiday season which reduced liquidity throughout the market.

UAL Merchant Bank's Chris Pearce says further corporate bond issues will bring depth to the market, increasing the prospects of interchangeability (and therefore tradeability) Other blue-chip corporations, such as Anglo American, Barlows, De Beers, Rembrandt, Liberty Life and Standard Bank, have been named as possible issuers. Barnes estimates there are about 20 prospective local candidates for corporate bond issues.

Other reasons turnover in corporate paper may continue to be relatively low are:

☐ The issues are small compared with the benchmark Eskom 168, with a nominal value of R16bn, and the RSA 147 at R14,6bn. This limits the interest of institutions which prefer issues of over R1bn; and

☐ The absence of an options market which would attract interest by providing its own trading opportunity — to buy or sell the option for a fee. Should the option holder exercise an option to buy, liquidity in the underlying paper will increase

But the problem is that the low volumes of trade in the underlying paper may inhibit the development of an options market.

Who should establish an options market? Generally this falls to the market makers — in this case Rand Merchant Bank, UAL and SMB. But RMB's Russell Loubser believes the issuer, SAB, should help to establish the market He contends the issue is too small for the market makers alone to establish an options market. However, SAB financial director Selwyn MacFarlane says SAB will not establish an options market.

Bond brokers suggest liquidity would improve were the market makers to lower their spread (commission) in the paper — which they say is wider than comparable trades in other stock.

Corporate paper provides companies with an opportunity to lock themselves into fixed-interest borrowing. SAB has locked itself into paper with a pre-tax cost of 14,9%, being the yield to maturity (YTM) from issue to redemption in seven-and-a-half years The paper has a 14% coupon but was issued at 96,01543 to give a 14,9% YTM

Last trade in the paper was at marginally under 14,7%, suggesting new corporate issues will have a coupon around the 14,7% level should they be placed soon and have a similar risk profile ■

JSE opts to make offer to Meters shareholders

B/Day 22/1/93. (232)

Business Day Reporter

THE JSE announced yesterday it would use money held in trust to make an offer to the minority shareholders of Meters Systems on behalf of Garditex International Finance

The decision to make the offer came after the JSE had realised that Woodrow Holdings had sold control of Meters to Garditex.

Meters was constituted as a cash shell and its listing suspended from February 20 1990

The JSE said yesterday "Although never announced in the Press, it became apparent that Woodrow had sold control of Meters to Garditex International Finance"

As a result of Woodrow disposing of Meters, an offer had to be made by Garditex to Meters minority shareholders at 67,3c a share, the price paid for control by Garditex

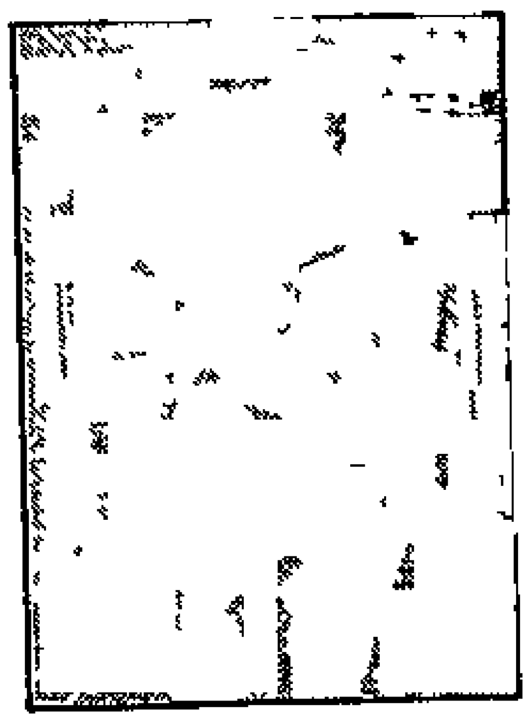
Garditex submitted relevant documentation on October 23 1990, including a cheque for R74 300 to the JSE as security for the offer to be made to the minority shareholders This amount was deposited with First National Bank at call rate

The JSE currently holds a total of R103 034 (the initial deposit plus accumulated interest) as security for the outstanding offer to Meters minority shareholders This is equivalent to 78c a share after costs incurred by the JSE

Despite repeated requests, Garditex did not make the required offer to minority shareholders. The JSE had resolved, after discussions with legal counsel, that it would use the money held in trust, excluding administrative costs, to effect the offer to the minority shareholders of Meters on behalf of Garditex

The offer opens today and closes on February 12

AS debates on monopolies and measures to curtail their power rages on, Dr Daniel F Leach, a senior lecturer in the University of the Witwatersrand Department of Business Economics, responds to ANC economist Tito Mboweni's views on antitrust legislation:



232

IN HIS article *Focus on Monopolies* (January 11) ANC economist Tito Mboweni reports that the recent ANC workshop on antitrust policy seemed to prefer the UK approach, in which there is a "strict definition" of monopoly

As Mboweni reports, UK antitrust policy defines a monopoly as a company (or interconnected group of companies) with a market share of 25 percent or more

If such a company acts "in such a way as to prevent, restrict or distort competition' it would be forced to divest so as to bring its market share below 25

The perverseness of the UK approach is readily apparent It assumes quite arbitrarily that a company with 25 percent or more of the market might act "in such a way as to prevent, restrict or distort competition", while a company with less than 25 percent of the market will not

Mboweni reports that the ANC workshop "did not delve into the details of the level at which a monopoly can be said to exist" but any level of market share would be arbitrary

Most would say that South African Breweries (SAB), with 99,9 percent of the malt beer market is a monopoly But as Professor Franklin Fisher of the Massachusetts Institute of Technology (MIT) points out, "the confusion of monopoly with large share is dangerous"

In order to identify a monopoly you must look at the constraints on the company's ability to raise price, not at its market share

One constraint on SAB's ability to raise price is competition from the wine market and from the massive sorghum beer market If SAB raises its prices excessively, consumers can and will switch to the products available in these competing markets

Another constraint facing SAB is potential competition from new firms coming into the market and taking away its business Over the years SAB has fought off several competitive threats and maintained its dominant position

If a large market share - even a 100 percent market share - is maintained solely because of low prices or better products, then as MIT's Professor Fisher points out "we are looking at what competition is supposed to do and not at a monopoly"

On the other hand if the Government protects it from competition, an industry with thousands of firms can be a monopoly With legal power granted by the Government, control boards for a long time have restricted competition and kept prices high for many agricultural products such as bananas, maize milk, meat and potatoes

This has meant that the thousands of farmers producing these products have been forced to be monopolists whether they wanted to or not Luckily for consumers these control boards have been under pressure from adverse court

"The confusion of monopoly with large share is dangerous. In order to identify a monopoly you must look at the constraints on the company's ability to raise price not at its market share"

Sowetan 22/1/93

decisions and from farmers who want to compete

This pressure has reached the point where a Government-appointed commission has recommended that the legal powers of the control boards be completely eliminated

Even though it may be an error to arbitrary define as a monopoly a company with 25 percent (or any percentage) or more of the market, in the UK no action will be taken against that company unless, as noted above, it acts "in such a way as to prevent, restrict or distort competition"

You might ask, "What's wrong with that?" What's wrong is that most actions taken by a company to maintain or increase its market share are efficient and competitive, but the antitrust authorities have perversely tended to associate such business practices with monopoly

For example, in the UK a traditional practice in the beer industry has been the "tied house" system in which the major brewers owned their own pubs, through which they exclusively sold their own brands The UK Mergers and Monopolies Commission (MMC), however, ruled that this was a monopolistic practice

Forced to divest themselves of many on their pubs the brewers naturally sold off their least profitable pubs Now thousands of these pubs are being closed down because they are no longer economically viable without the tie to a major brewer

Not knowing what it was doing, the MMC destroyed an efficient, competitive business practice and consumers - especially in poorer areas - now will have less choice and pay higher prices As we Americans like to say, "If it ain't broke, don't fix it"

Thus Mboweni is quite wrong when he asserts that "antitrust is a probusiness policy', except in the well-known perverse sense so compellingly documented by Robert Bork in his widely cited book, *The Antitrust Paradox A Policy at War with Itself*

Antitrust policy frequently is pro-small business and anti-consumer Small and medium businesses are protected from the vigorous "unfair" competition of large firms to the detriment of consumers

According to Mboweni, "antitrust policy aims at the promotion and protection of competition" But the truth is that antitrust policy often protects competitors instead of competition In the UK and the US, firms that cannot succeed in the market call their lawyers Every successful firm must expect to be sued by its rivals on antitrust grounds

Thus IBM was forced to defend itself in case after case, including the US government's infamous 13 year vendetta That case began in January 1969 and ended in January 1982 when the assistant attorney general in charge of the Antitrust Division of the Justice Department agreed to a dismissal of the case as "without merit"

As reported by Professor Fisher and his coauthors in *Folded, Spindled and Mutilated Economic Analysis and US vs IBM* the government's entire case was a litany of complaints about IBM's lower prices and better products - the opposite of what monopoly is supposed to bring about

IBM was unusually successful in ultimately winning that case and every other case brought against it, but only after spending a reported R3 billion to defend itself

Mboweni merely reports the US government's case against IBM as one (together with Standard Oil and AT&T) of the "most celebrated cases of US antitrust action' ingenuously failing to reveal US vs IBM as yet another unmitigated antitrust disaster

Beware the dangers of business recovery

232

Star 23/1/93.

LEIGH HASSALL continues her guide to small businesses and warns that enterprises are more inclined to collapse as an economic recovery begins than they are during the downturn itself.

IS YOUR business receiving more inquiries nowadays? Is your bad-debt level slowly drifting downwards? Or is your order book getting fatter? If so, your business might be showing the first signs of climbing out of the current recession. But watch out! You could still be in great peril.

Recent research in Britain shows that more business failures occur in the upturn after a recession than during the recession itself

In the November 1992 issue of Ernst & Young's In Touch magazine, David Purnell says the reasons for this astonishing fact is that the business which has managed to survive the recession is likely to have its capital base stretched to its limit Working capital is probably tight with the overdraft level at its peak.

In all likelihood, the business has not replaced its plant and machinery and is operating with a minimal staff. Purnell says an increase in sales activity is the first sign of a recovery However, most small businesses do not have the working capital to finance the increase in demand

"Banks generally require improved financial figures from clients before they will rerate from a risk point of view," adds Purnell

Which is why it is important for the entrepreneur to recognise and track the key indicators specific to his business so that he is able to take advantage of the upturn when it occurs

Purnell says managing through the recovery phase will be fraught with difficulties and the crux is for the entrepreneur to manage those variables which he can control, rather than let the recovery come to him

The entrepreneur should take steps now to improve his relationship with his banker He should also review his capital asset position after assessing whether the existing level will meet his future sales requirements

During the early stages of recovery, the entrepreneur should focus on the key business area of sales, pricing and margins

Purnell advises the business owner to concentrate on improving margins rather than going for growth, which draws heavily on working capital

To combat competitive pricing pressure, the entrepreneur could negotiate larger sales volumes or longer contract periods

Purnell adds that the entrepreneur should examine opportunities that will gain market share or enable the business to enter new markets through mergers or acquisitions. He should look out now for bargain purchase opportunities

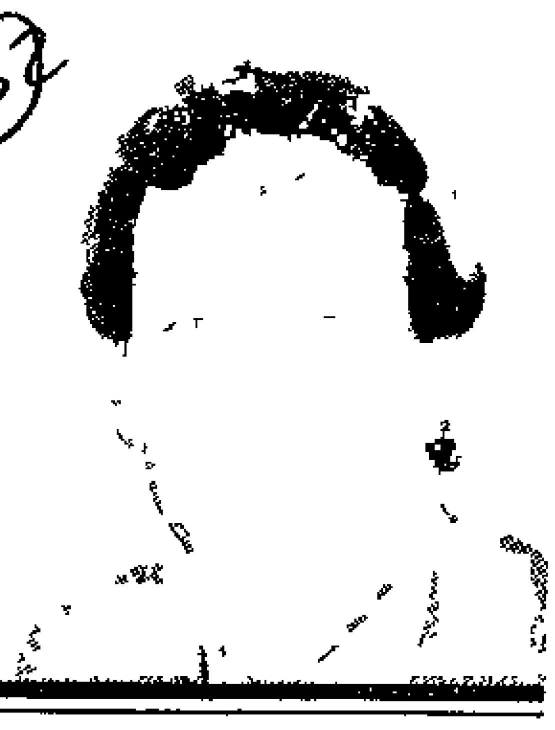
The current business buzz word is *exports* Actively identify opportunities to exploit existing export incentives

A business decision is dependent on the information on which it is based Take steps now to ensure your accounting systems provide timeous and accurate data

STAR 23/1/93 (233)

Weigh up variations on moving averages

FOOTSTEPS TO FORTUNE



RICHARD *Cluver*

ONE of the best known tools of the share market technical analyst is the simple moving average However, as I illustrated last week, in today's rapidly changing markets, it is inclined to be a little slow in reacting. Accordingly, aided by computers to speed their arithmetic, investors have switched to using increasingly complex versions of the moving average

Among the most popular variations are, weighted, complex-weighted, centred and exponentially weighted moving averages

To illustrate the difference between them, I have created a graph of the JSE Actuaries Index between April and July 1992, running it three times on the same linear axis in order to provide as clear as possible a series of pictures of which of the five moving averages proved the most reactive

In the top graph, I have run 15-day simple and exponential moving averages, in the middle graph a 15-day complex and a 15-day weighted moving average, and in the bottom graph I have run a 15-day centred moving average

Market peak

The first to confirm that the upturn of the market that began on April 21 was more than a simple oscillation, that a new uptrend had begun, was the centred moving average which turned upwards on the same day as the market itself

Next were the exponential moving average and the complex-weighted moving average, which both turned upwards five trading days later on April 28 The simple moving average and the weighted moving average did not turn upwards until April 30

The market finally peaked on June 4 at an index level of 3744, falling to 3743 the next trading day, June 8, to 3741 on June 9, 3731 on June 10 and 3712 on June 11

The simple moving average finally peaked on June 16 and turned down the next day The centred moving average, however, peaked on the same day as the index itself and turned down the following day along with the index The complex weighted average turned down on June 11, the exponential moving average turned down on June 12 and the weighted moving average turned down on June 15

The conclusion from this one brief examination is that all three variations on the moving average theme obviously signal sooner than the simple average The centred moving average, moreover, looks at first glance like a winner, but offers two major drawbacks

It would signal far too many transactions and, ruling it out altogether, it only works retrospectively More about that later The exponential and complex-weighted moving averages appear to be the next best.

Let us look at how all of them are constructed

Readers will recall that a simple moving average, in this case a 15-day simple moving average, is calculated by adding up the index value for 15 successive days and dividing by 15 On the 16th day, you add on the index value for that day, drop off the value for the first day and again divide by 15, and so on

A 15-day centred moving average can be created by taking the eighth day as the centre value, to which you add on the sum of the values of the seven previous and the seven future days and divide by 15 Considering that calculation, the drawback of the centered average immediately becomes obvious

It is that, even though in retrospect it proved to be the most reactive of the five, the average line it produces will always lag behind the others — by seven days in this 15-day example. Look at the right-hand side of that bottom graph and you can see the average line lagging behind, which is why, unfortunately, it is no use to the share market analyst who seeks strategy signals.

A 15-day weighted moving average is created in exactly the same way as a simple moving average, with the one exception that the very last bit of data, that relating to the 15th day, is multiplied by two in order to increase its weighting in the overall average

A 15-day complex-weighted average is created by multiplying the data by its positon in a series, thus the index for day one in the series is multiplied by 1, the data for day two is multiplied by 2, and so on, until the data for day 15 is multiplied by 15 An average is then derived by dividing by the sum he weighting numbers, in this case by 120

An exponential moving average can be created in a number of ways One formula is as follows

$$X = (C - X_p)K + X_p$$

where

X is the exponential smoothing smoothing for the current period,

C is the closing price for the current period,

X_p is the exponential smoothing for the previous period,

K is the smoothing constant (equal to 2/n + 1 in some systems and 2/n where n is the total number of periods in a simple moving average which is to be approximated by X)

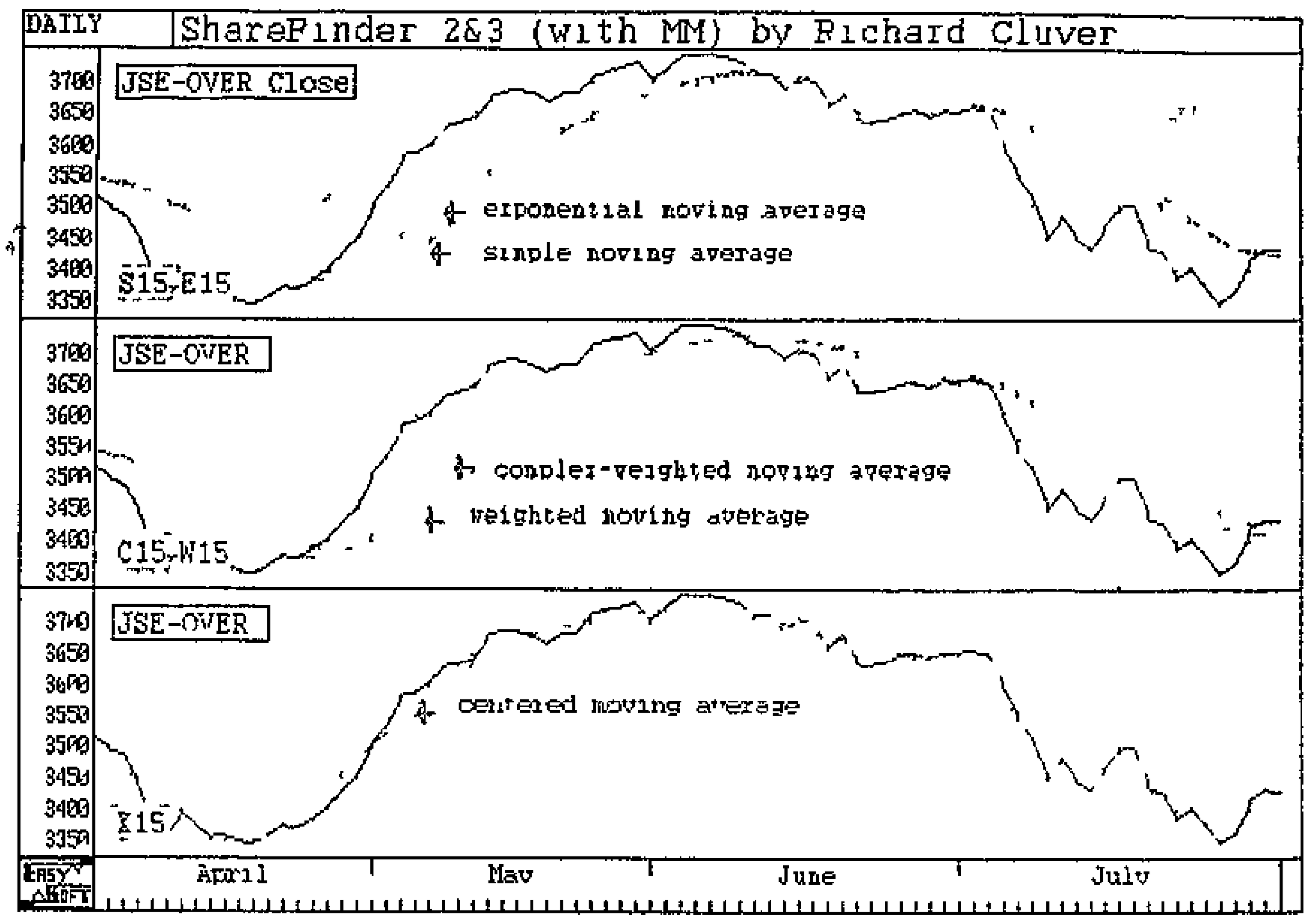
Thus the exponent for a 15-day moving average would in the one equation be 2/15 + 1 which is, of course, 2/16 which is 0,125 The alternative 2/n would thus derive an exponent of 0,133

Perhaps I should summarise by recognising that a simple moving average would effectively include all the data one is actually viewing on one's graph, together with a number of pieces of preceeding data equal to the extent of the weighting Thus a 100-day simple moving average would present to the user data that has been moderated by events of the previous 100 days Weighted moving averages, by virtue of the fact that the most recent data is multiplied by a series of descending values the further back in time one goes, logically lay greatest emphasis upon current price movements

Objections

Centred moving averages lay equal stress upon both the past and the present, but suffer from the drawback that they always lag behind actual events.

Exponential averages overcome all the theoretical objections for, inasmuch as they are calculated upon all the available data, but nevertheless place greatest weighting upon the latest data, they might be said to employ a memory of the most significant events of the past in order to moderate the present.



READING THE SIGNALS: How the various moving averages perform.

Appeal of property unit trusts grows

STAR 23/1/93

(232)

MEG WILSON, Property Editor

IT IS time to take another look at property unit trusts (PUTs) — an investment avenue that has in its favour stability and a steady flow of dividends. Overall returns (capital gains plus dividends) in the sector have not matched the performance of other JSE shares, but there are signs that the worst is over

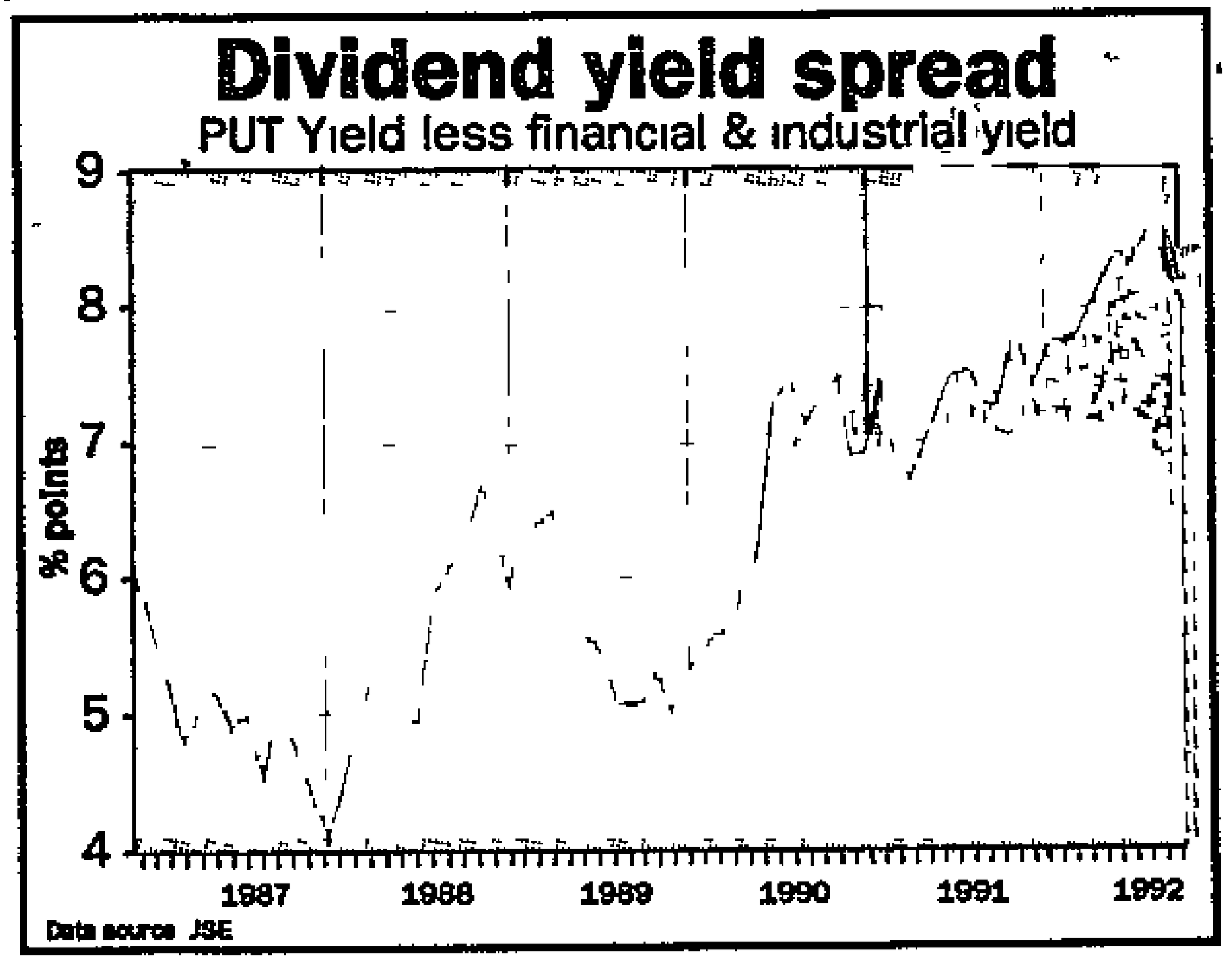
Reversal

The latest Rode Report on the South African Property Market shows that the spread between PUT and financial and industrial dividend yields dropped steeply in the last months of 1992, reaching 8 percent at year-end (see graph)

Rode comments that the reason for this reversal — which might be temporary — is that some investors now regard PUTs as relatively more attractive than financial or industrial shares, which are affected by the ongoing international recession

Prospects for property, on the other hand, are solid — especially if one regards such an investment as long-term.

Declining interest rates have put a little more money in consumers' pockets, which is going to have a positive effect on retail businesses, and on store rentals



An oversupply of office space has caused many developers to put new projects on ice which will, in time, result in rising rentals as demand exceeds supply

And a widespread realisation that the economy needs to become export-driven is bringing about an increase in manufacturing businesses — and a demand for factory and warehouse space.

These are the types of properties contained in the portfolios of PUTs which, readers may remember, work somewhat differently from ordinary unit trusts

The unit holder buying into a PUT is not purchasing a portion of a share portfolio, but an actual stake in the properties in the portfolio

Your overall return from the investment derives both from rentals paid by tenants (which is paid out every six months) and from any increase in the market value of the properties, as well as interest on money being held by the management company for further investment.

PUTs also differ from ordinary unit trusts in that they have a fixed number of units

PUTs are particularly good investments for those who are averse to risk

There are several reasons for this, the first being that they are tightly controlled by the authorities in terms of the type and spread of properties which may be held in the trust portfolio

Then there is the fact that they offer a reasonable degree of liquidity Although PUT management companies are under no obligation to buy back one's units (unlike ordinary unit trust holdings), there is an active secondary market for them All the PUTs are listed on the JSE

Liquidated resorts: buy bid by shareholders

232

ST Times (BUSS) 24/1/93

By TERRY BETTY

SHAREHOLDERS in recently liquidated Cabanas Del Mar and Cabanas Del Sol on the Natal south coast are to form a company to put in an offer to buy the developments

The final order of liquidation for the two developments was granted on November 24 after an application had been brought by bondholder Metboard, which is owed in excess of R5-million

Shareholder and chairman of the shareholders' action committee Carl Mischke says the shareholders will, with a cash injection of R640 to R3 600 each, be able to rescue their investment.

RCI and timeshare watchdog TISA are lending their full support to the purchase offer

At a remarkably civilised meeting in Randburg on Wednesday attended by about 1 100 shareholders and other parties, except for Metboard, the shareholders agreed they want to retain ownership and control of the resorts to prevent a similar situation happening again

Dr Mischke says that, as most people will be able to pay the extra funds only over an extended period, they need a financial institution to underwrite the offer.

However, the pressure is on as the liquidators have given them until March 18 to prepare their offer

Interest

The deadline was postponed from February 25 as long as the shareholders will cover the operating costs of the resort from March 1-18.

Running costs amount to R100 000 a month for both resorts This does not include interest, which at 19% a year amounts to around R40 000 a month for each resort.

Dr Mischke says it is still impossible to meet that deadline as they have to get signed mandates from all the shareholders, draw up and print the agreements, form the company as well as approach financial institutions to underwrite the offer.

If the liquidators go ahead with selling the resorts on auction, the shareholders stand to lose their entire investment.

The two Cabana developments went under as the developers, Hees, Van Loggerenberg and Erasmus, were unable to repay the interest and capital amounts owing on the loan.

Dr Mischke says the trust accounts, which between the two developments were meant to hold about R8,2-million, and may only be used to offset the bond, contained only R67 000

The liquidators are investigating what the developers have done with the balance

TISA executive director Peter Erasmus says that, to ensure this does not happen again, TISA is insisting that all its members have six-monthly audits to see that all the provisions of the Act have been complied with

Meanwhile, the developers have also put forward a rescue plan that runs along similar lines to the shareholders' proposal

RCI managing director Steve Griessel recommends that the shareholders do not sign any documents sent to them by the developers

Mr Griessel says their first priority is to save the resorts for the shareholders, and thereafter they will look into other details, such as the liability of the directors as well as whether Metboard's bond over the properties is valid.

The Shareblocks Control Act states that a shareblock company may not encumber its assets (over and above the original encumbrance) without approval of 75% of the shareholders (excluding the developer)

Equity unit trusts take a pounding in bear market

232

ST Times (BUSS) 24/1/93

By JULIE WALKER

IN A bear market, discrepancies in investment mistakes are never more marked The range of returns from SA's equity unit trusts, on a lump-sum repurchase-to-repurchase basis, spanned minus 28,4% to plus 15,1%, according to the University of Pretoria's unit trust survey

The income and gilt funds enjoyed a bull market for most of 1992. Even so, the spread of returns was from 15,5% to 27,7%

Some equity funds made hay outside the stock market while gilts' sun shone. Metropolitan's Metlife, whose total return was 8,5% in 1992, confessed that 40% of its portfolio was in gilts and cash at the end of the December quarter.

Metfund, managed by Investec, stayed with equity and returned 4,7% Fund manager Steve Mills notes that financials have become expensive, dollar commodities are not expected to rally in dollar terms much before the third quarter of 1993 and he is worried about industrial earnings growth expectations.

Standard Bank's trust held some surprising moves. Its Mutual fund started the year with 40% cash, maintained the position and invested in financials and industrials — moves which helped it to a 13,3% return

Standard Bank did not send a release of its portfolio breakdown but commented that it had sold its entire holding in Amgold. Oddly enough, Standard Bank's International Fund was a buyer of Amgold

Standard Mutual bought shares in Stanbic, Investec, Kersaf and Royal Foods and sold Genbel, as did the Gold Fund. The International Fund also bought Royal Foods, Investec, Safren and Kersaf, but sold all its M-Net. The house went a bundle on Royfood, some going in to the Industrial Fund too.

Southern Equity returned 13,6% It bought mining houses, First National and Stanbic, Safren, SA Breweries and into the Foschini stable, selling Anamint and FIT.

Southern Mining bought Driefontein, reduced Southvaal and Ofsil and sold out of East Dagga, Harties and Impala

Guardbank Growth was another seller of Impala and Anamint, and bought 425 000 Tiger Oats shares — a new counter. Its return was 10% for 1992. Guardbank Industrial was a buyer of FIT, banks and insurers.

Guardbank Resources picked up East Dagga, Driefontein and Hiveld Steel, selling Anamint and Rusplats among others.

Momentum made radical changes, selling all its golds and buying First National, Absa, RMB Holdings and a few blue chip industrials Fund manager Peter du Toit believes share markets are still overpriced and advocates prudence

Top performer Syfrets Growth, returning 15,1%, was quiet in the last quarter, buying Safcor, KNJ and Clinics. Fund manager Tony Gibson remains cautious on the outlook.

Sage forecasts GDP growth of up to 1% in 1993. Its Sage Fund sold out of Kersaf, Samancor and Woolworths and bought into Sentrachem and Foodcorp as well as adding several holdings across the board, but its annual return was barely 1%.

Among other investments, Sage Resources wisely bought some Iscor in the last quarter — it is up a third this year.

Negative

UAL Selected Opportunities — top of the equity-fund pops for 1992 with a return of 15,2% — was another buyer of Sentrachem, Safren and Mobile UAL's general trust made no purchases and was only two-thirds invested in equity at the end of December

Old Mutual Investors, the biggest unit trust, made a negative return of 5,1% in 1992 — likely because it was heavily invested in De Beers It switched part of its De beers into holding company Anamint and added to Sasol and Tongaat

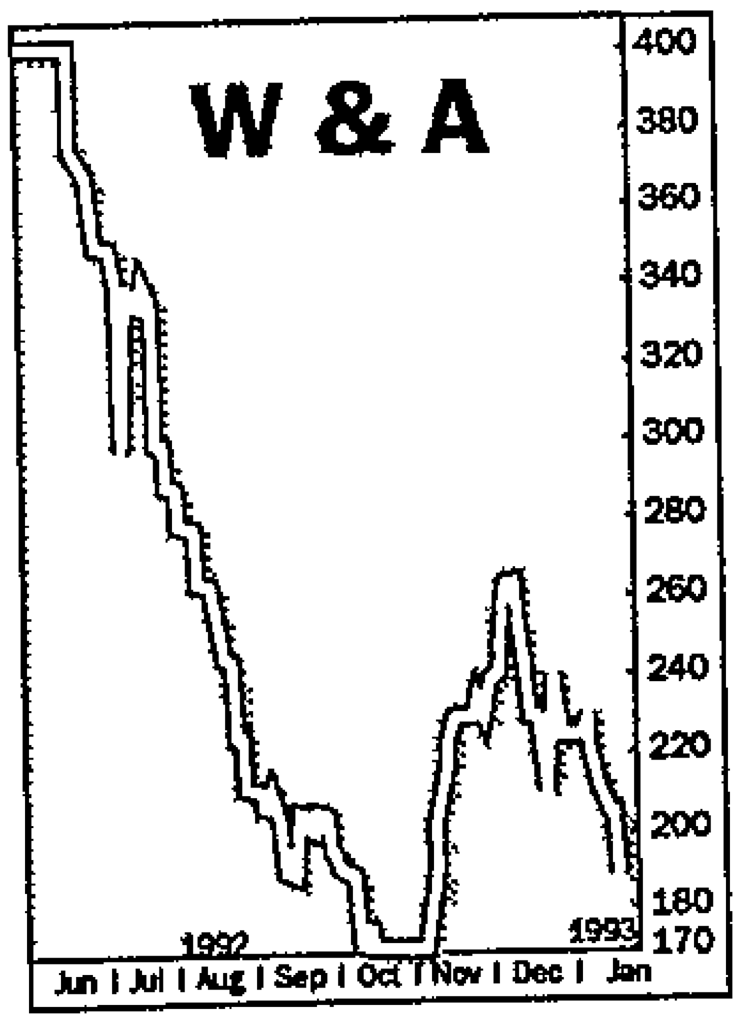
Old Mutual Top Companies — specialising only in blue chips and emerging blue chips — almost broke even in 1992. It bought Natsel ahead of the IDC's decision to distribute the assets.

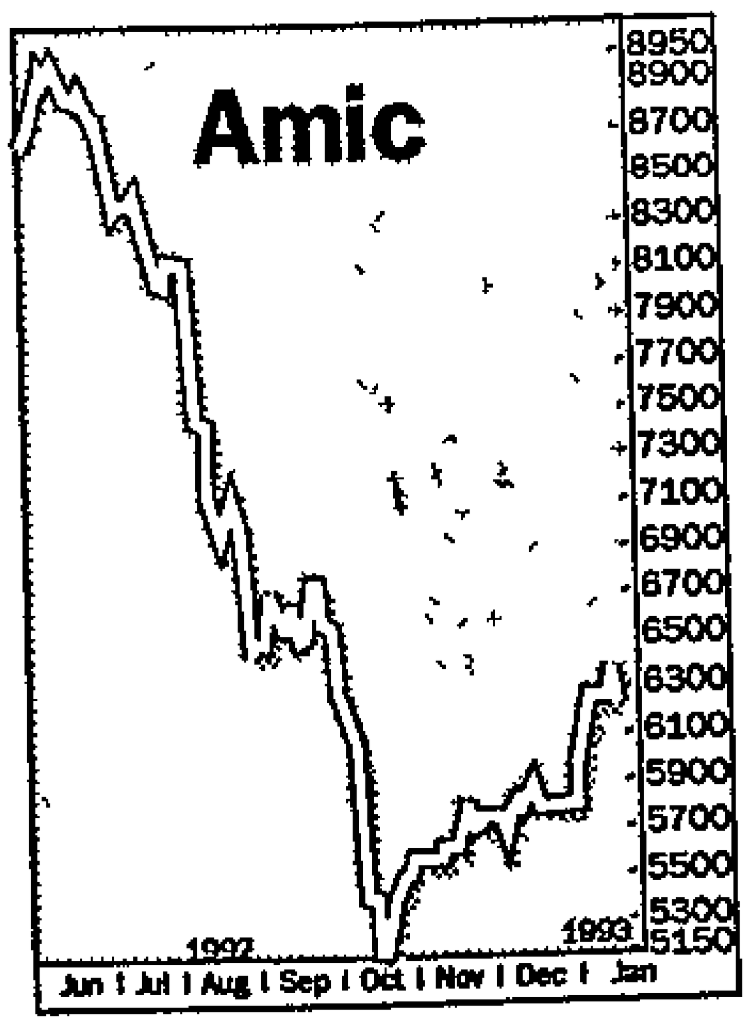
● South Africans hold more than 946 000 unit trust accounts Old Mutual's funds have the lion's share with 356 272 and the smallest is Community Growth, with 312 at the end December

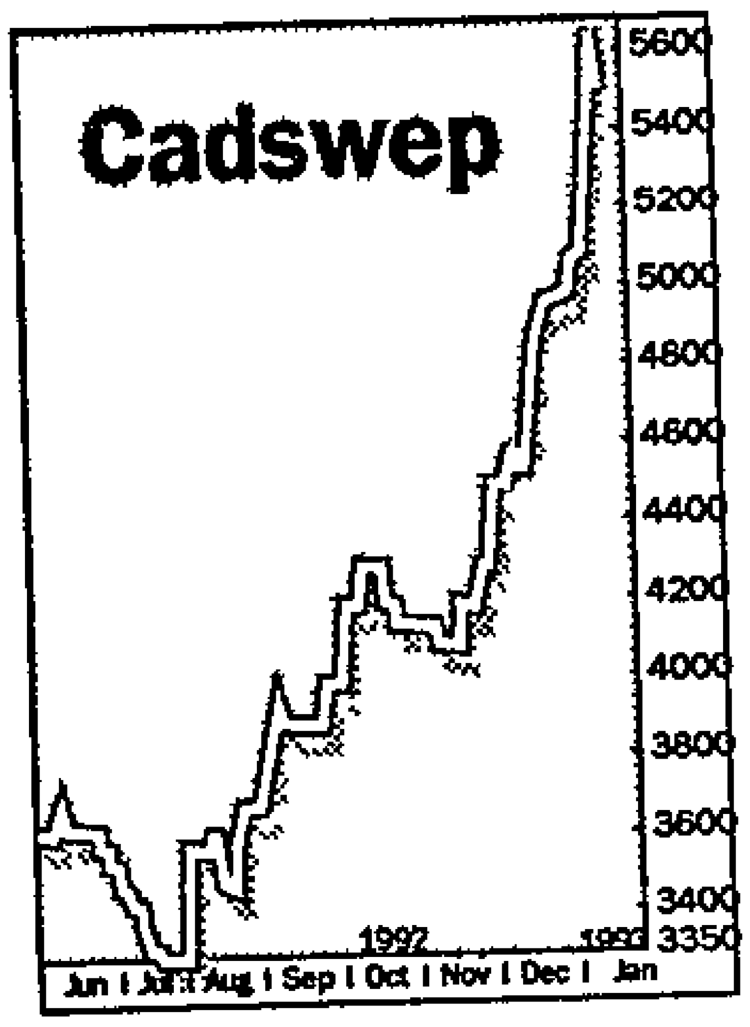
Market braced for poor results from major industrials

STAR 28/1/93.

232







By Stephen Cranston

The market is bracing itself for poor results from most of December year-end industrial companies, which are expected to report from the beginning of February onwards.

These companies predominantly trade in the heavy industrial sector and are expected to report reduced earnings, in line with the problems in the sector

The major holding companies reporting, Amic and W & A, have both slipped over the past six months, with Amic's price falling from R83 to R61,50 and W & A's from 335c to 190c

But while Amic's price hit a floor of R51,50 and has recovered over the past two months, W & A has renewed its freefall and offers a staggering dividend yield of 19,7 percent

Market predictions for W & A's earnings and dividend performance vary from 26 percent to 50 percent, and analysts believe there is little prospect of recovery in the current year

Even so, it looks cheap at a future yield of 10 percent. Even if the dividend is halved again the following year, it has some value

But W & A is perceived as too risky by the generally conservative investment community

Unlike Amic, W & A does not have a cash-rich parent, and its gearing, estimated by some analysts to be 80 percent, might not come down significantly without further asset sales

W & A's tax rate is increasing, though it will rise only from two percent last year to about six percent

But the underlying operations remain sound. Some, like the shoe retailer Safshoe and automotive parts supplier Vektra, should actually increase earnings.

W & A has a significant offshore presence in London-listed AAF and its worldwide scaffolding business.

Its furniture retailer, the JD Group, is among the best regarded in the sector, with a high-quality debtors' book.

Amic's earnings will be down for the third consecutive year, but much of this can be attributed to weaker commodity prices, principally steel, pulp and paper and chemicals.

Unlike W & A it has strong cash resources and a glamorous long-term project, the Columbus Joint Venture, which will produce half a million tons of stainless steel by 1995.

Amic should be able to hold its dividend, giving a 5,7 percent yield

But with worldwide overcapacity in many areas it could be many years, if ever, before Amic can reach the levels of profitability it enjoyed in the late 1980s

Amic has only a small exposure, through furniture trader Prefhold and to some extent through Tongaat-Hulett, to the expanding consumer markets. Even the shareholding in Royal Foods is held through Anglo American itself rather than Amic.

And it's still the quality consumer shares the market looks for

Cadbury Schweppes should relieve some of the gloom from recent results.

At half-time it increased earnings by 28 percent. Over six months the share has gained R20 to R53,50 and sits on an amazing 37,1 P/E ratio and one percent dividend yield.

Cadbury Schweppes enjoyed a good Christmas period and looks certain to increase earnings by well over 20 percent for the year to December

Consumer company Utico should also achieve real earnings growth, though perhaps no more than 14 percent.

Its share price has also moved up, from R69,50 to R81,50 over six months, and its P/E of 16,8 now outstrips that of its arch-rival in the tobacco sector, Rembrandt

Prospects for improving volumes and increasing market share in the tobacco and snacks markets in which Utico trades are considerable

Powertech pitches rights offer at 400c a share

B/Day 25/11/93

DUMA GQUBULE

232

POWERTECH has pitched its R63m rights offer at 400c a share, 30c below Friday's closing price on the JSE

The group said earlier this month it would raise the funds to partially finance last month's R113m acquisition of an increased stake in Aberdare Cables.

Executive chairman Peter Watt, giving details of the rights issue, said at the weekend the group would be issuing 15,7-million new shares with shareholders being offered 11 additional shares for every 100 ordinary shares held.

Powertech's issued share capital would increased by 18% to 159-million shares following the rights issue and another issue, which is still to be disclosed, to fund last year's R29,5m acquisition of consumer appliances group Picapli

Watt also gave further details of Powertech's offer to Aberdare minorities, who were earlier this month offered R23,10c a share.

Aberdare minorities would, in addition to the cash option, have the right to receive 540 Powertech shares for every 100 Aberdare ordinary shares held. Aberdare would be delisted if the offer was successful, he said. Aberdare shares closed at R23,50c on Friday

Watt said Powertech's balance sheet would remain healthy after the transactions, with gearing forecast at below 20% of shareholders' funds.

The group, he said, was well-placed for growth as the electrification process gained momentum

Thabo says

Sowetan 25/1/93.

232

[illegible]

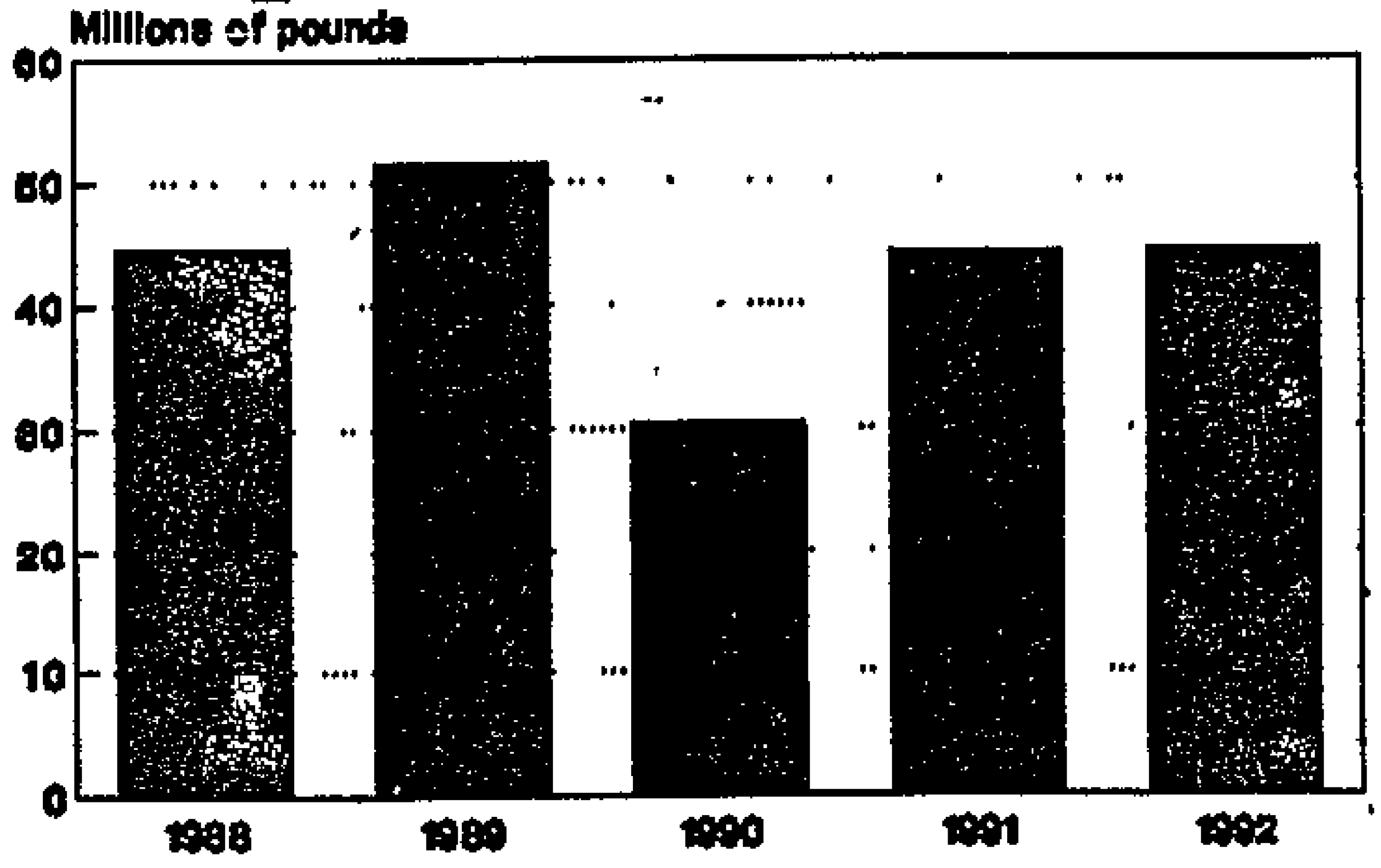
	3 Year percent	5 Year percent
Syfrets Growth Fund	20.62(1)	26.56(1)
[illegible] Dividend	16.82(2)	
Guardbank		23.44(2)
Standard [illegible]	15.15(3)	22.32(3)

Source: Association of Unit Trusts

[illegible]

Charter offers problem for JCI

By Derek Tommey



Stagnant profits at Johnson Matthey

Star 26/1/93.

(232)

Brokers are speculating over how JCI and associate company Rustenburg Platinum Mines (part of the Anglo American family) will prevent a valuable and strategic shareholding in platinum refiner Johnson Matthey (JM) falling into the wrong hands.

The speculation follows an announcement by Charter Consolidated (also part of the Anglo American family) that it wants to sell it 38,4 percent stake in JM because of the low return it has been receiving on the investment.

JM has close ties with Rustenburg, the world's largest producer of platinum

It is the sole marketing agent for the group's precious metals and jointly manages Rustenburg's precious metals refinery.

Analysts believe this heavy reliance on JM makes it essential for Rustenburg to prevent a large shareholding in JM falling into potentially hostile hands

The risk of a change of control at JM, and the resultant possible dislocation of Rustenburg's marketing effort if the shares fell into other hands, must be too great for Rustenburg and JCI to accept.

This despite JM's other shareholders being said to include De Beers, Anglo American, Rustenburg and platinum producer Engelhard — also members of the Anglo family

Analysts point out that Rustenburg and JCI would have two problems to overcome before they could acquire the JM shares

The first is to find the money The 38,4 percent stake in JM is currently valued in London at £344 million — equal to R1,707 billion at commercial rand rates and R2,684 billion at financial rand rates

This would be a great deal of money for the two companies to have to find

But even if they were able to raise the cash, they would face a second problem — would the Reserve Bank allow them to buy the JM shares through the finrand?

The monetary authorities said recently that they were cracking down on the use of the finrand for foreign acquisitions

In such circumstances it would not be easy for them to agree to such a huge acquisition

This has turned the attention of the speculators to the possibility that Minorco, another Anglo company, might be used to warehouse the shares

However, a spokeswoman at Minorco, which has a 36 percent stake in Charter, said yesterday that as far as she was aware Minorco had no interest in acquiring any JM shares

Minorco said it supported Charter's view that the sale of the JM shares would be in the best interests of Charter shareholders

But it pointed out that any proposed transaction would require the approval of Charter shareholders.

From this it is clear that Minorco with its 36 percent stake in Charter would, except in the most unlikely circumstances, clearly have the final say

Minorco added that it would examine all proposals put to it by Charter to ensure that the sale was in the best interests of all Charter shareholders

As one would assume that this would automatically be the case, one can't help wondering about the reason for the statement — unless there has been a suggestion in the British press that Charter might let Rustenburg have the JM shares at less than their worth — a development which would seem to be highly unlikely

BDay 26/1/93

Marshalls happy with its figures

PETER GALL (232)

DURBAN-based property group Marshalls posted a 19% rise in turnover to R26,97m for the year to end-December from R22,68m in 1991.

This translated into a 12% rise in group profit to R7,54m (R6,75m previously) Interest paid fell 14% to R1,45m (R1,68m), putting pre-tax profit up 20% at R6,09m (R5,06m).

After tax and outside shareholders' interest, shareholders' earnings rose 16% to R3,16m (R2,72m), or 37,2c (32c) a share. A dividend 14% higher at 24c (21c) was declared for the year.

Chairman David Marshall said the results were satisfactory given the economic conditions. "The average occupancy of our property portfolio improved to 94% from 93% in 1991, while rental income rose 14% to R11,31m. The net asset value also rose 10% to 914c (833c) a share."

The group's property portfolio was valued in December on an "open market" basis at R75,95m. Current assets were R13,12m, cash deposits were R2,65m, current liabilities totalled R3,46m, mortgages R10,67m and a bank overdraft was R774 000.

Marcons, which derived its income solely from a 69% controlling investment in Marshalls, posted a 17% rise in earnings to 11,7c (10c) a share, while dividends were reported 21% up at 11,9c (9,8c) a share.

US buying triggers rally of gold shares

MERVYN HARRIS

PRECIOUS metals were back in favour on global bullion markets yesterday.

Buying by US funds lifted the gold price nearly $3 to a high of $331,20 in Europe, sparking a late rally of gold shares on Diagonal Street. In London gold closed at $330,95.

Dealers said gold was also supported by some covering ahead of the expiry of European options today, and they expected resistance and producer selling at $332 to cap the rally.

Dollar weakness and a report that China's central bank had bought a large part of the huge Dutch central bank gold sales last year were other factors supporting the metal, dealers said.

Citizen 27/1/93

Fears of further central bank sales after earlier sales by Belgium have been hanging over the gold market.

The rise of gold to its highest level in three weeks buoyed a flagging rand gold price. With the commercial rand barely changed against the dollar, the rand gold price rose more than R8 to R1 010,59

The late rally on the JSE lifted the all gold index 3,6% or 30 points to 839 and helped reverse a generally softer trend on the overall market (232)

Perceptions of tight supply in the physical market boosted platinum to a London afternoon fix of $364,25.

Financial statements require clarity

BDM 27/1/93.

(480) (232) (472) (60) (220)

DOUG BROOKING

WITH the possibilities of foreign investment opening up in SA, a prerequisite is that the investor be provided with financial statements which are fully equal to those available to him in his own capital market.

Equal in this sense means comparable as well as equivalent in terms of relevance, reliability and understandability. This places a responsibility on our national standard setters to keep accounting standards at least within striking distance of best international practice, and on our companies to accept the cost and effort of contributing to the standard-setting process and of complying with its output. Local investors, of course, also need and benefit from a programme of continuous improvement in financial reporting.

Mercifully, some leading international capital markets, including London, do not impose their own national accounting standards on foreign companies whose securities they list In the US, however, the Securities Exchange Commission demands that companies seeking equity finance through the New York Stock Exchange comply with the very demanding standards of the US Federal Accounting Standards Board.

Perhaps SA, along with other countries seeking future access to the vast US capital markets, will find a route via the standards of the International Accounting Standards Committee (IASC) which is engaged in a determined effort to achieve international recognition of its standards for the purposes of cross-border capital raising. Three of our leading companies — AECI, Barlow Rand and SAB — already issue financial statements which comply with the international standards, as does Minorco More will follow.

Thanks largely to the exceptional degree of goodwill which exists among members of the accountancy profession worldwide, SA was able to retain its position on the IASC board throughout the sanctions years Our experience and close international connections in this area should pay handsome dividends as SA companies enter a new and more open financial era.

Given the growing internationalisation of business and finance and the daunting costs of continuing to involve ourselves in both international and parochial standard-setting processes, SA accountants may well become persuaded that the practical approach is for our companies increasingly to adopt international standards, and to phase out the local standards except where overriding and unique objections prevail.

Most affected by such a change in policy could be our mining groups, which have long pursued an original and independent route in reporting for single-venture, wasting-asset situations such as the gold mines

Producers of financial reports for international consumption will also find value and perhaps even inspiration in a new publication, Financial Reporting in the 1990s and Beyond, issued in the US by the Association for Investment Management and Research (AIMR). This study takes a penetrating look at several current disclosure practices which, from a user perspective, it finds wanting. Unsurprisingly these include accounting for goodwill and other intangible assets, the use of valuations on the balance sheet, segmental data and the income statement in general.

And all company directors occasionally need reminding that, in the words of the AIMR, "users of financial statements are also the owners of the enterprises being reported upon, and it is the users, who in addition to receiving the benefits, ultimately bear the cost of providing financial reports"

Looking further ahead, investment analysts are already pointing out that the globalisation of asset management requires that financial data on all eligible investments should be totally comparable and consistent — suitable for incorporation in a gigantic database through which analysts and global portfolio managers can search and sort at will

Then at least we may be able to talk about accounting as a universal language of business

☐ Brooking represents the SA Institute of Chartered Accountants on the IASC board. The SAICA will present its annual CA reporting award next month.

Union fund living up to promise

232

By Derek Tommey Star 28/1/93

The Community Growth Fund (CGF) — the unit trust formed last year to help trade unions invest their funds in socially responsible enterprises — had assets of R20,9 million at the end of December, an interim report shows.

CGF, part-owned and managed by Syfrets, had by then invested 27,5 percent of its funds in industrial shares, 4,04 percent in financial shares and the remaining 68,21 percent in liquid assets.

The high level of liquidity reflects Syfrets's current view of investment prospects, says portfolio manager Leon Campher. Syfrets believes the market is over-discounting earnings.

The fund will be adding some mining shares to its portfolio, but not gold shares, and not commodity shares at the present time.

He expects investments to have grown to around R50 million by the end of June.

Tommey Oliphant, representative of the seven trade unions which own the fund jointly with Syfrets, says 11 companies have so far met both Syfrets's investment criteria and the fund's social responsibility criteria.

Job training

They are Standard Bank Investment Corporation (Stanbic), Malbak, Murray & Roberts, Safren, City Lodge Hotels, LTA, Lenco Holdings, Delta Electric Industries, Hudaco, Foodcorp and Unitrans.

Oliphant says the companies were examined in terms of seventeen social responsibility criteria ranging from industrial relations and job training to profit retention and affirmative action.

None of the companies had been found to be 100 percent perfect, but together they had met about 80 percent of the criteria.

Stanbic was singled out for having better industrial relations and higher wages than other big banks.

Safren scored on the progressive reputation of subsidiary Rennies. Hudaco and Unitrans boasted a strong skills training programme. City Lodge scored on expansion and job creation.

Literacy programmes at Malbak companies met with approval; Haggie, an associate company in the Malbak stable, received a special mention in this regard.

The overall return to investors between the fund's debut in June 1992 and end-December 1992 was 8,8 percent.

Over the same period, the JSE overall share index declined by 11,9 percent and inflation was 5,1 percent.

Planned probe into directors' role

Major losses for Supreme investors

(232)

BDM 28/1/93

PETER GALLI

THE hopes of 7 000 investors in unlisted Supreme Holdings and Supreme Investment Holdings were dashed yesterday when the joint provisional liquidators announced that they expected debenture holders to realise only between 20c and 30c in the rand

The investors, who had placed R276m with the companies, were also told that it was unlikely any dividend distribution would be made before July at the earliest.

At an urgently convened news conference in Johannesburg, the liquidators said they had found that the two companies had total realisable assets of R82,6m, while liabilities amounted to R278,54m, giving an estimated deficit of R195,8m

"The major assets of the group are their investment in the three JSE-listed operating companies Supreme Industrial Holdings (SIH), Supreme Manufacturing Holdings (SMH) and Protea Furnishers (Profurn). There are also investments in other companies which will hopefully yield additional funds for debenture holders

Initial estimates are that debenture holders will receive a dividend of between 20c and 30c," said liquidator Basil Nel

However, it was not expected that preference shareholders would receive a dividend payment

The liquidators believed a Section 417 inquiry into the affairs and activities of the two companies was essential The findings would be reported to creditors

The inquiry, expected to be held in April, would examine any civil or criminal liability on the part of the directors.

"The Supreme group appears to have failed as it funded long-term investments — many of which were speculative — out of short-term debentures and redeemable preference shares," Nel said.

There could have been "other major contributory factors", including major losses on investments and loans. Several investments had been made and the rationale for these were still being investigated.

Total cash flows for the group amounted to R334,12m — R20,06m in ordinary shares, R38,09m for preference shares and R275,97m in debentures.

Cash outflows of R61,89m were made for investments and R249,5m in loans Of this, only R61,4m was invested in the three listed operating subsidiaries

About R32,7m was also loaned out, made up of "numerous items from R100 000 to R2m as well as losses incurred in previous years, all of which are still being investigated", said Coopers Theron Du Toit investigating accountant Peter Goldhawk, appointed by the provisional liquidators

One of the largest loans was R84,87m, made to the company TV Life Most of this

To Page 2

Supreme

BDM 28/1/93.

(232)

From Page 1

had been lost and the debtors' book was the only remaining asset

"The group had also incurred trading losses of R21,75m, mostly last year, which was the shortfall between the interest lost on its loans for bad investments and the interest that had to be paid to debenture holders," he said

Goldhawk found the listed companies could continue to trade profitably for the benefit of shareholders, provided certain conditions were met.

Provisional agreements in this regard between the provisional liquidators and the trustee for the debenture holders had been reached with the listed subsidiaries

SIH owed its unlisted holding company Supreme Holdings R17,22m at December 31. A major investment is a controlling interest in SMH, valued at R15m-R20m

"As SIH has no other material investments apart from its investments in Profurn and SMH it was agreed that, subject to certain conditions, it would repay its loan by transferring its entire shareholding in SMH to Supreme Holdings in full and final settlement," he said.

Agreement had also been reached whereby the R45,4m loan due by Profurn would be paid by issuing new shares to Supreme Holdings, either by underwriting a rights issue or a direct issue

These agreements still have to be approved by the Supreme Court, the Master of the Supreme Court and the debenture holders Resolutions under the Companies Act and the JSE also have to be passed

Meetings of the debenture holders will be held in Durban on February 20, Cape Town on February 22 and Johannesburg on February 26 to approve these agreements

They will also be offered the option of taking shares in the listed companies instead of the cash dividend, but this will be only to the value of the final amount awarded and not the initial investment.

The liquidators will have to find a buyer for the shares held by the liquidated companies and not taken by the debenture holders The liquidators warned that "should the agreements not be approved, the dividend award will be substantially less than that anticipated".

Andersen suggests way to address capital needs

BDM 28/1/93 (232)

JSE president Roy Andersen said yesterday the creation of new instruments partially underwritten by the state might help meet the challenge of capital needs in a new SA.

Speaking at a conference on financial markets at Midrand, Andersen referred to the problem of emerging entrepreneurs not being able to bridge the gap between bank loans, which help growth up to a point, and the ability to raise capital through the stock exchange.

At the same time, the large institutions had a fiduciary relationship with policy holders and investors and were thus reluctant to invest in high-risk ventures

"A possible solution to this dilemma is to create new instruments which are quoted on the stock exchange and partially underwritten by the government," he said

The large institutions could then invest in these with the proceeds lent to the emerging businessmen.

Andersen said the JSE was working with business groups and a wide range of political parties to ensure it played a relevant role in the future SA

Areas where the JSE could be of assistance included helping in unbundling of concentrations of power where desireable, using the development capital market and venture capital market to assist emerging entrepreneurs, and providing investment vehicles for stokvels.

It could also provide a market for shares made available via privatisation and issued under staff share incentive schemes.

He said the JSE was reviewing its listing requirements to ensure they were in accordance with international trends This followed the recently increased thresholds to qualify for listings.

Andersen was confident a recently completed research project would result in a better, more liquid and vibrant market.

The project, on which a report is currently being drafted, would also take it nearer its goal of being the most efficient medium-sized stock exchange in the world by 1995, he said.

Foreign interest in SA's equities market had increased, with purchases from abroad up 91% last year.

Yet, although foreign sales dropped 16%, these still exceeded purchases in a year in which the market index fell 5%.

He said a key aspect of the research project was to analyse the UK's big bang deregulation, against the background of widespread debate in SA on the merits of following suit. But, he noted, London Stock Exchange CE Peter Rawlins believed SA should evolve to a new structure rather than try to implement changes rapidly.

Andersen said one of the key issues being addressed by the JSE was the market's poor liquidity, the ratio of annual turnover to capitalisation which was 4% compared with, say, 35% in London, 40% in Japan, 140% in Germany and 350% in Taiwan

Another key issue was protection of minorities, for which new measures were being studied.

He said chief causes of the poor liquidity included exchange controls, but there was little prospect of seeing an end to these at a time of political uncertainty.

In addition, the concentration of power in large institutions had meant many shares were locked in and the institutions were afraid to sell them in case they could not buy them back again later.

Causes of poor liquidity included a 1% marketable securities tax, and he hoped government would, in its 1993/4 Budget in March, meet its pledge two years ago to reduce or scrap the tax. This contributes only 0,2% of annual fiscal revenue but pushes up the cost of dealing — Reuter.

Octodec sees profit grow by nearly R0,5m

(232)

RALPH LAZAR

RECENTLY restructured property loan stock company Octodec achieved a profit increase of R491 000 before debenture interest and after tax in the year to end August 31, chairman Alec Wapnick said in the annual report.

Wapnick said he expected growth in profit over the next year to be similar, in spite of domestic recession and instability. Octodec's profit for the financial year ending 31 August 1992 was R20,2m.

Octodec runs a niche market operation consisting of a selected portfolio of 84 industrial, commercial and retail properties located mainly in the greater Pretoria area.

BDay 28/1/93.

Octodec is a major shareholder in Octocity managers (Pty) Ltd which manages the portfolio Octodec also subcontracts City Property Administration (Pty) Ltd to manage its properties.

The portfolio comprises mainly multitenanted, low rise, general purpose buildings designed for small to medium-sized businesses.

Octodec's properties have a well balanced tenant mix, avoiding overexposure to any one sector. The company focuses on buildings which are cost-effecient and do not date.

Tenant changes are less costly because they do not require extensive alterations normally associated with specialised buildings.

In the last financial year Octodec acquired two developed properties in Pretoria West and Silvertondale valued at R3,748m and sold two under-developed properties valued at R503 500.

The chairman said call rates on cash investments had been dropping for some time and it was decided to use the company's surplus cash cash funds for investment purposes.

The total return per linked unit for the year was 41,64c or 2,5% higher than the previous year.

Consolidated turnover for 1992 was R24,178m. Net income to ordinary shareholders was R386 000. Ordinary dividends paid were R193 000 and declared were R191 000.

Interest earnings per linked unit stood at 40,84c, while the dividend earning per linked unit was 0,8c.

10 JSE companies fall foul of fund

BDM 28/1/93 232

ALAN FINE

MINING companies in the Gold Fields of SA and Anglovaal stables are among the most prominent companies which the newly formed unit trust, the Community Growth Fund (CGF), has pinpointed as "inappropriate" investment vehicles

Tobacco products manufacturers Rembrandt and United Tobacco and hotel group Kersaf have also been declared undesirable for investment

The CGF, whose investments are managed by Syfrets, was launched in June at the initiative of the Labour Research Service and seven unions affiliated to Cosatu and Nactu It released a report yesterday for the half-year ended December 31

The CGF was designed as an investment vehicle primarily for union members' retirement funds — and for the general public It invests in listed companies selected for their performance in the fields of labour relations and social responsibility, as well as financial performance

Other "rejected" companies include Clinic Holdings, Richemont, Safcor and Berzack Brothers

Shares from a list selected by Syfrets according to financial criteria are approved or rejected according to 17 criteria by a committee representing the seven unions, which include Cosatu's NUM and Nactu's Metal and Electrical Workers' Union of SA (Mewusa) Mewusa general secretary Tommy Olifant is chairman of the selection committee called Unity

The report for the half-year shows the fund invested R6,6m of its R20,9m in assets in 11 companies — Stanbic, Malbak, Murray & Roberts, Safmarine and Rennies, City Lodge, LTA, Lenco, Delta Electrical, Hudaco, Foodcorp and Unitrans Other shares had been approved in terms of the unions' criteria but would not be identified until purchased.

Syfrets Managed Assets MD Leon Campher said he expected the bulk of CGF assets to be invested in equities by mid-year. While pointing out that a six-month period was insufficient for a proper comparison, he noted that between July and December the CGF (8,77%) had outper-

To Page 2

m Page 1

Fund

BDM 28/1/93 232 80

formed both the Syfrets Growth Fund (4,56%) and Syfrets Trustee (1,9%).

Olifant explained that United Tobacco and Rembrandt had been rejected over the issue of tobacco manufacture. Rembrandt was also rejected because of its substantial holding in GFSA Holdings "whose mines have been rejected outright for their anti-union stance". Driefontein and Kloof were specified, along with Anglovaal's Hartebeestfontein in the mining sector.

Another share rejected by reason of product or service was Clinic Holdings, which "provides medical care mainly to the wealthy minority".

Kersaf was rejected because of alleged bad industrial relations practices in Bophuthatswana Richemont received the thumbs down because, with the bulk of assets outside SA, there is "no employment benefit within SA". Safcor was accused of poor labour practices while Berzack Brothers was said to have failed adequately to prom... ement.

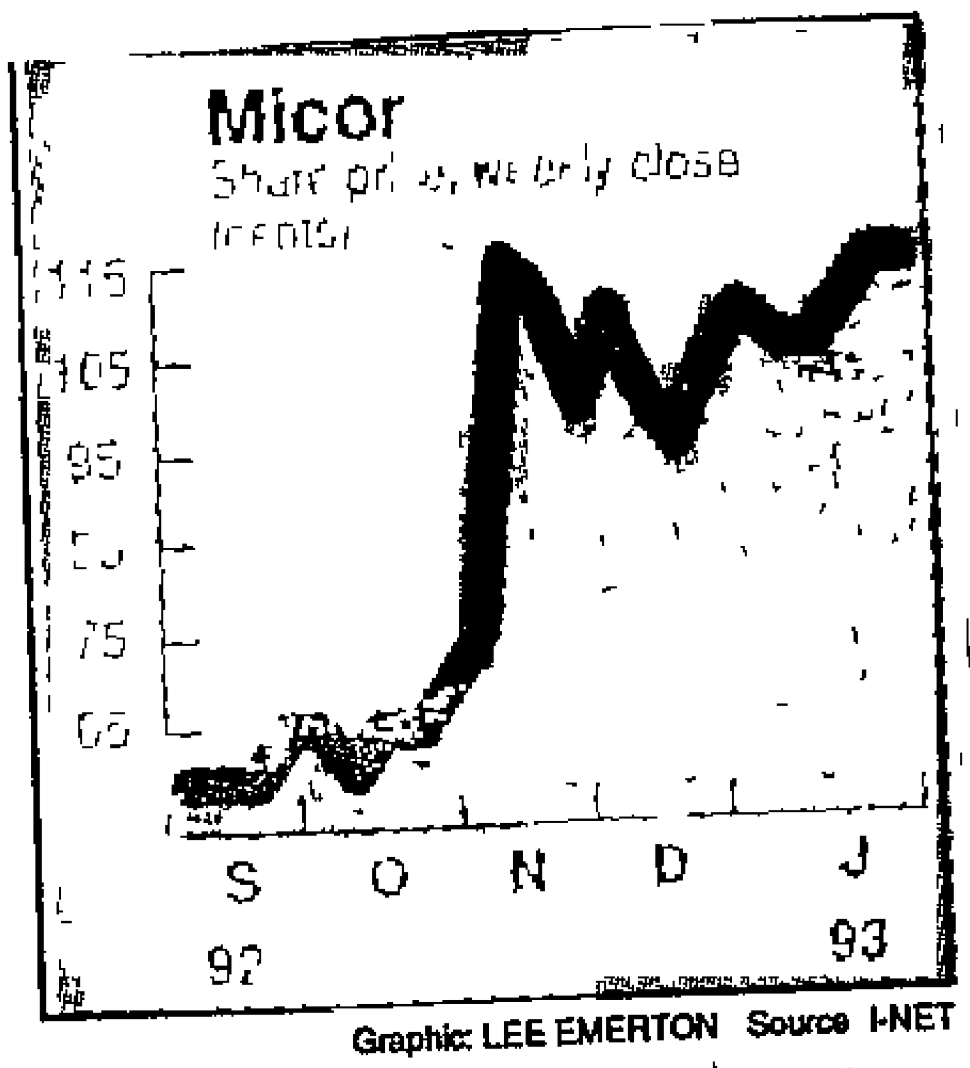
Companie... aving implemented adeq... skills training and/or a... amme s included H... and Murray & Roberts

Safren, through Rennies, was found to have implemented good labour relations practices and paid fair wages Its indirect holding in Sun Bophuthatswana "remains a problem and will be closely watched"

Stanbic, Malbak, LTA and Delta Electrical were all approved on the basis of enlightened labour practices and fair wages City Lodge, too, was said to pay wages above the industry average, and its expansion programmes which would lead to job creation also found favour.

Foodcorp was approved on the basis of its attempts to iron out "uneven" employment practices and its socially responsible shop floor policies.

Picture: Page 3



Graphic: LEE EMERTON Source I-NET

Increase in bid for Micor assets

PETER GALLI (232)

MICOR shareholders were pleasantly surprised yesterday when the consortium bidding for the company's underlying assets upped its offer by more than 50% to R23,15m, or 140c a share.

The final offer is about R8m up on its initial offer of R15m or 90,7c a share and followed a threat by minority shareholders, believed to be Allan Gray Investments and Sechold, to interdict the sale.

The bidding Hackenhoff consortium is headed by Micor chairman Cecil Kaplan and his son Mark. The Kaplans hold a 45% interest in Micor and a 60% interest in the consortium. B/Dm 28/1/93.

An early morning general meeting yesterday was postponed to let the parties discuss the proposed interdict and the consortium's offer However, at this stage chairman Cecil Kaplan said a R20m counter-offer had already been received from minority shareholder Sechold.

The consortium rejected the earlier offer, but in turn increased its bid to R20,6m or 125c a share When the meeting resumed in the afternoon, Kaplan said a counter offer had been made for R23,15m or R1,40 a share This was also rejected but matched by the consortium.

"As a result of this, agreement was reached by the substantial minority share-

☐ To Page 2

Micor

B/Dm 28/1/93. (232) ☐ From Page 1

holders to accept the Hackenhoff offer. The resolutions were eventually approved by 97,7% of the shareholdings represented at the meeting or by 90,7% of all shareholdings," Kaplan said.

Minority shareholders have been concerned that Micor directors were "both the buyer and the seller" and that the initial offer price of R15m was well below the net asset value of 200c a share They said the offer was "neither fair nor equitable"

Minority shareholders retain the right to buy back 130 Micor Industrial (Micind) shares for every 100 Micor shares held at 20c a share Micor holds 92% of Micind

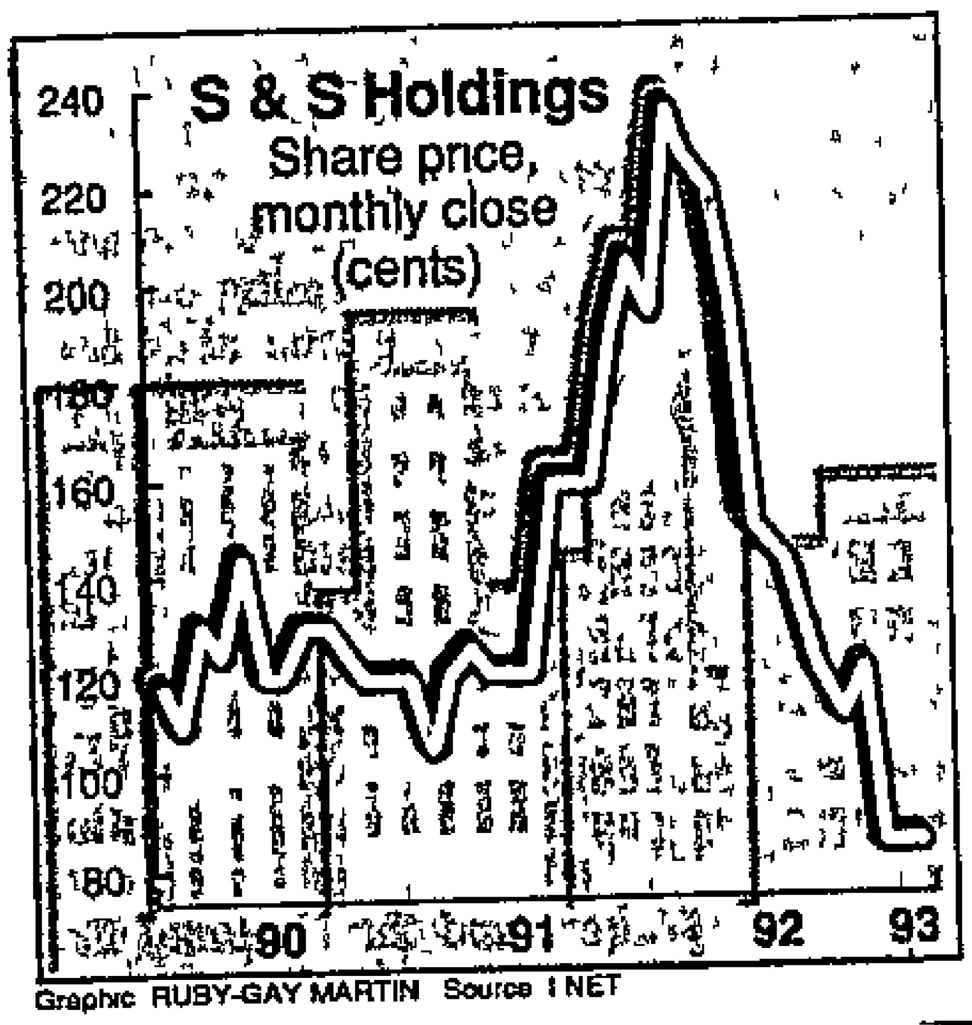
Micor shares were suspended yesterday at 115c — 25c lower than the final offer price. Trading will recommence today.

Stocks' earnings halved

232

29/1/93

EDWARD WEST



Graphic RUBY-GAY MARTIN Source I-NET

CONSTRUCTION pyramid Stocks & Stocks Holdings' (SSH) earnings a share fell by more than half to 8c in the six months to end-October 1992 from 19c in the same period in 1991.

The first results to be published following the restructuring and listing of pyramid SSH in December show the interim dividend lower at 2,5c from 5c. This would have been equivalent to 3,8c if the restructuring had not taken place.

The financial statements reflected the results of total group operations, 65% of which accrued to SSH.

The differences between the results of

☐ To Page 2

Stocks & Stocks

232 ☐ From Page 1

SSH compared with Stocks & Stocks Ltd related to the relationship between own shareholders' funds and outside shareholders' funds. Comparisons with Stocks & Stocks Ltd were inappropriate

Directors said the group had a good six months in spite of turbulent conditions and the 27% drop in turnover to R613,2m from R839,6m. Operating profit was 24,7% lower at R19,6m from R26m, reflecting slight improved operating margins.

The group entered the new year with an order book of R1bn with the Sandton Square and Portswood Ridge Projects providing replacement work for the completed Lost City project. Turnover in the year to end-April 1991 was R1,4bn.

The group was consolidating and rationalising operations to avoid duplication of services and to move out of areas of poor opportunity and performance. International activities were also being curtailed and rationalised. *B/Day 29/1/93*

Home building and construction of services sites order books were also healthy. An investment analyst said the group specialised in hotel construction and would benefit from improved tourism which would stimulate hotel construction.

With the group's shareholding restructured and a pyramid formed, the control of the group by management and employees had been entrenched.

Gencor's unbundling

GENCOR's unbundling remains a distinct possibility, Gencor Beherend chairman Marinus Daling says in the group's annual report But Gencor has deferred a decision as it has to overcome fiscal problems to complete the process at an acceptable cost to shareholders. (232)

"The Gencor Beherend board will consider the matter in the light of the Gencor board's eventual decision, the timing of which is not possible at this stage," Daling says S/Times (Bus S)

31/1/93

Establishing or buying into a worth of turnover to the joyed a 10% operating mar- even more. Every newly products or the markets tor Bill McConnell points out that R9-million has bought eight times earnings It should not take that long for

MICOR'S MINORITY GETS AN EXTRA 50c

MICOR'S minority have no choice but to accept the 140c cash proceeds from the liquidation of their company, but they can elect or decline to follow their rights in Micind at 20c a share

The offer might have been included as a sweetener — but if shareholders had been relying on receiving the proceeds of the liquidation of Micor to follow their rights they might have been hard-pressed — cheques were to be posted only two days before the closing date of the Micind offer

Former director Mick Delahunt, who resigned in protest at the Hackenhoff consortium's first offer for the company, raised several issues at the meeting which the chairman would not discuss

Mr Delahunt queried whether the forwarding revenues of the freight companies would be accounted in Micind or whether they would now be accounted in Hackenhoff — at the expense of Micind minorities When Micor owned Micind it was almost academic where the entries were made, but with Hackenhoff now in private hands, Mr Delahunt raised a point how will anybody — particularly Micind's minority — know?

He also raised the issue of guarantees, which the Micor directors used as one of the reasons for stripping the assets out of Micor They claimed that Micor was no longer able to stand R60-million in guarantees, three-quarters of which are for Micind, but that Hackenhoff would assume the guarantees

An assumption is not good enough for Mr Delahunt, he believes guarantee contracts should be drawn up because Micind's minority is now relying on fellow shareholders to furnish guarantees but who are under no obligation.

Mr Delahunt said that Mr Kaplan had obstructed his making of an offer for the offshore assets of Micor by not giving him information regarding the asset value of same assets

Mr Delahunt said that the Kaplans, as shareholders, can act as they like, but as directors of the company they had to act in its best interests. This, he maintained, they had not done by denying him the information necessary to make an unconditional offer better than the one they, as the Hackenhoff consortium, had made

He said he learned of his dismissal from Micor from an offshore officer of the group who said he had been told by Mr Kaplan that Mr Delahunt had "sided with asset strippers who had been around for all of last year They just want to take cash out. We've cooked up a scheme to push these people out of the frame and staff can keep their jobs"

In the light of this statement, Mr Delahunt queries the true motive for Hackenhoff's bid, as opposed to the reasons given in the offer document.

The matter of a property in Plettenberg Bay for which Micor paid R125 000 ten years ago was raised Mr Delahunt said it would now be sold at book value to Micind, since its main use was for Micind staff and clients

It's going into the Hackenhoff consortium at a substantial discount (in line with the other assets of the section 228 takeout) meant that Hackenhoff could sell it for about R500 000 profit instead of it being passed on for the benefit of Micind members

Mr Delahunt was denied the opportunity to question auditor Kessel Feinstein on the fair and reasonable statement because Zell Rangecroft, who prepared the papers, did not attend the adjourned meeting and Mr Kaplan would not allow questions to be directed to another partner of the auditing firm

Mr Delahunt wondered how independent Kessel Feinstein could be when it is the auditor of Micor, of Hackenhoff (it furnished it as a dormant vehicle through which the Kaplans could make an offer for Micor's assets), and introduced various of its clients, including Gordon Frew, into the Hackenhoff consortium

For his trouble, and 14 years service to Micor — many as deputy chairman, Mr Delahunt now finds himself out of a job He had until Wednesday's meeting hoped that he could buy Micor's offshore assets, having arranged funding and intending to invite Micor's minority to stay aboard

Mr Delahunt's efforts and protests secured an extra 50c or 56% a share for Micor's members Jack Mitchell, representing Allan Grey Investment Counsel and other minorities, paid tribute to Mr Delahunt's courage, a sentiment echoed by all but Micor's controllers

ST Times (Buss) 3/1/93 (232)

Adjournments end in agreement

THE Micor story came to an abrupt and largely satisfactory end on Wednesday after two adjournments to the proceedings.

The upshot — minorities will get an extra 50c a share after the Hackenhoff consortium was obliged to match that level.

Hackenhoff represents the interests of the Kaplan family, the Kaplans being directors and substantial shareholders of Micor. As directors, they were obliged to accept the best offer or be accused of being in breach of fiduciary duty to shareholders.

The first meeting to discuss the proposals to sell Micor's assets to Hackenhoff was adjourned because various parties requested time in which to make a counter offer.

The reconvened meeting was adjourned for four hours after chairman Cecil Kaplan told shareholders of several events, not least of which was an interdict brought against Micor to prevent it disposing of its assets.

The other news was that another offer had been received, equivalent to R20-million or R1,20 a share — R5-million more than Hackenhoff's first offer.

Hackenhoff was obliged to offer nominally more than this — its second bid was at 125c.

When the meeting reassembled, Mr Kaplan announced that an agreement had been reached. A further offer of R23 148 300 had been received which the directors had not accepted but which the Hackenhoff consortium matched. This offer was accepted by the directors.

Furthermore, 97,7% of members had signalled their intention to vote in favour of the amended offer and even without the Kaplan vote, 93,6% of the rest of the shareholders intended to vote in favour.

The further offer to Micor members, that they subscribe for 130 Micind shares for every 100 Micor at a price of 20c, still stands.

Top finance men for SA

BIDAY 1/2/93

MERVYN HARRIS

TOP financial policymakers from southern Africa will be in SA for the first time next week to attend a Johannesburg conference

The officials will speak at the 16th annual investment conference of stockbrokers Frankel, Max Pollak, Vinderine, at the Carlton Hotel on February 16 (232)

They are African Development Bank vice-president Cote D'Ivoire Tekalign Gedamu, Botswana Finance Minister Festus Mogae, Lesotho Central Bank governor Anthony Maruping, Malawi Reserve Bank acting governor Francis Pelekamoyo, Mozambique Commerce Minister Daniel Tembe, senior economic advisor to the Zambian ministry of finance Jacob Mwanza, Namibian Finance Minister Gert Hanekom and Zimbabwe Investment Centre director Nicolas Ncube

Their talks will be on investment opportunities in subSaharan Africa and they are expected to hold informal discussions with Finance Minister Derek Keys and Reserve Bank Governor Chris Stals.

R63m target for Higate rights offer

(232)

B/DAY 11/2/93

DUMA GQUBULE

HIGATE Property Fund hopes to raise R63m from its rights offer, the terms of which were disclosed today.

The offer is to be pitched at 680c a unit. The units were well bid at their year's peak of 730c on the JSE on Friday.

Higate earlier this month said the proceeds of the funds would be used to acquire and develop new properties and upgrade existing ones. Most of the proceeds from the rights offer would be invested in new properties and the rest held to take advantage of future property investments.

The fund, which is administered by Russell Marriot and Boyd Trust, will issue nearly 9,3-million new shares at a ratio of 30 rights units for every 100 units held.

A statement published today said Higate expected a distribution of 12,25c for the period from 6 March to 30 April, resulting in a total distribution of 81,25c for the year to end-April. This represented a yield of 11,95% on the rights offer of 680c a unit.

Higate was also expecting a distribution of not less than 83,75c for the year to end-April 1994, representing a yield of 12,32% on the offer price.

In its earlier statement Higate said it would pay unit holders registered on February 5 an interim distribution of 29c a unit for the five months from November, and another for the year to end-April.

Gencor unbundling is still on the cards

Bloom. 1/2/93. 232

JONO WATERS

THE unbundling of Gencor remained a distinct possibility, Gencor Beherend chairman Marinus Daling said in the company's annual report for the year ended August 31 1992.

But, Gencor had deferred a decision on the matter as it had to overcome fiscal problems to complete the process at an acceptable cost to shareholders, he said

"The Gencor Beherend board will consider the matter in the light of the Gencor board's eventual decision, the timing of which is not possible to indicate at this stage"

Gencor Beherend's only investment is a 54,8% stake in Gencor The Sanlam group has a 54% interest in Gencor Beherend and the Rembrandt group holds 25%.

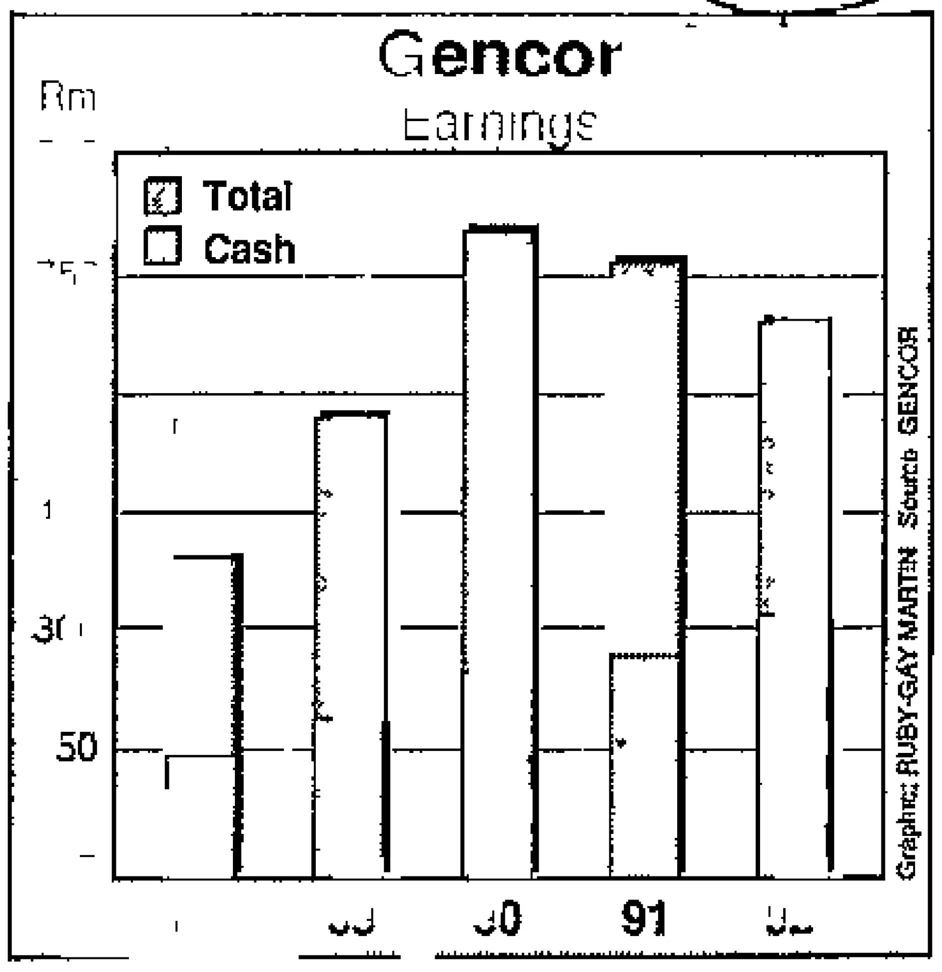
Weakness of major world economies resulted in weak demand for Gencor's export products in the past financial year International commodity prices came under severe pressure and with few exceptions average export prices were down on previous years, he said

"Limited weakness in the rand/dollar rate provided some relief, but not enough to counter the effects of a stubbornly high rate of domestic inflation."

Trading conditions in the domestic market were difficult as a result of the recession and were aggravated by the drought and political uncertainty But Gencor divisions were well positioned to benefit from the next upturn, by advancing or completing major projects and important strategic acquisitions

Daling said the current year would be difficult for Gencor as the economy was not expected to improve and earnings were likely to be lower But, Gencor's businesses were healthy and investments made over the past year provided the group with a sound platform for the future

At the end of the financial year, Gencor had R2,4bn in liquid financial resources for investment in growth projects, he said



JSE acts on reporting requirements pledge

BDay 1/2/93

DUMA GQUBULE

THE JSE on Friday acted on its pledge to tighten up reporting requirements, terminating the listing of one company and suspending two others

The listing of Hyperette Stores' ordinary shares was terminated at the close of trade on Friday because of the lack of published financial information from the company, a statement said

The listing of Choice Holdings was suspended today after the company failed to submit satisfactory documentation with regard to its restructuring, it said

Troubled mining group Foston's JSE listing was also suspended today after the company failed to submit its financial statements in time

(232)

The JSE earlier this month tightened up its reporting requirements, threatening nine companies with suspension or termination of their listings if their statements were not submitted by the end of January

Foston has not submitted any financial statements since it was listed in August 1990 In a statement published today Foston said every effort was being made to complete the audit and publish the statements as soon as possible

JSE executive president Roy Andersen said yesterday it was important for the maintenance of a well-structured market that companies reported timeously.

A special meeting of the general committee of the JSE would be held tomorrow to consider the continued suspension or termination of the listings of Foston and Choice Holdings, he said

Quagga Holdings just made the JSE's deadline, publishing its interim results today It reported a loss before extraordinary items of R215 000 on a turnover of R440 000

The group realised R738 000 from the sale of certain assets and wrote off R367 000 for stock theft, resulting in a profit after extraordinary items of R156 000

Star 11/2/93

Micor minorities triumph

By Marc Hasenfuss (232)

Minority shareholders celebrated a rare victory at a special general meeting of industrial holding Micor.

A drama-filled meeting saw a threatened imminent interdict, an increase in the offer to minorities effectively to 121c share, an increased buyout offer to minorities by the Kaplan family consortium to 125c and the eventual withdrawal of the interdict threat.

The meeting, which was adjourned and reconvened twice, reached fever pitch when shareholders were asked to wait for the arrival of an important fax

It was worth the wait as the fax disclosed that controlling and major minority shareholders had agreed to a buy/sell price for Micor's assets

This effectively gave minorities a more satisfying 140c a share

The Kaplan consortium's original buyout offer was a lowly 90c a share

The increased offer saw an R8 million increase to R23 million for the sale of Micor's assets

Shareholders' Association chairman Issy Goldberg — who attended the meeting in Johannesburg — heralded the increased offer as a "signal victory" almost without precedent.

He attributed the minorities' success in opposing the unreasonable Section 228 of the Company Act incorporating the expropriation of assets to intense Shareholders' Association pressure, incisive media criticism and powerful institutional opposition.

Market talk is that Micor's "undisclosed" overseas operations (mainly finance and bulk travel in the UK and US) are increasingly profitable and were the chief attraction for interested institutions like Sechold

Goldberg pointed out that Micor minorities could also opt for 130 Micor Industries (Micind) shares for every 100 Micor shares held at an attractive price of 20c each

'SABC unfair' claim probed

CT 1/2/93 232

PRETORIA — Complaints that the SABC is engaging in unfair competition at the expense of independent local producers are being investigated by the Competition Board.

Competition Board chairman Mr Pierre Brooks said discussions between the SABC, some of the complainants and the board were taking place.

"We are looking into allegations of unfair competition by the SABC, but at this stage we have not formulated any ideas," he said.

A report on the matter would be passed on to Public Enterprises Minister Dr Dawie de Villiers "in the foreseeable future".

"The complaints have been that the SABC is doing work which the private sector should be doing," Mr Brooks said.

An SABC spokesman confirmed that general discussions with the board had taken place, but no specific matters had been considered. The SABC was unaware of any major complaints submitted to the Competitions Board.

- The Campaign for Independent Broadcasting (CIB) is to approach President F W de Klerk and demand that he take over the deliberations on the appointment of a new SABC board.
- Professor Christo Viljoen has told the council of the University of Stellenbosch that he will relinquish his post as Chairman of the Board of the SABC at the end of March this year, according to a university statement released at the weekend. — Sapa

Unbundling of Gencor on the cards

CT 1/2/93

(232)

Own Correspondent

JOHANNESBURG — The unbundling of Gencor remained a distinct possibility, Gencor Beherend chairman Marinus Daling said in the company's annual report for the year ended August 31, 1992

But, Gencor had deferred a decision as it had to overcome fiscal problems to complete the process at an acceptable cost to shareholders, he said

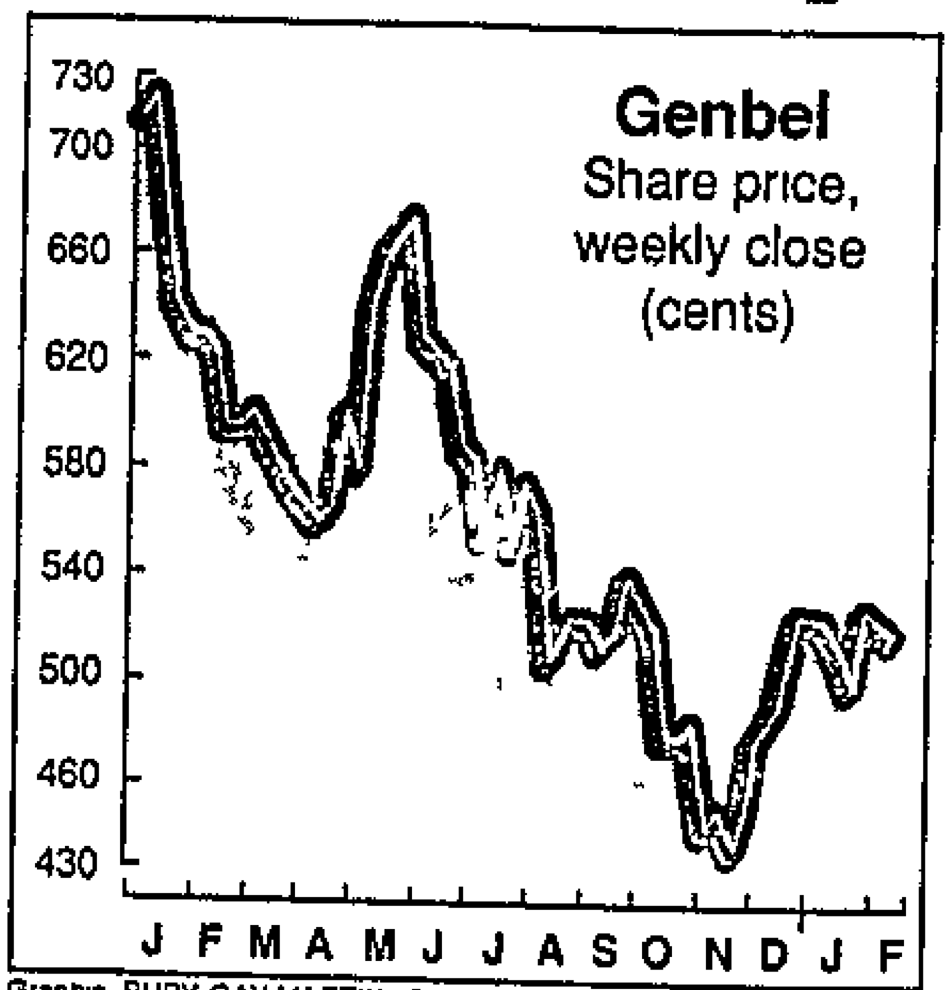
"The Gencor Beherend board will consider the matter in the light of the Gencor board's decision"

Gencor Beherend's only investment is a 54,8% stake in Gencor The Sanlam group has a 54% interest in Gencor Beherend and the Rembrandt group holds 25%

Genbel pins hopes on world markets

B|DA 2|2|93

JONO WATERS



Graphic RUBY GAY MARTIN Source I NET

GENBEL, Gencor's investment arm, reported a 2,4% earnings increase to 19,5c a share, but its dividend remained unchanged at 15c a share for the six months ended December 31. (232)

Distributable earnings rose to R84m from R82m in the comparable period in 1991 However, the group's net asset-value fell to 591c (693c) a share

MD Anton Botha said that although inflation outpaced growth in earnings, any reasonable upturn in international economies and commodity markets would improve Genbel's earnings growth potential.

Genbel increased its share portfolio in

☐ To Page 2

Genbel

B|DM 2|2|93 (232)

☐ From Page 1

gold, buying shares in Kloof and Southvaal and increasing its interests in Kinross, Unisel and Winkelhaak.

"The decision to increase our gold holdings reflects our belief that we are close to the bottom of the current gold price cycle Forward dividend yields are also attractive," Botha said.

The group had purchased 598 000 shares in the R6,5bn Alusaf project at a cost of about R100m

While Genbel disposed of 74 600 Engen shares, Engen remained the group's largest investment, making up 17,3% of the value of Genbel's total investments of R2,56bn The group also sold 750 000 Malhold shares Genbel's other major investments remained unchanged, but dropped in value compared with June 30 1992

Trans-Atlantic was still Genbel's second-largest investment at R347m (R371m), Genbeheer third at R295m (R363m), Impala was valued fourth at R264m (R354m) and Sappi fifth at R231m (R311m)

Botha remained cautious on Genbel's prospects for the next six months. Without an improvement in commodity sales volumes and prices, Genbel would be hard pushed to show anything more than a "token improvement" in earnings

"The recent strength in the dollar has helped to raise export revenues in rand terms but commodity markets are still depressed," he said.

Genbel's wholly owned short-term trading company Unisen Investments paid an unchanged dividend of R15m for the period. Total dividends of at least R25m were expected for the full year.

Star 2/2/93

Genbel maintains dividend

By Derek Tommey 232

Results from Genbel Investments, the investment management arm of the Gencor Group, for the six months to December are probably a little better than the market had been expecting.

Despite its large investments in recession-hit resources, Genbel has reported earnings of R84 million for the six-month period, up R2 million from a year ago.

An unchanged interim dividend of 15c has been declared.

Genbel is continuing with its policy of confining investments to a small number of shares.

At December 31, some 88,1 percent of its assets, amounting to R2,25 billion, were invested in 10 companies

These companies, and the percentage of Genbel's funds in each of them, were: Engen (17,3 percent), TransAtlantic (13,6 percent), Genbeheer (11,5 percent), Impala (10,3 percent).

Sappi (9 percent), Oryx, including a loan (6,7 percent), De Beers (6,1 percent), Kinross/Winkelhaak (5 percent), Samancor (4,4 percent) and Unisan, the short- and medium-term trading subsidiary (4,2 percent).

However, one aspect of Genbel's investment policy, which should attract some interest, is that it has begun re-investing on a small scale in gold shares

In 1987, gold shares made up 60 percent of Genbel's portfolio, but most were subsequently sold

Now, as a result of limited buying, they make up about 15 percent of the company's assets.

"The decision to increase our gold holdings reflects our belief that we are close to the bottom of the current gold cycle," says MD Anton Botha

COMPANIES

JSE axe looms over Smaldeel Coal

ANDREW KRUMM

SMALDEEL Coal Ltd's JSE listing was under threat of suspension and termination as the company had failed to submit its annual financial statements within six months of year-end, the JSE warned in a statement yesterday 0232

Should Smaldeel not submit its results by the end of February its listing would be suspended and could be terminated by a special meeting of the JSE general committee.

B/DAY 3/2/93.

Meanwhile, the JSE committee yesterday resolved that Digoco Mining Ltd and Foston Ltd's listings would be terminated unless financial statements were made available. Digoco had until February 26 to comply, while Foston had until March 26, the committee said

JSE executive president Roy Andersen said a campaign warning companies that their listings could be suspended or terminated due to late publication of results had had "impressive" response.

Of 31 cautionary letters issued, 29 reports had been received.

The listings of 10 companies had been annotated on JSE prices boards as being under threat, yet only Foston and Digoco had been suspended, he said

Andersen thanked the companies for their co-operation

W&A rights offers to raise R500m

BDay 3/2/93 (232)

W & A companies are to raise at least R500m in rights offers which will see underwriter Trencor assume joint control of the group.

MARCIA KLEIN

Manufacturing and transport group Trencor and the W & A group said in a joint statement yesterday Trencor would invest about R350m by underwriting the offers and taking up the rights renounced in its favour by the W & A group.

This would result in Trencor and a consortium led by W & A executive chairman and current controlling shareholder Jeff Liebesman taking joint control of the group at board and executive levels and "would include the appointment of a joint executive chairman to W & A by Trencor".

FS Group, FSI Corporation, Waicor and W & A would raise more than R500m. Trencor's investment would be based on the price of the ordinary shares issued in terms of the W & A rights offer, expected to be 175c per new W & A ordinary share

Yesterday W & A shares surged 50c or 27,7% to close at 230c after a joint cautionary announcement was placed on the JSE board earlier in the morning. Waicor rose 20c or 25% to 100c, FSI 10c or 5% to 210c, and FS Group 10c or 6% to 175c

The offer prices for Waicor, FSI and FS Group would be calculated in relation to W & A's offer price

The proceeds of the offers would form part of a recapitalisation of W & A. Liebesman said they would be used to redeem debt and would have a significant effect on the group's gearing and debt cover.

This would position the group to grow its core businesses, while it would continue to dispose of its non-core assets.

Trencor executive chairman Neil Jowell said the deal was an excellent investment opportunity for Trencor. He said once W &A became more focused and reduced its debt burden, the core companies had excellent potential for growth.

Liebesman said the partnership with Trencor would create business opportunities, particularly in export-related and international fields.

Privatisation 'not stalled'

BIDAY 4/2/93 GERALD REILLY

PRETORIA — Investigations into the commercialisation of state airports and air traffic control functions had been completed, the Office for Public Enterprises and Enabling Legislation CE Jasper Nieuwoudt said yesterday.

Enabling legislation would be submitted to Parliament soon.

Currently being commercialised were bodies such as Transnet, Posts and Telecommunications, Abacor, Alexcor and the state's commercial forestry functions, he said. (232)

Nieuwoudt denied the privatisation programme, part of government's overall economic restructuring strategy, had stalled.

A mass of preparatory work and interim measures were needed to give government and future shareholderes a clear picture of the business record and performance of public enterprises.

He said the crux of the matter was that public instittutions had to be transformed into businesses before any major decision on privatisation could be taken.

Nieuwoudt added political groupings, the business sector, employees and all other interested parties concerned about the way the restructuring policy was executed could rest assured only appropriate public utilities and services would be considered for privatisation.

Liquidations surge as recession bites

GERALD REILLY 232

PRETORIA — SA's depressed business sector was clearly reflected in the dramatic increase in the number of liquidation casualties last year, economists said yesterday BDM 4/2/93

Central Statistical Service figures show that last year 2 408 companies and close corporations were finally liquidated — an increase of 28% compared with 1991

Hardest hit were the wholesale and retail trade and accommodation and catering services, where the number of liquidations increased to 942 from 688 In financing, insurance, real estate and business services the number rose to 595 from 536, and in manufacturing to 432 from 291

In the construction industry liquidations totalled 272, compared with 214 in 1991, and in agriculture, forestry, hunting and fishery the number increased to 52 from 42. Liquidations in the last quarter increased by 33,3% to 621 compared with 1991 Compared with the second quarter last year the increase was 8,2%.

CSS said insolvencies of private people, individuals and partnerships in the first 11 months of last year totalled 4 303, an increase of more than 13% compared with January-November 1991

Stellenbosch Bureau for Economic Research economist Nic de Jager said the figures confirmed the recession had deepened markedly in the second half

Reasons for the big increase in liquidations included the rising interest burden of many companies, growing unemployment and a general decline in consumer buying power, underpinned by political and economic uncertainty.

He said all indicators pointed to a tough year ahead

Deal announcement boosts W&A shares

(232)

BIDAY 4/2/93

MARCIA KLEIN

THE market reacted with enthusiasm to the W & A and Trencor deal, pushing W & A's share up 70c or 30,4% to close yesterday at 300c

Other shares in the stable added to the the gains made on the previous day when the two groups placed a cautionary announcement on the JSE

Waicor rose 20c or 20% to 120c and FSI 45c or 19,5% to 275c, while FS Group rose 25c to touch a new high of 200c

Analysts said yesterdaythe market was reacting to expectations that the deal — where W & A group companies would raise at least R500m in rights issues which would see Trencor gain joint control of the group — would boost W & A's credibility, bring its debt down significantly and introduce Trencor management.

A source said yesterday there could be further deals in the offing as part of W & A's debt reduction

There was speculation on the market of another disposal which could raise R250m, but analysts doubted W & A would sell a core asset.

W & A had said that it would continue to focus the group and dispose of non-core assets In the longer term, the consumer side of the business could be hived off, analysts said. However, W & A would not be keen to sell furniture retailer JD Group

Non-core interests include companies like Metrotoy, Sembel-It and Milstan

Analysts were expecting a decline in earnings in the year to end-December. In the short term, the increase in shares following the W & A group's rights offers would have severe effect in terms of diluting earnings But, they said the deal was positive for W & A's medium to longer term prospects

Although it seemed W & A had more to gain, Trencor would gain joint control at a fair price

There were also some synergies for both groups in the motor industry and in export markets, in which they were both involved, analysts said

Trencor, which would invest R350m, closed unchanged at R190 Mobile eased 50c to R50

Star 4/2/93

R12,6-bn in new capital raised on JSE

232

By Stephen Cranston

More than R12,6 billion in new capital was raised on the JSE in 1992, according to the JSE Monthly Bulletin for December.

This was R3,1 billion more than in 1991.

The biggest increase was in bonus shares instead of cash dividends. Companies raised R1,39 billion in this way (R174 million in 1991).

Capital raised by the financial sector more than doubled from R2,14 billion to R4,74 billion. Highlights here included the R545 million issue by FNB in March and a R648 million issue by Stanbic in December.

Capital raised by industrials was little changed at R6,601 billion (R6,567 billion in 1991).

Big issues included a R254 million offer by M-Net in January, a R387 million issue by Tiger Oats in February and the R1,043 billion Sasol issue in March.

Pyramid

The biggest one of the year was the R2 billion issue by Gencor in February and the accompanying R1,145 billion issue by pyramid Gencor Beherend.

Sadly, there was little money raised for smaller players. No capital was raised on the Venture Capital Market and just R3 million on the Development Capital Market (R39,6 million in 1991).

Six companies left the boards as a result of liquidation — Kemtrade, Europa Acceptances, Barbrook Mines, Modder B Gold Holdings, Leegall Clothing and Transvaal Clothing Industry.

Most of the new listings were by conglomerates, such as those of Barlow Rand subsidiaries Persetech, CG Smith Sugar and Langeberg Holdings.

Exceptions were RMB Holdings and Venter Leisure & Commercial Vehicles, both controlled by the directors, and City Lodge, controlled by founder Hans Enderle and the Mines Pension Fund.

The total turnover on the market was down. Annual liquidity fell from 4,82 percent to 4,76 percent of market capitalisation.

About R22,13 billion worth of shares changed hands, of which more than 10 percent was accounted for by De Beers.

The total number of deals fell from 557 759 to 462 472.

(b) who have furnished the information referred to in paragraph (b) of the said Government Notice in full,

in so far as such subscription and information relate to the granting of indemnity in terms of the said Government Notice to each such person in respect of any act referred to in paragraph (c) of the said Government Notice A list of the specific acts in respect of which indemnity has been acquired by each such person is available for inspection at the Office of the Director-General Justice.

(b) wat die inligting bedoel in paragraaf (b) van genoemde Goewermentskennisgewing volledig verstrek het,

vir sover sodanige onderskrywing en inligting betrekking het op die verlening van vrywaring ooreenkomstig genoemde Goewermentskennisgewing aan elke sodanige persoon ten opsigte van enige handeling bedoel in paragraaf (c) van genoemde Goewermentskennisgewing. 'n Lys van die spesifieke handelinge ten opsigte waarvan vrywaring deur elke sodanige persoon verwerf is, is vir inspeksie beskikbaar in die Kantoor van die Direkteur-generaal· Justisie

SCHEDULE • BYLAE

Surname Van	Full christian names Volle voorname	Date of birth Geboortedatum
Maxazi	Maxwell Gugulethu	1967-07-19
Mofokeng	Johannes Molatoli	1957-10-15
Radebe	Moeketsi Jan	1967-03-23
Seagodimo	Thomas Mabuwa	1966-04-03
Ximba	Thulani Douglas	1969-07-05

(5 February 1993)/(5 Februarie 1993)

NOTICE 110 OF 1993

FINANCIAL SERVICES BOARD

THE JOHANNESBURG STOCK EXCHANGE

NOTICE REGARDING AMENDMENT OF RULES

232

1. In terms of section 12 (6) of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), it is hereby notified that the Johannesburg Stock Exchange has applied to the Registrar of Stock Exchanges for approval to make amendments to its rules, as set forth in the Schedule hereto

2. In terms of section 12 (7) of the said Act all interested persons (other than members of the Stock Exchange) who have any objections to the proposed amendments are hereby called upon to lodge their objections with the Registrar of Stock Exchanges, Private Bag X238, Pretoria, 0001, within a period of **30 days** from date of this notice

KENNISGEWING 110 VAN 1993

RAAD OP FINANSIËLE DIENSTE

DIE JOHANNESBURGSE EFFEKTEBEURS

KENNISGEWING BETREFFENDE WYSIGING VAN REELS

1 Ingevolge artikel 12 (6) van die Wet op Beheer van Effektebeurse, 1985 (Wet No 1 van 1985), word hierby bekendgemaak dat die Johannesburgse Effektebeurs by die Registrateur van Effektebeurse aansoek gedoen het om goedkeuring om sy reels te wysig, soos in die Bylae hiervan uiteengesit

2. Ingevolge artikel 12 (7) van genoemde Wet word alle belanghebbendes (uitgesonderd lede van die Effektebeurs) wat beswaar het teen die voorgestelde wysigings, hierby versoek om hul besware binne 'n tydperk van **30 dae** vanaf die datum van hierdie kennisgewing by die Registrateur van Effektebeurse, Privaatsak X238, Pretoria, 0001, in te dien

SCHEDULE

GENERAL EXPLANATORY NOTES

1. Words in square brackets ([ ]) indicate omissions from existing rules
2. Words underlined with solid line (——) indicate insertions in existing rules

PROPOSED AMENDMENT TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 5.210

Trading Procedures—Special bargains.

5 210 5.210 4 In special circumstances <u>considered to be exceptional where a broking firm acts on behalf of clients in a corporate restructure</u> <u>the President</u> [General Manager] may exempt a broking firm from the provisions of <u>5.210 5</u> and 5 210 6 <u>provided such approval is requested in writing and obtained prior to implementation of the deal</u> [if in the absence of such an exemption the deal would not be consummated]

GENBEL INVESTMENTS

FM 5/2/93

Contrary view

(232)

This is a tale of the theory of contrary expectations At a time when nearly all fund managers are putting as much space between their portfolios and gold shares as possible, the management of Genbel Investments have elected to increase their exposure

Genbel picked up shares in Kloof, Kinross, Southvaal, Unisel and Winkelhaak along with an easily explicable exposure in Alusaf By contrast, it got rid of shares in Engen and a colossal 750 000 shares in Malhold (which explains the higher surplus on realisation of investments of R27m (R6m)

This is totally contrary to market sentiment, which is that while gold shares have bottomed, fundamentals remain poor There is a recognition in the marketplace that gold sales by central banks have become a real possibility, nevertheless, the risk of wholesale dumping is heavily discounted Still, it all adds up to a major supply overhang

Genbel executive director Peter Cronshaw explains the company's move is related to its perceptions of gold share prices in general, these have underperformed and are now at levels which will yield historically high earnings and dividends

Having lightened its load in this sector ahead of the last downturn, Genbel has decided to get back into gold mines before other investors recognise the same fundamentals Cronshaw adds that Genbel's considered view, rather like Minorco's, is that the next cycle to catch will be in resource-orientated rather than industrial sectors

Meanwhile, the results for the six months to end-December show a mere 2% (11%) growth in distributable earnings and this, says Cronshaw, was almost entirely due to Genbel following rights in TransAtlantic and successful forward cover on TransAtlantic earnings These gains more than offset the reductions from Impala and Samancor Dividend income from its major income source, Unisen, was unchanged at R15m

Distributable earnings rose to R84m, from a comparable R82m in 1991 NAV fell to 591c from 693c a share With 58% of Genbel's portfolio in commodity or precious metal exporters and little chance of significant improvement in sales volumes and prices, Genbel is expected to do little more than maintain earnings For the year, manage-

continued

FOX FM 5/2/93 (232)

most forecasts at least R25m dividend income from Unisen and earnings in the region of R25m-R27m from TransAtlantic *Marylou Greig*

FM 5/2/93

SUPREME GROUP (232)

Sombre reading

FM 5/2/93.

True to their undertaking, the liquidators of debenture issuers Supreme Group have produced an interim report prepared with investigating accountant Peter Goldhawk Unhappily, the commendable speed of its production cannot disguise the sombre reading it contains for 7 000 investors, many of them pensioners

The nature and extent of the failure of the group, which now has an estimated total loss of R236m, has caused the liquidators to press for a Section 417 inquiry The liquidators say they will institute "the necessary actions against any parties who may be liable" provided the evidence supports it

Supreme managers raised R334m, most of which was contributed by debenture holders They bought 83% or R276m of debentures That is a considerable sum But it is how it was applied that will interest creditors most A total of R61,9m was devoted to investments, mainly in Supreme's listed companies, Supreme Industrial Holdings and, through it, in Protea Furnishers and Supreme Manufacturing Holdings

That leaves R272m to be accounted for and the liquidators' interim report says about R250m was devoted to loans — R44m to Profurn, R44m to other property and finance companies, R85m to a company called TV Life Fixed assets account for R925 000 and there are trading losses, most incurred in the last two years, of R21,7m

In a separate schedule, the liquidators estimate R170 000 can be recovered by the sale of fixed assets, R17m from investments in subsidiaries and associates and about R65m from loans made That adds up to about R82m, leaving a shortfall of liabilities over assets of R196m This calculation ignores the R40m loss suffered by holders of preference shares If included, the total loss suffered by investors other than ordinary shareholders escalates to R236m

Based on early estimates of what may be recovered, it appears unlikely that debenture holders should expect to recover much more than 25c-30c in the rand Nor should they hold out hopes of being paid even that amount soon. Indications are that it will not be until August that the first liquidation dividends may be paid The matter will certainly drag on well into 1994

Losses of this magnitude reach deep into the pockets of ordinary folk They were encouraged to make use of the debentures, as they were in Masterbond, because they presumed these were safe investments which yielded attractively high interest rates — as much as 26%.

It's not surprising many of them are angry One told the *FM* he is convinced the failure of Supreme is part of a complex criminal conspiracy Allegations of this kind frequently inspire nothing more than a healthy scepticism, on this occasion, there is sufficient to warrant a closer examination by Goldhawk He says "I've found nothing which specifically proves theft or fraud, but I have a long way to go" He has called for evidence which might throw some light on these claims

(232)

Debenture holders should note the difference between Supreme Holdings and Supreme Investment Holdings on one side and Supreme Manufacturing Holdings (SMH) and Protea Furnishers (Profurn) on the other The latter two are listed on the JSE and, while they received investments and loans from the Supreme Group, their businesses were run independently.

These two companies are of great importance to debenture holders, since their ability to continue trading profitably will significantly affect the amount of final payments. The liquidators have attempted to ensure trading operations continue unimpeded by entering into agreements with various parties These agreements are subject to approval by bondholders and the Supreme Court

The matter of the Supreme Group's auditors has also been highlighted by the liquidators The auditors were Geldenhuys & Maher That firm resigned in May 1992, though the last audit they completed for Supreme was for the year to December 1990 "We were asked to do so," says partner Kevin Maher "Supreme's directors indicated they wanted to rationalise the group's auditing arrangements"

Supreme then approached Kessel Feinstein, whose partner, Zel Rangecroft, told the *FM* his firm was asked to undertake audits for about 20 companies in the group "Since we were already auditors to Protea Furnishers and had been long before Supreme became involved, this seemed a reasonable request" Rangecroft points out, however, that the arrangement was never consummated "Our appointments were never formally lodged with the Registrar of Companies."

If the thought of a major borrower drifting about aimlessly for nearly nine months without an appointed auditor is enough to raise eyebrows, a casual attention to this column in the next few months will no doubt reveal more juicy details *David Gleason*

FSI/W&A/TRENCOR

FM 5/2/93 (232)

Safety by a breathtaking coup

In what can only be described as a coup of breathtaking proportions, W&A's Jeff Liebesman has secured an injection of R350m in fresh capital from JSE-listed star performer Trencor Announcing the deal as the *FM* went to press, Liebesman revealed that FS Group, FSI, Waicor and W&A are to hold rights offers to raise at least R500m

Trencor's investment will give it joint control of the recapitalised W&A group, with present controlling shareholder Jeff Liebesman Trencor and Liebesman are to share control at both board and executive levels That will include the appointment of a joint executive chairman by Trencor While Liebesman clearly knows who that will be, he declines to reveal the appointee's identity

In terms of the agreement between Trencor and W&A, Trencor will invest R350m by underwriting the rights offers and by taking up rights renounced in its favour by companies in the W&A group

Seen from W&A's viewpoint, the arrangement is nothing short of manna from heaven Hard pressed in terms of its gearing ratios, burdened with a huge load of interest commitments, and viewed with scepticism in the investment community, Liebesman has succeeded, in one astonishing blow, in restoring his asset-rich group to a modicum of financial respectability

"I would never have dreamt that Liebesman would persuade Trencor to invest in W&A," said one bemused analyst who confessed he found it difficult to understand what synergistic benefits could be in it for Trencor

The cash raised from the rights offers will be used, says Liebesman, largely to redeem debt It should reduce gearing, on a simple calculation of net debt to equity less intangibles (and they're big in this group) of a little more than 100% at the last year-end's balance sheet to about 55% The annual savings in interest at 16% will amount to about R80m Interest cover, based on 1991 earnings and reduced borrowings, rises to about four times These factors are of critical importance in evaluating the group

Despite strenuous efforts, it was not possible to get comment from Trencor chairman Neil Jowell, the *FM* understands he was conveniently incommunicado in an aircraft heading for Cape Town Nevertheless, Jowell says in the joint announcement that he regards W&A as an excellent investment opportunity And it certainly is interesting that Trencor has chosen to invest at a time when everyone else is playing possum

By the same token, the Trencor investment should be seen in the context of market capitalisation of about R3,3bn that puts the price of its stake in W&A at barely 10%, which tends to lend a more realistic dimension to the scheme

And Jowell has pulled off what appears at first glance to be a reasonable deal for Trencor he has secured entry at R1,75, a discount of about 25% to the last market price. In 1990 this stock stood at a high of about R9 It may be that Jowell has seen an opportunity which the market as a whole has missed — and that, of course, is what entrepreneurs are all about

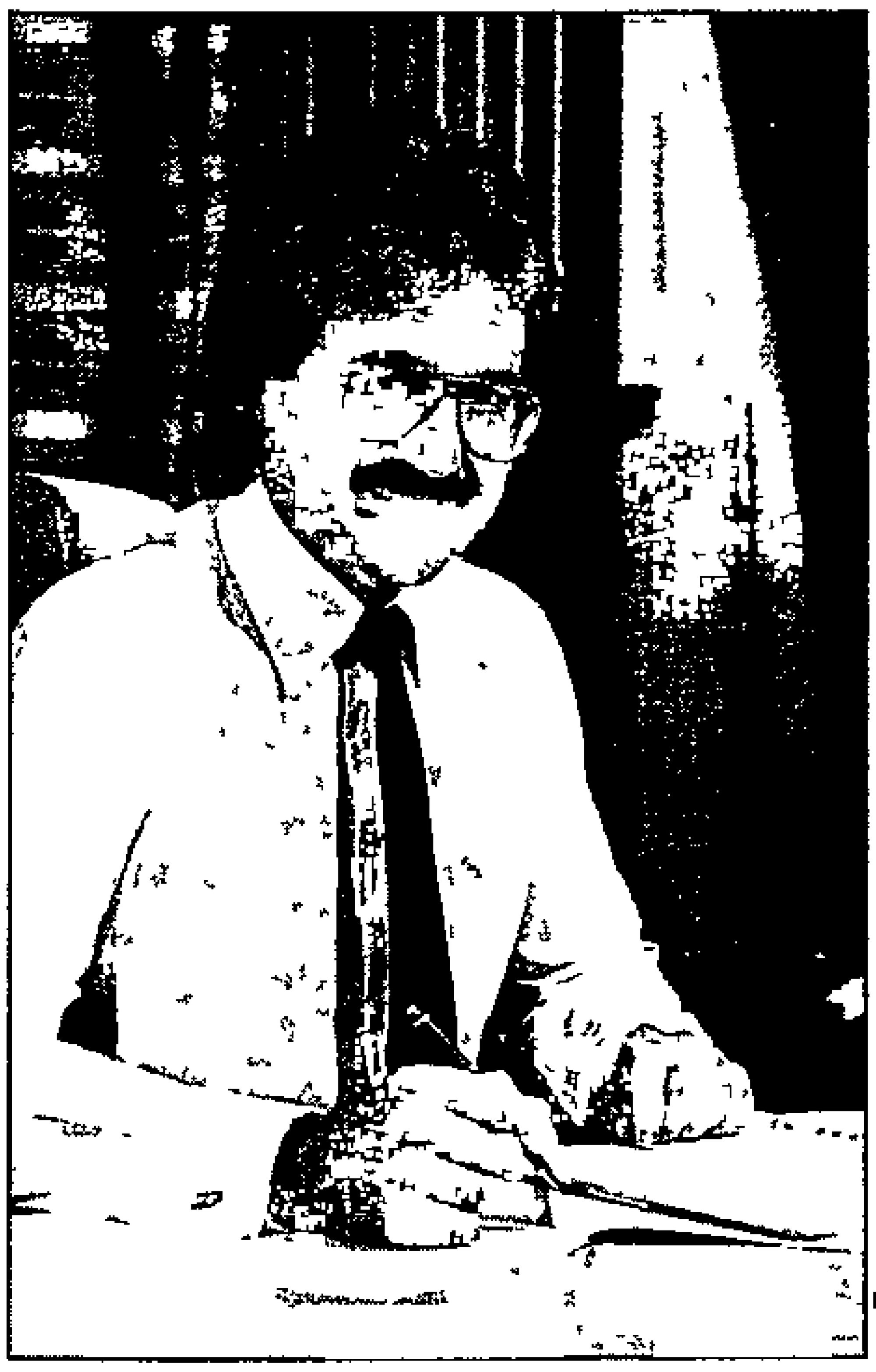
It's notable that on Tuesday, when the announcement was made, the price jumped from 180c to 230c

"I find the whole deal absolutely amazing," said another JSE broker analyst "It is really an attempt at mixing oil with water These are two incredibly different cultures just for a start, one is very successful, the other isn't There may be some synergies For instance, I can see that Gentyre might be of great interest to the Trencor camp So might MacPhail (coal transportation) But for the rest, I confess to being very uncertain I'm quite sure Trencor shareholders will be asking what their managers have taken them into now W&A shareholders, on the contrary, will be saying 'Oh, goodie' "

Liebesman says the business of focusing W&A by developing its core businesses and disposing of others will continue "Negotiations for the sale of non-core businesses can now be conducted from a position of strength," he adds That's quite true but he needs to get on with it — if he doesn't, he may find his new partners will handle the unbundling for him

It is how this marriage will turn out which will have the financial community agog over the months ahead *David Gleason*

W&A's Liebesman . *will use cash to redeem debt*



GENBEL INVESTMENTS

Contrary view

FM 5/2/93

This is a tale of the theory of contrary expectations At a time when nearly all fund managers are putting as much space between their portfolios and gold shares as possible, the management of Genbel Investments have elected to increase their exposure

Genbel picked up shares in Kloof, Kinross, Southvaal, Unisel and Winkelhaak along with an easily explicable exposure in Alusaf By contrast, it got rid of shares in Engen and a colossal 750 000 shares in Malhold (which explains the higher surplus on realisation of investments of R27m (R6m)

This is totally contrary to market sentiment, which is that while gold shares have bottomed, fundamentals remain poor There is a recognition in the marketplace that gold sales by central banks have become a real possibility, nevertheless, the risk of wholesale dumping is heavily discounted Still, it all adds up to a major supply overhang

Genbel executive director Peter Cronshaw explains the company's move is related to its perceptions of gold share prices in general, these have underperformed and are now at levels which will yield historically high earnings and dividends

Having lightened its load in this sector ahead of the last downturn, Genbel has decided to get back into gold mines before other investors recognise the same fundamentals Cronshaw adds that Genbel's considered view, rather like Minorco's, is that the next cycle to catch will be in resource-orientated rather than industrial sectors

Meanwhile, the results for the six months to end-December show a mere 2% (11%) growth in distributable earnings and this, says Cronshaw, was almost entirely due to Genbel following rights in TransAtlantic and successful forward cover on TransAtlantic earnings These gains more than offset the reductions from Impala and Samancor Dividend income from its major income source, Unisen, was unchanged at R15m

Distributable earnings rose to R84m, from a comparable R82m in 1991 NAV fell to 591c from 693c a share With 58% of Genbel's portfolio in commodity or precious metal exporters and little chance of significant improvement in sales volumes and prices, Genbel is expected to do little more than maintain earnings For the year, manage-

continued

FM 5/2/93 232

DELISTINGS FM 5/2/93

In full flood

232

It would be encouraging to read the fractionally lower number of delistings in 1992 as a sign that the trend, which started in 1989, of declining JSE quotations has bottomed Sadly, that's not the case Last year's 57 delistings were two fewer than in 1991, but with only 12 new shares appearing on the board the net loss to the JSE was 45 companies, compared to 43 in 1991

Added to that are two delistings — Claw Investment Holdings and Buffalo Corp — which have taken place this year And shares of 18 companies, including Tollgate Holdings, are suspended, the majority while liquidation procedures are finalised Most will leave the boards over the next few months, indicating the high level of delistings will continue for the first quarter of the year at least

There are now about 679 companies listed on the JSE, compared with 728 a year ago But, even if the trend of declining membership is not yet about to reverse, at least it has slowed dramatically

One factor influencing this seems to be that most of the chaff which came to the market during the listings boom of 1986-1987 has gone In 1991 more than three-fifths of the companies delisted were from the yuppie investment period in the two years before the market crashed Last year, slightly more than 45% of the delistings came to the market during 1986-1987

About half that percentage left ignobly liquidated, in contravention of the Stock Exchange Control Act, or as expired cash shells That's still a large casualty list, and in the end means some shareholders have lost money

DELISTINGS OF 1992

Share	Sector	Year listed	Date delisted	Comment
Adprom Holdings	Electronics	1986	Jan 20	Offer to minorities
Eurevest	Ind hold	1988	Jan 21	Offer to minorities
National Trading Hold	Engineering	1987	Jan 24	Offer to minorities
NTC	Engineering	1944	Jan 24	Offer to minorities
Pennypinchers Boards	Retail	1987	Jan 31	Offer to minorities
Vadek Paints	Retail	1987	Feb 11	Stock Exchange Control Act
Darling & Hodgson	Ind hold	1973	Feb 14	Offer to minorities
Filati Holdings	DCM	1987	Feb 18	Stock Exchange Control Act
Fintech Informatics	Electronics	1986	Feb 28	Termination of 10% prefs
Grant Andrews	Furniture	1987	Feb 28	Termination
Lanchem	DCM	1949	Mar 10	Stock Exchange Control Act
Valhold	Engineering	1986	Mar 13	Scheme of arrangement
Valard	Engineering	1947	Mar 13	Scheme of arrangement
Masterbore	Engineering	1987	Apr 1	Stock Exchange Control Act
Rand London Corp	Mining hold	1989	Apr 7	Stock Exchange Control Act
Placor Holdings	Ind hold	1968	Apr 10	Scheme of arrangement
Rico Breweries	VCM	1989	Apr 14	Stock Exchange Control Act
Transvaal Distillers	DCM	1987	Apr 14	Stock Exchange Control Act
Lyntex Transport Ex	DCM	1987	Apr 21	Stock Exchange Control Act
Waverley Gold Mines	Gold — Wits	1902	Apr 30	Scheme of arrangement
Longmile	Ind hold	1987	May 22	Scheme of arrangement
Pleasure Foods	Bev, hotels & leis	1985	May 22	Scheme of arrangement
Kemtrade Holdings	Pharmaceutical	1986	Jun 2	Liquidation
Europa Acceptances	Retail	1968	Jun 9	Liquidation
Elcentre Group Holdings	Electronics	1987	Jun 16	Redemption of shares for cash
Pennypinchers Holdings	Retail	1986	Jun 19	Redemption of shares for cash
Elsburg Gold Mining	Gold/west Wits	1966	Jun 19	Voluntary winding-up
New Company Invest	VCM	1990	Jun 30	Financial position of company
Kanhym Investments	Food	1969	Jul 10	Merger with Fedfood
Money & Mangement Hold	Banks & Fin Serv	1987	Jul 21	Financial position of company
Bankorp	Banks & Fin Serv	1963	Jul 24	Takeover by Absa
Sun Packaging Holdings	Paper & pack	1986	Jul 31	Scheme of arrangement
Sun Packaging Invest	Paper & pack	1988	Jul 31	Scheme of arrangement
Biopolymers	VCM	1990	Jul 31	Scheme of arrangement
Vansa Vanadium SA	Metals	1986	Aug 4	Expired cash shell
Drop-Inn Group Holdings	Retail	1987	Aug 7	Scheme of arrantement
Barbrook Mines	Gold/curt ops	1987	Aug 11	Final liquidation
Modder B	Gold — Wits	1985	Aug 18	Final liquidation
Haib	Mining exp	1985	Sep 1	Financial position of company
Goldfields Industrial	Engineering	1956	Sep 14	Offer to minorities
Frigate Group	Mining — coal	1989	Sep 15	At request of directors
Musica	Retail	1988	Sep 18	Offer to minorities
Sage Property Holdings	Property	1987	Sep 18	Scheme of arrangement
Sage Holdings	Banks & Fin Serv	1969	Sep 18	Scheme of arrangement
Libanon	Gold/west Wits	1936	Sep 18	Scheme of arrangement
Venterspost	Gold/west Wits	1934	Sep 18	Scheme of arrangement
Genrec Holdings	Engineering	1974	Oct 9	Offer to minorities
Norimed	Pharmaceutical	1949	Oct 23	Redemption of ords
Dukel Holdings	Motor	1987	Oct 27	Expired cash shell
Leegall Clothing	Clothing	1950	Nov 10	Final liquidation
Computermatic	Electronics	1986	Nov 12	Expired cash shell
Saambou Properties	Property	1991	Nov 27	Offer to minorities
Transvaal Clothing	Clothing	1987	Nov 27	Voluntary liquidation
Noristan Holdings	Pharmaceutical	1988	Nov 27	Conversion of ords into unlisted prefs
Shield Trading Corp	Retail	1987	Nov 27	Offer to minorities
Columbia Consultants	Banks & Fin Serv	1986	Nov 27	Distribution in specie
Tedelex	Electronics	1969	Dec 11	Scheme of arrangement

P.T.O.

Less than half 1992's delistings — about 24 companies — are what the JSE considers "straight delistings," that is, shares belonging to companies which failed financially or were in contravention of listing requirements or sections of the Stock Exchange Control Act The rest came about through takeovers and mergers, restructurings, and often buy-outs of minorities to secure control or to enable a holding company to delist a subsidiary, not uncommonly followed by the holding company itself delisting

That's a symptom of the weak economy The failures are not necessarily a bad thing JSE president Roy Andersen says while it is sad to lose a listing, the overall effect is that the quality of companies on the market is improving

It seems the issue is not so much the JSE's listing requirements — which were tightened last year, with financial thresholds raised — but the inability of companies to sustain earnings That's behind many of the 1986/1987 failures, and in part reflects on the accounting profession, merchant banks and brokers who helped list the companies

But the low liquidity of the market must also be making companies question the validity of listing, or retaining a listing Andersen would like to see this improve, but notes the usual obstacles, including marketable securities tax, uncertainty about the tax status of shares and foreign exchange controls.

The JSE is launching an extensive education programme aimed at luring back the small investor

This year's list shows mining shares to be the hardest hit, though it's misleading because at least three were incorporated into new groups through schemes of arrangement Waverley Gold Mines, which didn't mine but held mineral and mining rights, received an offer from Knights Gold Mining, while marginal mines Libanon and Ventersppost were absorbed by Kloof.

Many other delistings resulted from competitors or holding companies taking out minorities NTC, on the board since 1944, was delisted along with its holding company, while Hudaco took out the minorities in Valhold and Valard and Clicks Stores took out minorites in Musica

There were the usual quirky transactions Columbia Consultants, which in 1991 took out the minorities in Pride Consultants, delisted itself towards the end of last year, paying a distribution *in specie*
Bankorp

There were the usual quirky transactions Columbia Consultants, which in 1991 took out the minorites in Pride Consultants, delisted itself towards the end of last year, paying a distribution *in specie*

Some old companies left the market, notably Waverley Gold Mines, listed since 1902 Other listings proved ridiculously short, like Saambou Properties, which came to the market in February 1991 and delisted just 20 months later It seems Saambou Holdings, after arranging its property interests in a separate listed company, found the share did not have a sufficient spread and was hardly trading

This year will probably not see much easing of the delistings trend Besides the suspensions mentioned, which should keep the listings department busy for the next few months, the JSE is adopting a stricter approach towards companies that report late It is also taking a harder line on cash shells Two companies have had shares suspended for reporting late and could face automatic delisting

Shaun Harris

FM 5/2/93

MICOR FM 5/2/93.

Outrage vindicated

(232)

The *Micor* saga swept to a breathless end last week but not before minority shareholders had secured a colossal increase on the cash portion of the buy-out proposed by a consortium which includes the company's controlling shareholders

The buying group, known as the Hackenhoff consortium, was forced to increase its cash offer to shareholders by 50c a share, or 56% The original offer for the purchase of the entire business undertaking of Micor was 90,7c cash, along with the right to convert every 100 Micor shares into 130 Micind shares — a right valued at about 49c a share That took the total offer to 140c

In a dramatic series of events at the adjourned general meeting, Micor chairman and major shareholder Cecil Kaplan announced that during the fortnight of the postponement a subsidiary of minority shareholder Sechold had submitted a cash bid of R20m This compared with the Hackenhoff consortium's bid of R15m

Kaplan said Micor's directors had rejected Sechold's offer in the light of a revised bid from Hackenhoff of about R20,6m He then told a somewhat startled meeting that a further adjournment was necessary since another minority shareholder (known to have been Allan Gray, the Cape-based institution) had indicated its intention to seek an urgent interdict to prevent the transfer of assets out of Micor

Four hours later shareholders were advised that certain minorities (known to have been Sechold acting in concert with Allan Gray) had submitted a further bid amounting effectively to a cash offer of 140c a share This bid had been matched by the Hackenhoff consortium and the parties had reached agreement on this basis In effect, the original offer of cash and share conversions totalling 140c was now 189c — an overall increase of 35%

All that was left was for the special and ordinary resolutions giving effect to the revised deal to be ratified, and that didn't take more than a few minutes with 97,7% of shareholders voting in favour

This has turned out to be a complete triumph for minorities, and is a vindication of their outrage at the poverty of the offer made to them originally by the controlling

FOX

shareholders But their battle could so easily have been lost

(232)

That it was not is due ~~to a single~~ overriding factor the presence within the Micor body corporate of two institutional shareholders determined not to be bullied or bludgeoned into submission Between them, Allan Gray's Jack Mitchell and Sechold's Louis Ehrlich mustered 33% of the equity and, more important, a lot of money muscle

Ability to lodge genuine offers for Micor and its business, backed on each occasion by blue-chip bank guarantees, persuaded Micor's directors and major shareholders they were playing with fire Not even the dubious use of Section 228 of the Companies Act could get them out of the web which Sechold and Allan Gray wove by putting in genuine counteroffers It turned out to be a brilliant strategy

Stories like this don't necessarily end happily Former Micor director Mick Delahunt blew the whistle on what he saw as major shareholders taking undue advantage and resigned Now, it seems, he's also lost his job as a Micor employee During the general meeting, Mitchell praised Delahunt for his "courage," a sentiment heartily endorsed by minority shareholders' crusader Issy Goldberg Still, being told you're a good chap is one thing, having a job is another

For chairman Cecil Kaplan, the outcome is hard to take Nor is he happy with the *FM*'s role "I don't like the way you've written about this," he says And he's at pains to point out his actions were inspired by a desire to protect a business built up originally by his father, and to ensure continuity of employment for Micor's staff "In my opinion, the final price was totally excessive but we had no alternative other than to match it We had to take the punishment"

There is a lesson in all this it is that if minorities take decisive, firm action they are more than capable of protecting themselves

David Gleason & Kate Rushton

Star 5/2/93

W & A intends to hold on to core retail interests

(232)

By Stephen Cranston

Speculation that W&A will spin off its retail interests and concentrate on manufacturing are incorrect, says W&A deputy chairman Hennie van der Merwe.

He says that certain retail operations, particularly furniture retailer the JD Group and the shoe chain Safshoe are core businesses as W&A is committed to reinforcing its position in mass consumer markets.

Nevertheless, W&A has identified seven or eight companies for sale, and the sale of one of these companies had been conditionally agreed

The asset sale should proceed more quickly now that the future of the group has been assured by Trencor's decision to invest R350 million into the group as part of a R500 million rights issue

Bargain hunters

Previously, prospective buyers of group companies were hoping to get a better price as W&A got deeper into debt and more desperate for money.

Possible candidates for disposal include outfitter John Craig, direct selling operation Housewares Exclusive, Sembel-It and two small textile converters, the Fabric Library and W&A Textiles.

The 31 percent stake in consumer electronics retailer Milstan is also up for sale.

The toy division Metrotoy and to a lesser extent the tools division Tarry Group fit least easily with the core businesses, which are strongest in scaffolding, bolts and tyres.

W&A is likely to hold on to coal distributor MacPhail which has produced good cash flows for the group but which

W&A deputy chairman Hennie van der Merwe.

operates in an area with limited growth and no synergies with the rest of the group.

Trencor chairman Neil Jowell says that the investment in W&A will not dilute Trencor's own focus on road transport and trailer manufacturing. He says Trencor will remain a separate entity with decentralised operations.

He says the purchase of the stake in W&A was the best use to which Trencor could put its funds as it is more difficult to invest in overseas businesses because of Reserve Bank restrictions and Trencor's existing businesses overseas are already stable and well-funded.

Locally, Trencor's businesses already have a large presence in their markets and operate in mature industries.

Trencor had sufficient cash resources to invest R350 million as it had R165 million in cash at June year-end and received R210 million from Consol for its 26 percent stake in Tredcor.

Jowell says that W&A's operations have performed well in difficult markets during the last two to three years and will benefit appreciably from any upturn.

FANTASY GAPS: *Share prices too high*

Star 6/2/93

Beware of the pink elephants

(232)

FINANCE STAFF

FORGET the bulls and bears. The most dangerous creatures on the stock exchange for 1993 are pink elephants. Or — as Dee Campouroglou, market analyst at Frankel Pollak Vinderine Inc terms them — fantasy gaps.

Campouroglou was one of the speakers at The Star First National Bank Investors' Club meeting held on Thursday.

According to her, the "fantasy gaps" refer to the discrepancy between real returns on earnings and current stock market prices.

"So far in the '90s the traditional relationship between equity prices and the real economy has become distorted ... Despite the recession and an overall negative real earnings growth, the market has powered ahead."

She shows that over the last three years these fantasy gaps have continued to widen

"Industrials are the most overheated in terms of expectations There has to be a 20 to 30 percent growth in earnings to justify the prices we are seeing now ...

"The risk-return ratio is high, and this sector is the one most likely to experience a blow-off scenario later in the year. Be particularly careful of equity markets towards the end of the year."

She also predicts that the sector leadership is likely to change. Areas most likely to benefit earliest by some economic recovery would be supply companies in building and construction, chemicals and oils, furniture, motor cars and stores. This could be followed later in the year by growth in electronics and possibly sugar. Specific recommendations include Anglo Alpha Cement, PPC, Sasol, Engen, M&R Holdings, Malbak, Ellerine, Toyota, Holdains, CNA Gallo, Edgars, McCarthy, Wooltru, SFW, Suncrush and M-Net.

Mining and mining financials show the smallest fantasy gaps, and these sectors are the ones she particularly favours for 1993.

Her specific share investment recommendations are De Beers, Anglo American, JCI, Genbel, Middle Wits, Amgold, Palamin and Samancor. She notes that there has already been a strong appreciation in these shares recently, and predicts further improvement.

Frankel Pollak Vinderine's forecast for economic growth in 1993 is put at a negative 0,5 percent, which is an improvement from last year's decline of 2 percent.

One reason for this low forecast is the prolonged drought. In addition, the restrained monetary policy of Reserve Bank Governor Chris Stals is not providing economic stimulus Investor confidence continues to be eroded by adverse political developments, the firm says

However, the potential for a workable political accord could turn this situation around. The firm is forecasting that the inflation rate will drop to an average of 10,2 percent and the Bank rate to 12,5 percent.

The rand is likely to drop from R3,05 (at the end of last year) to R3,55 to the dollar. Ironically, Campouroglou notes that the negative outlook for the exchange rate is a positive force for equity prices. She suggests this is the first key for investment in 1993.

The second key to investment is the improvement in the world commodity index. This, she feels, should start picking up towards the end of the year. Because the world markets impact almost immediately on our own, the upwards growth rate in the US holds positive benefits for SA.

Star 6/2/93

Are DCM shares worth the wager?

(232)

ANY future market that is aimed largely at the smaller companies is necessarily of the high-risk, high-reward category and will be due for a spate of criticism, warns LEIGH HASSALL.

MENTION the Development Capital Market (DCM) and many a small share investor gets a rueful expression on his face and a remorseful glint in his eyes. The reason is that in the chequered eight-year history of the DCM, many individual investors who hopped on to the pre-crash 1987 bandwagon have had their fingers burnt by DCM counters.

The DCM was founded in 1984 to provide a forum for smaller companies to raise equity capital in a cheaper and easier route than a main board listing. The new market also aimed at providing lower-priced and more easily available shares to the smaller investors.

Withdrawn or terminated

Since its founding, 113 companies have been listed on the DCM. Of these 30 (27 percent) have wiped out their shareholders' investments by having their listings terminated through financial difficulties. A further six (5 percent) have had their listings withdrawn for other reasons.

Of the 23 (20 percent) remaining on the board, of which two are currently suspended, trading in the shares is so limited as to prohibit a viable market.

Critics of the DCM say it is a "dead duck", as indicated by the minuscule trading volumes as well as the fact that there has been only a trickle of new listings since pre-crash 1987 and none in the last two years.

A major problem of the DCM, according to one broker, is that the significant market-players, the institutions, are unwilling to invest in anything other than the blue chips and second-tier shares, which leaves the DCM companies to appeal to the individual investors to buy them.

However, as another broker adds, "this generation of private investors would not be gullible the second time around as they were during the opportunistic market of the boom of pre-crash 1987".

Adding impetus to the debate on the future of the DCM is the recent scrapping of the London stock market's Unlisted Securities Market, on which the DCM was loosely based.

Notwithstanding the failures of the DCM, many shareholders have borne the risk and scored from their investments. Nearly 48 percent, or 54, of the companies ever listed on the DCM have achieved success and transferred to the main board. While some acquired their higher status through internal growth, others were spotted to be viable propositions and were swallowed up by larger conglomerates

Roy Andersen, president of the JSE, says. "It is argued by many that a 70 percent success rate, taking the nearly 50 percent who have gone to the main board and the 20 percent still listed, is about right for a developing country like South Africa is."

He adds that the question which needs to be asked in considering the future of the DCM is what is right for our political future. Andersen says that in the new South Africa, there is a future for this market

The investing public will probably agree that this type of market is necessary to promote emerging businesses.

Negative perceptions

Whether the existing DCM will be able to overcome the myriad of negative perceptions surrounding it and provide an effective investment platform for emerging businesses is debatable.

One broker goes as far as suggesting that a totally new market needs to be created, perhaps based on the DCM, to recapture the investment community's interest.

Any future equity market aimed at smaller companies will be due for a spate of criticism as it covers a high-risk, high-reward investment platform

Star 6/2/93

New fund promises spread

(232)

MAGNUS HEYSTEK

THE development of unit trusts in South Africa reached another milestone in its 26-year history with the launch of a new type of unit trust this week.

The UAL Managed Fund promises to provide investors with a spread of investment made up of equities, quoted property investments, gilts and cash deposits.

Its asset allocation will vary, depending on economic conditions.

It is likely to appeal to investors who would like a somewhat wider spread of investments than the traditional equity-based unit trusts offer.

Says Alistair Colquhoun, executive director of UAL Merchant Bank: "The UAL Investment Decision has assets worth about R17 billion under its administration.

"These assets are mainly those of pension and provident funds, which have always invested in a combination of equities, property gilts and cash."

While 48 percent of the UAL Managed Fund's initial portfolio will be made up of equities, 8 percent will be in property, 30 percent in gilts and 14 percent in cash and deposits.

It is expected that the fund's managers will lighten the holding of cash and deposits in favour of one or more of the other three sectors when they feel that conditions in these sectors are favourable.

The new fund will be marketed through independent financial intermediaries and branches of Nedbank, Syfrets and the Perm.

Says Peter Anschutz, managing director of UAL Investment Planning Services: "Our agents have perceived a very large demand for a managed type of fund."

Although the industry has many different types of unit trusts — permitting switching between funds — there is a large body of investors who do not want the responsibility of making changes in their portfolio, he says.

"The new fund is ideal for them."

7/2/93

Shape up or move out!

By ZB MOLEFE

232

ON the surface, the black journalist's question seemed to imply, the exercise was a contradiction

After all how could some of the country's high profile black trade unions be using capitalist instruments like the Johannesburg Stock Exchange (JSE) to create wealth for themselves?

"No , said Tommy Oliphant, chairman of Unity, a company representing seven trade unions in the Cosatu-Nactu stable, a trade union advisory body and one of the country's prominent investment companies "Unity and the investment company work to construct a portfolio of socially-responsible companies in the JSE where CGF funds are invested

"We are looking at the empowering of workers and the democratisation of labour "

Olpihant explained the moves as a "progressive step where workers take decisions on their money It is not making them capitalists It is a legitimate democratic step There is change and evolution in the country, we need to change"

Oliphant was among some of the speakers at a Johannesburg media conference last week to announce the maiden results of the Community Growth Fund (CGF), an ambitious unit trust launched last year to invest black workers' retirement funds in "socially responsible" companies

The 350 000-member CGF, which receives R3-million a month from members, and boasts R23-million in the first six months, intends to raise R50-million at the end of its first year

The question was raised about using the trapppings of an evil system

Replied Oliphant "By being against capitalism does it then follow that unions must not empower themselves economically using capitalism?

"There has been a radical change in union thinking about investment' and business – investment should not only concern itself with financial returns but demand social responsibility as a partner too

"Investment is also economic empowerment and democracy for workers Our fund is not only a capitalist venture but also where workers' interests are involved We also believe that through this fund, companies must create jobs "

Fellow Unity member Irene Barendilla from Cosatu concurred "This is the first time that black workers have time to be trained We need training from capitalists In fact, the fund is a small step towards this goal It is only with money that we can effect change "

FUTURE SHOCKS ... Corporate SA is being analysed by the Community Growth Fund board – (from left) Mark Anderson, Ian Hamilton, Prof Anthony Asher and unionists Irene Barendilla and Tommy Oliphant. ■ Pic: GIDEON NHLAPO

CGF's thinking on privatisation and foreign investment was also probed

"On privatisation, that depends on a future SA government There is strong interest from the UK and the US in investing in SA's socially reponsible companies We are not going to do anything before the ANC and Cosatu clear the way for foreign investment," said Oliphant

A message for corporate SA emerged during discussion on how the Unity board used its social index to accept or reject a number of blue chip JSE-listed companies who wanted to invest in the CGF

Unity says it examines a company's employment practices, job creation record, training programmes for black workers and women

Since June last year 19 companies have been approved By the end of December, CGF had invested in 11 of these companies

These include Murray and Roberts, LTA Construction, Standard Bank Investment Corporation (Stanbic) and City Lodge Hotels

Unity also said that 17 social responsibility criteria, ranging from industrial relations and job training to profit retention and affirmative action, were used to select companies to receive CGF investments CGF-approved companies outnumbered rejected companies by two to one

The Unity board observes that shop stewards have often advised during company investigations These investigations have shown that racial discrimination is still a key problem on the shop floor

Rejected

United Tobacco Company was among those companies rejected by CGF – because it manufactures tobacco products

Private hospital group Clinic Holdings was also given a thumbs down because it "provides medical care to a mainly wealthy minority" Workers have no reason to invest in luxury products or services to which they and their families have little or no access," charged Unity

The giant Rembrandt group and the entertainment and leisure group Kersaf, founded by tycoon Sol Kerzner, were also rejected for reasons ranging from Rembrandt's stake in mining house Goldfields (whose mines are anti-trade union, according to the CGF) to Kersaf's hotels in Bophuthatswana which have a "substantially bad industrial relations track record"

Transport giant Safren was among the lucky companies selected for investment by the CGF because of the progressive reputation of its wholly-owned subsidiary Rennies and engineering group Haggie for its advanced literacy training programme

7/2/93

Shape up or move out!

By ZB MOLEFE

(232) (EP) (481)

ON the surface, the black journalist's question seemed to imply, the exercise was a contradiction

After all, how could some of the country's high-profile black trade unions be using capitalist instruments like the Johannesburg Stock Exchange (JSE) to create wealth for themselves?

"No", said Tommy Oliphant, chairman of Unity, a company representing seven trade unions in the Cosatu-Nactu stable, a trade union advisory body and one of the country's prominent investment companies "Unity and the investment company work to construct a portfolio of socially-responsible companies in the JSE where CGF funds are invested

"We are looking at the empowering of workers and the democratisation of labour "

Oliphant explained the moves as a "progressive step where workers take decisions on their money It is not making them capitalists It is a legitimate democratic step There is change and evolution in the country, we need to change"

Oliphant was among some of the speakers at a Johannesburg media conference last week to announce the maiden results of the Community Growth Fund (CGF), an ambitious unit trust launched last year to invest black workers' retirement funds in "socially responsible" companies

The 350 000-member CGF, which receives R3-million a month from members, and boasts R23-million in the first six months, intends to raise R50-million at the end of its first year

The question was raised about using the trapppings of an evil system

Replied Oliphant "By being against capitalism does it then follow that unions must not empower themselves economically using capitalism?

"There has been a radical change in union thinking about investment and business – investment should not only concern itself with financial returns but demand social responsibility as a partner too

"Investment is also economic empowerment and democracy for workers Our fund is not only a capitalist venture but also where workers' interests are involved We also believe that through this fund, companies must create jobs."

Fellow Unity member Irene Barendilla from Cosatu concurred "This is the first time that black workers have time to be trained We need training from capitalists In fact, the fund is a small step towards this goal It is only with money that we can effect change "

FUTURE SHOCKS ... Corporate SA is being analysed by the Community Growth Fund board – (from left) Mark Anderson, Ian Hamilton, Prof Anthony Asher and unionists Irene Barendilla and Tommy Oliphant. ■ Pic: GIDEON NHLAPO

CGF's thinking on privatisation and foreign investment was also probed

"On privatisation, that depends on a future SA government There is strong interest from the UK and the US in investing in SA's socially reponsible companies We are not going to do anything before the ANC and Cosatu clear the way for foreign investment," said Oliphant

A message for corporate SA emerged during discussion on how the Unity board used its social index to accept or reject a number of blue chip JSE-listed companies who wanted to invest in the CGF

Unity says it examines a company's employment practices, job creation record, training programmes for black workers and women

Since June last year 19 companies have been approved By the end of December, CGF had invested in 11 of these companies

These include Murray and Roberts, LTA Construction, Standard Bank Investment Corporation (Stanbic) and City Lodge Hotels

Unity also said that 17 social responsibility criteria, ranging from industrial relations and job training to profit retention and affirmative action, were used to select companies to receive CGF investments CGF-approved companies outnumbered rejected companies by two to one

The Unity board observes that shop stewards have often advised during company investigations These investigations have shown that racial discrimination is still a key problem on the shop floor

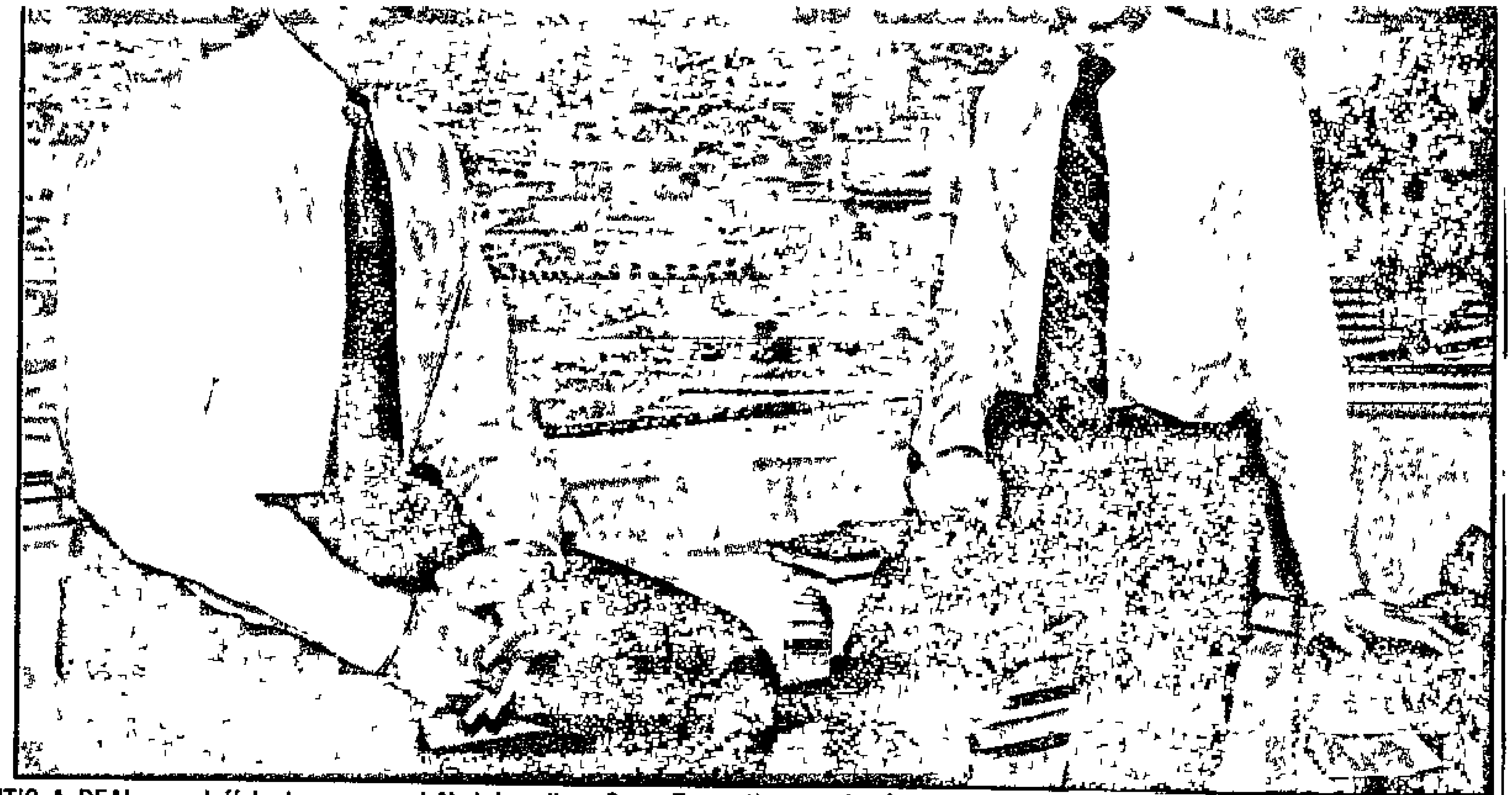
Rejected

United Tobacco Company was among those companies rejected by CGF – because it manufactures tobacco products

Private hospital group Clinic Holdings was also givena thumbs down because it "provides medical care to a mainly wealthy minority" Workers have no reason to invest in luxury products or services to which they and their families have little or no access," charged Unity

The giant Rembrandt group and the entertainment and leisure group Kersaf, founded by tycoon Sol Kerzner, were also rejected for reasons ranging from Rembrandt's stake in mining house Goldfields (whose mines are anti-trade union, according to the CGF) to Kersaf's hotels in Bophuthatswana which have a "substantially bad industrial relations track record"

Transport giant Safren was among the lucky companies selected for investment by the CGF because of the progressive reputation of its wholly-owned subsidiary Rennies and engineering group Haggie for its advanced literacy training programme



IT'S A DEAL Jeff Liebesman and Neil Jowell in Cape Town this week after the agreement which will mop up W&A's debt

Trencor seeks R800m

232

S/Times (Buss) 7/2/93

By JEREMY WOODS

TRENCOR, the star JSE performer, plans to raise up to R800-million in rights issues for debt-laden conglomerate W&A, which will leave W&A virtually debt-free

This folows Trencor's announcement this week that it will be investing R350-million in a recapitalised W&A by underwriting a rights issue

In an interview Trencor chairman Neil Jowell said on Friday "We plan to raise up to R800-million to inject into W&A, which will leave it just about free of debt."

He said the level of Trencor's investment would depend on how the forthcoming rights issues were received by institutional shareholders

While many analysts believe that W&A's controlling shareholder, 39-year-old Jeff Liebesman, has pulled off the deal of a lifetime, Trencor's management, with a long record of excellent and conservative deal-making, is also "very happy".

Interestingly, the appointment of a joint executive chairman to W&A will be controlled by Trencor

"We will appoint the joint chairman to ensure our partnership is effective at both board and executive levels," Mr Jowell confirmed

While an appointee has not yet been named, it is likely to be a Trencor director.

Why did Trencor, a manufacturer and exporter of containers, among other things, choose to invest in W&A, an out-of-focus conglomerate with an R800-million plus debt mountain?

"First of all, we are in a strong cash position and we had to choose between giving the money back to shareholders or making it work for them," said Mr Jowell.

"We believe our shareholders expect us to get them the best returns we can.

"When we looked at W&A, we saw a chance to buy first class underlying assets in core businesses with excellant decentralised management and earnings potential"

"We had a good look at the businesses, and made our own profit projections In our view, these far outweighed the benefits of simply having cash on deposit — which in the long term doesn't make a real return."

Talks between the two companies started six weeks ago and were crystallised at a Trencor board meeting in Johannesburg on Sunday, when the company decided to make its move.

Both parties have been friends for years, and have previously had talks about their overseas operations doing business together, although nothing materialised

While admitting the similarity of businesses was "not great", the key to this deal for Trencor appears to be the price at which they have bought into W&A's assets, namely R1,75 a share against a net asset backing of R5,70

"Even if you strip out goodwill and include asset write-downs, we are buying good cash-producing assets at about half their market price," explains Mr Jowell.

Another reason for Trencor's investment was the ability to buy into a sizeable spread of assets in one deal, where the companies concerned have also performed well in a very difficult economic climate

"W&A has had the courage to invest in plant and systems and not run the companies down, despite heavy corporate debt."

As far as W&A's present asset disposals are concerned, these are set to continue

"There are some businesses that do not fit into future growth plans and these will be sold"

● W&A's share price almost doubled from 180c to 350c on news of the deal Its low was 165c four months ago — a far cry from the high of R9 reached early in 1990

MONEY MARKETS by Tim Marsland

Slower inflation, rate cut hopes spark heavy trading

232

B/DAY 8/2/93

BULLS and bears dived headlong into the capital market last week, and turnover was almost the heaviest ever

Bonds worth about R20bn traded on the JSE floor, which constitutes about 20% of the total market.

Even in the lofty weeks of the bull run late last year, volumes on the bond floor seldom touched R20bn in a week. Volumes on the equity market were also higher than usual

Trade was heaviest in the long area of the market, where bonds were also the most volatile

The move was sparked by official hints of a cut in Bank rate, coupled with slower consumer inflation

Bulls now seem to believe single digit inflation is sustainable for at least the next two years But the bears are scoffing at the idea

The two are evenly poised at the moment, although bulls appear to be slightly ahead on points.

Obviously government is keen on low inflation and the low interest rates that will follow. Finance Minister Derek Keys said as much last week, believing single digit interest rates were possible soon

Reserve Bank Governor Chris Stals was as cagey as ever, but did suggest interest rates could rise at the end of the year.

Conflicting signals such as these are confusing.

Government's interest in the whole affair is cheaper money. It knows it is facing a huge deficit and this money will have to be begged, borrowed or stolen from the market.

Clearly, the idea of low interest rates appeals to it, but the Governor (the man who counts in these decisions) has other ideas. He will keep interest rates high for as long as possible.

So, while it is fine to be bullish, it might be better to wait for a clearer signal from Stals as to where he sees rates going.

Tollgate offices, homes raided

BDay 8/2/93. (232)

LLOYD COUTTS

THE office for Serious Economic Offences has confirmed it raided Tollgate Holdings offices and some of the group's directors' homes nationwide last week and attached unspecified documents

Office investigator Petrus Marais would not confirm the nature of the investigation or give details of the offices and homes which were raided

Tollgate Holdings was liquidated earlier this year with debts totalling R300m after an application by its main creditor, Absa

Liquidator Chris van Zyl said at the weekend he had not been informed of any investigation by the office

The Constantia home of Tollgate Holdings chairman Julian Askin was believed to have been searched.

Marais said "All I am at liberty to say is that this office is conducting an investigation into the affairs of Tollgate Holdings and its subsidiaries as well as Motor Racing Enterprises (MRE) I am able to confirm that on Wednesday various business premises and personal residences across the country were searched and documentation seized"

MRE, established by former Tollgate director Mervyn Key, purchased the rights to the SA Formula 1 Grand Prix from Tollgate

Star 8/12/93 (232)

Falkirk seeks provisional liquidation

Falkirk Industries, one of the country's largest foundries, has applied for provisional liquidation while the cash-strapped company looks for potential buyers

The organisation, which dates back to 1895, and with its agents employs nearly 1 000 people, has had to slow down production operations in the meantime

Chairman David Livingstone and deputy chairman Bill Muirhead, principal owners of Falkirk, say they have been unable to raise the required additional share capital to maintain normal trading operations

Livingstone said the violence in the country and the continued depressed state of the economy had inhibited previously enthusiastic foreign investors

In 1988 Falkirk, under the previous owners, had showed a loss of R12 million The present owners had achieved a first-year turnaround in trading profits and had continued generating trading profits

Falkirk required rationalisation to bring about good returns on capital, so the first stage of a major rationalisation programme had begun and several millions of rands had been spent improving operations

The second-stage investment programme had begun in the second half of 1992 and was due to be completed by April 1993 Forecast profits would then have been R8 million after tax on a reduced turnover of about R77 million

"Unfortunately, the rationalisation programme has had to be stopped as an agreement between Falkirk and an overseas company to introduce new share capital has not been realised"

Consider offers

Livingstone said that though Falkirk's assets exceeded liabilities by several millions of rands, to protect the company, its employees and creditors, an application for provisional liquidation had been made so that the liquidators could consider offers from interested investors and keep the business running while new funds were invested

Falkirk is the dominant market share producer for cast-iron three-legged pots, solid fuel stoves and drainage pipes and fittings

Muirhead said "The new rationalised Falkirk is an excellent organisation generating good profits, and what is perhaps more important, extremely strong in supplying traditional large markets, particularly rural consumers

"Any sign of a building upturn over the next few years, although not budgeted for, will have a dramatic impact on Falkirk's sales via Besaans du Plessis foundries operating out of Pretoria" — Sapa

Uphill conditions slow haulier Unitrans

BDay 9/2/93

(332)

EDWARD WEST

ROAD freight group Unitrans' operations were affected by recession and drought, and attributable earnings a share climbed 5,7% to 44,3c in the six months to end-December 1992 from 41,9c at the same time in 1991

Turnover was hit particularly hard, and climbed only 3,8% to R176,9m (interim 1991· R170,5m) Operating profit improved, mainly due to more effective cost control and better asset utilisation Operating profit climbed 10,6% to R23,5m (R21,2m)

Pre-tax profit improved 8,2% to R25,8m (R23,8m) After interest of R4m (R4,1m) and tax of R4,7m (R3,9m), taxed profit was 8% higher at R17m (R15,8m)

After paying outside shareholders' interests, attributable profit was 8,6% higher at R16,6m (R15,2m) Long term borrowings fell to R12,2m (R16,9m)

Number of shares in issue increased to 37,4 million from 36,4 million Fully diluted earnings a share climbed 5,5% to 36,4c from 34,5c A slightly higher interim dividend of 10,5c (10c) a share was declared

Directors reported that capital expenditure on new vehicles for both replacement and potential growth continued, which lowered cash resources. Cash fell substantially to R15,9m from R56,4m at the same time in 1991

Amic, Anglo are 'tidying up'

B/Day 9/2/93

EDWARD WEST (232)

THE consolidation of construction group LTA into Anglo American Industrial Corporation (Amic) might reflect a change in strategic thinking inside Anglo American and Amic, suggesting further streamlining of cross-shareholdings is in the pipeline

Amic chairman Leslie Boyd yesterday confirmed that cross-shareholdings between Anglo and its industrial holding company were being reviewed The process, involving a "steady tidying up" of shareholdings, would not be fast

Amic yesterday announced the acquisition of a 48,8% interest in construction group LTA from AA to bring its stake in LTA to 71,6% from 22,8% to simplify its control structure, set up clearer reporting lines and demarcate management responsibility and accountability

LTA financial director Jimmy Oosthuizen said LTA's consolidation meant it moved from being an associate to a subsidiary of Amic. The move was not likely to affect operations, but would probably mean LTA's financial year-end would change from March to coincide with Amic's in December

LTA's consolidation was effected by Amic acquiring 13,13-million LTA shares in exchange for the issue to Anglo of 1,06-million new Amic shares. LTA and Amic shares were valued at R5 and R61,70 respectively

The deal was not expected to have a significant effect on either firm's net asset value or earnings a share However, the new shares issued to Anglo could affect its debt-to-equity ratio.

Other operations held jointly by Anglo and Amic are Mondi, NTE and Tongaat-Hulett.

CT 9/2/93 232

Soft shoe shuffle on control boards from BTT report

By TIM COHEN

THE Board on Tariffs and Trade has watered down its finding that the statutory powers of agricultural control boards should be terminated and that the boards are largely responsible for high food price inflation

Government said the complete report would be submitted to the Policy Evaluating Committee, established simultaneously with the publication of the Kassier report, which was sharply critical of the control boards

Industry sources yesterday were particularly critical of this recommendation, calling it a "triumph for foot-draggers and bureaucrats"

The board's final report on the price mechanism in the food chain, issued yesterday, explicitly refrains from recommending that the control board system be dissolved, although it identifies "inherent weaknesses" in single channel marketing systems

The board's interim report, published in June last year, aroused the ire of Agriculture Minister Kraai van Niekerk who described the report as "inadequate"

He and Deputy Trade and Industry Minister David Graaff yesterday reacted favourably to the board's recommendation that the statutory powers of each marketing board be considered individually "with a view to deregulation"

The draft report said the statutory powers of control boards and other bodies with statutory powers should be terminated

The board's final report said a price divergence of five percentage points per year over the period 1980-91 between the farmer producer price index and consumer food prices had been recorded

It attributed the difference to input cost inflation (3%), declining productivity (1%), price and supply stabilization (0,5%), withdrawal of state subsidies (0,3%) and the lifting of price controls (0,2%)

This differs markedly from the interim report, which blamed the agricultural control boards for 1,5% of the differential

Van Niekerk and Graaff's statement signalled government's intention to address the high level of input cost inflation, saying government had commissioned the board to list important agricultural inputs

Government would give urgent attention to the customs tariff levels of those goods, the statement said

The board's report recommended deregulation of the range of controlling mechanisms affecting the competitive process in the food chain and particularly that the Competition Board act as an ombudsman

Government said it was not necessary to extend the powers of the Competition Board

On competition from abroad, the board essentially maintained its original recommendations, saying it was aware that agricultural production was heavily protected and subsidised in major Western countries

A moderate level of customs duty protection was therefore reasonable

Government agreed in principle, warning that "uncautious (sic) unilateral actions could cause great disruption" SA's participation in the Uruguay Round of the GATT negotiations would result in greater competition and the process of replacing import control on agricultural productions with customs tariffs was under way

In general, the report and government's reaction to it was evidence that government still insisted on leading farmers

Star 9/2/93

Dubai offer for Fancourt

232

Own Correspondent

CAPE TOWN — The provisional liquidation of three Fancourt group companies has been extended until February 19.

Yesterday a director of the group, Andre Pieterse, said Fancourt had had a firm offer from Geap International, a Dubai-based conglomerate that develops golf courses in the Middle East.

Pieterse said Geap was interested in acquiring a controlling interest in the Fancourt project.

Mr Justice Berman extended the provisional order until February 19.

BUSINESS DAY, Wednesday, February 10 1993

Unbundling 'to feature in Keys reform deal'

BIDAY 10/2/93 (232) [redacted]

LINDA ENSOR

CAPE TOWN — The unbundling of conglomerates was likely to be part of the economic restructuring programme to be announced by Finance Minister Derek Keys shortly, Board of Executors (BoE) senior portfolio manager Rob Lee said yesterday at a seminar on asset management in the future SA.

He said a great deal of unbundling could be expected in the next few years. This would act as a compromise with the trade unions which would be required, in return, to reduce their wage demands to make the economy internationally competitive.

Lee believed restructuring would require the support and co-operation of all parties in the national economic forum.

Other likely components of the package forecast by BoE were: cutbacks in state spending by reducing the public service salary bill; prescribed investments for the life industry to fund housing and electrification programmes; the abolition of tariff protection and exchange controls and the phasing out of the financial rand, the promotion of manufactured exports and tourism; the achievement of positive real interest rates; and tax reform.

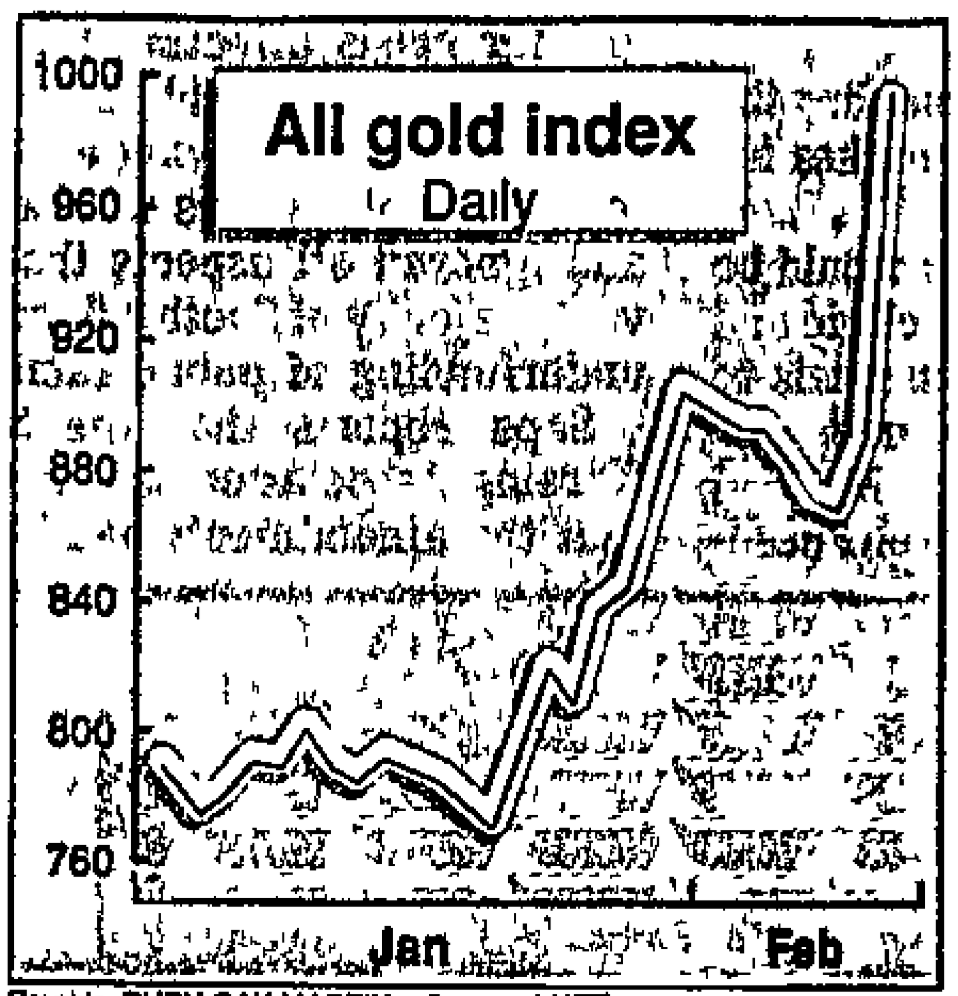
Lee was confident that inflation under a new government would not reach as high as 20% because Reserve Bank Governor Chris Stals had laid the foundation for low inflation and was committed to sustaining it. He had gathered from private talks that the ANC would like Stals to continue as Governor when his term ended in 18 months and that Stals had indicated he would do so.

Lee said the ANC recognised that tax levels were too high and that they acted as a disincentive to growth.

BoE Cape regional director Tom Boardman said it appeared unlikely that a new government would introduce material changes to income tax rates although differential VAT rates could be widened with higher rates applied to luxury goods and food being zero-rated.

A single capital transfer tax, consolidating stamp duty, transfer duty and marketable securities tax were also likely while ad valorem taxes would have to be cut if SA was to participate in international trade agreements.

Estate duty would probably rise to 20% from 15%. Boardman did not envisage great changes to property taxes except for unutilised or undeveloped land.



Graphic RUBY GAY MARTIN Source I NET

Frenzied demand for gold shares

232

BDM 11/2/93

MERVYN HARRIS

GOLD fever gripped Diagonal Street yesterday as foreign and domestic buying engulfed the market to send share prices soaring in a session of frenzied activity.

Foreign demand for gold shares reached a crescendo as overnight buying from New York spilled over to London and the JSE to lift the all gold index 11,1% or 99 points. It closed at 990 after touching a high of 1 010.

After several recent attempts to break out of a narrow trading range, gold edged above $330 to close in London at $330,10 on the back of a sharp rise in platinum.

The rand gold price was marginally higher at R1 027, its highest for some time. Analysts said it should further enhance the attraction yields on gold shares for foreign investors in light of the 32% discount between the commercial and financial rands.

Domestic institutional demand for lines of quality golds saw heavyweights in the forefront of sharp rises on the gold board.

Gold is still a key mover of sentiment on the JSE despite its lacklustre performance which has pushed the metal to seven-year lows The overall index was lifted almost 2% or 67 points to 3 541.

The industrial index rose 36 points to close at 4 645 after reaching a high of 4 654, just below its peak of 4 694 set last June.

Star 1/12/93

High gold price boosts JSE shares

232

Gold shares sprang to life on the JSE yesterday as the gold price rose to its highest level this year, closing $4 higher in New York at $332,35.

Gold maintained this level in Hong Kong this morning.

Sustained American buying pushed up the prices of the "super-gold" shares by several rands and the gold share index jumped 99 points, or more than 11 percent, to 990 — its highest level for six months.

The market value of gold shares rose by R3,3 billion to around R33 billion, one of the biggest one-day rises for several years.

Brokers attributed the American interest in SA gold partly to this country's improved image and partly to a belief that gold shares are undervalued at present prices.

However, local analysts warned that the rally could collapse unless there was a sustained increase in the gold price — Finance Staff

● Full report — Page 16

Star 11/2/98

US buyers send gold shares soaring on JSE

(232)

By Derek Tommey

Gold share prices soared on the Johannesburg Stock Exchange yesterday following a sharp increase in American buying.

Although these shares ran into profit-taking later in the day this did not stop the gold share index closing 99 points or 11,1 percent higher at 990

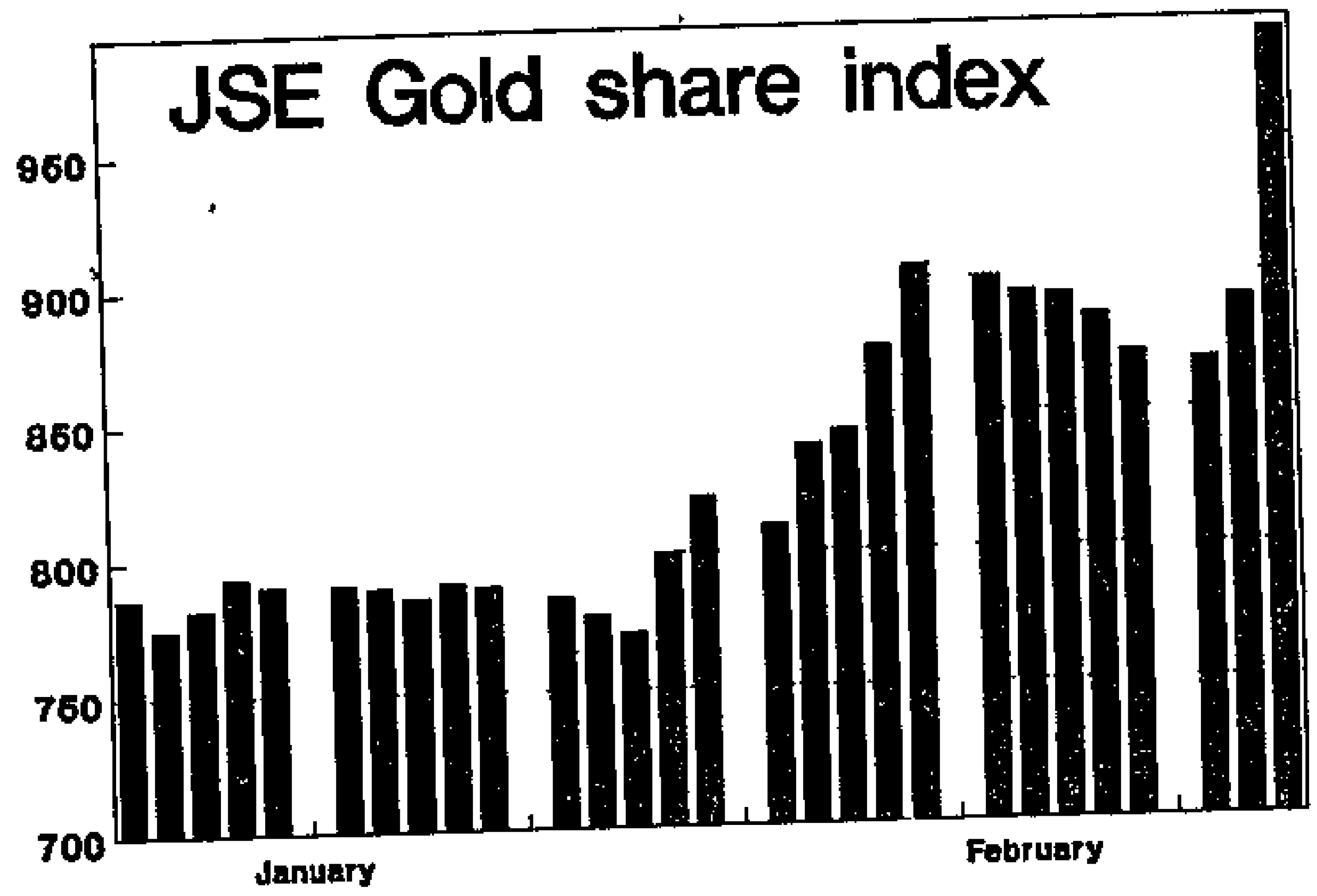
It was one of the biggest one-day-rises for several years and represents a R3,3 billion increase in the market value of JSE-listed gold shares to around R33,0 billion

Yesterday's rise matched the entire capital gains made by gold shares since the start of the year

However, the market value of all the gold shares still has a long way to go before recovering to the levels of even two years ago when it was R52,1 billion.

Demand was mainly for the "blue-chip" golds although one or two marginal mines had good gains Among these were Durban Deep which added 150c to 1300c and Grootvlei which rose 25c to 375c

Although Stilfontein has ceased underground mining, it showed the biggest percentage gain yesterday with its shares jumping 66 percent from 165c to 275c



Among the "super-golds" Western Deep rose 875c to R67,75, Vaal Reefs R17 to R180, Dries 385c to R35,50, and Kloof 250c to R29,50

Analysts are a little chary about the upsurge in US demand. Although the rand gold price has been rising steadily recently and is now R1028 an ounce (against R930 an ounce at the end of June, last year) this rise is not seen as sufficient justification for the huge American buying interest.

This rise is mainly the result of a fall in the rand's value against the dollar While this helps producers it reduces the value of dividends paid to American investors

Rodney Yaldwyn, gold analyst at Simpson, McKie, said the rally in gold shares at the moment was not underpinned by fundamentals "There has been no improvement in the dollar gold price Unless something happens to sustain the rally it will collapse like an empty paper bag"

However on CNN Business News yesterday Michael Metz, chief strategist with the highly respected Oppenheimer investment bank, said he believed gold was now a good investment

This was a repeat of his comment on CNN last October when he said the trigger for a higher gold price would be the collapse of the Russian government.

This has not happened. But he is now arguing that the sharp decline in interest rates has reduced the cost of holding gold This had made it much easier to invest in the metal and to show a profit should the gold price improve.

He dismissed the possibilty that central banks would sell gold, arguing that if it paid the ordinary investor to hold gold it would pay the central banks to do so as well

With the gold price gaining $3,50 in New York yesterday and reaching #332,30 in Hong Kong this morning — its highest price this month — someone obviously has begun buying the metal

Metz said the strength of Wall Street in recent weeks was not the result of expectations of improved profits but was caused simply by the weight of money seeking investment outlets

Brokers on the JSE in fact report that the American buying is not being confined to gold shares but is going into good quality industrials such as Barlows and Sasol.

American buying of JSE stocks will not bring foreign capital to South Africa as these transactions are being conducted through the financial rand.

But this buying is helping to strengthen the financial rand which will improving SA's image overseas — and will make South Africans with gold shares feel a little better off

This in itself could lead to greater economic activity.

FM 12/2/93 (232)

TGH's Askin *no reason given*

TOLLGATE HOLDINGS

FM 12/2/93 (232)

Homes searched

It was disclosed last week that the office for Serious Economic Offences (SEO) has searched the homes of Tollgate Holdings (TGH) chairman Julian Askin, his co-directors, Alex Wilmot-Sitwell and Laurie McIntosh, and former director Mervyn Key The *FM* has learnt that at least one other person's premises were also searched, those of Motor Racing Enterprise's auditor, Tony Jooste Yet nobody has been willing to throw any light on the matter

The searches were conducted under the Investigation of Serious Economic Offences Act, No 117 of 1991, which states all proceedings at an inquiry shall take place in camera and nobody may, without the director's permission, divulge any information which came to his knowledge while performing his functions in terms of the Act

Advocate Petrus Marais, who is leading the case, says he is obliged to remain silent about the reasons for the searches He also refuses to confirm whose premises have been searched Marais points out the Act stipulates that if a person has reasonable grounds to suspect that a serious economic offence has been or is being committed, he may refer it to the director (of the office) by affidavit or affirmed declaration

The *FM* has learnt that the liquidators were not responsible for any such affidavit Marais confirms that Absa or other creditors could have been responsible Absa declines to comment

One of the parties searched says he believes the SEO was searching for offshore accounts, another believes the search was directed largely at Motor Racing Enterprises (MRE), which was bought by Key shortly before TGH was placed in liquidation MRE leases Kyalami International Circuit and is promoting the international Grand Prix This race generates large sums, much of which flows in and out of SA But the searchers were apparently scrutinising "anything to do with Tollgate"

Another area that has promoted speculation about illegal procedures has been the allegation that TGH was insolvent when it declared its last dividend TGH auditor Kessel Feinstein won't comment The TGH directors have always maintained that the dividend was declared with full knowledge of its accountants as well as Absa and that the Reserve Bank had to sanction dividends sent overseas

There is no indication that anybody has been charged or cautioned for illegal activities Meanwhile, investigations into the TGH debacle are continuing *Gerald Hirshon*

GENCOR BEHEREND FM 12/2/93 (232)

Pedestrian financial performance

Activities: *Investment company whose sole interest is ownership of 54,8% of Gencor*
Control: *Sanlam 54%*
Chairman: *M H Daling, MD B P Gilbertson*
Capital structure: *834m ords Market capitalisation. R7bn*
Share market: *Price 840c Yields 4,8% on dividend; 10,6% on earnings, p e ratio, 9,4, cover, 2,2 12-month high, 1 115c, low, 770c Trading volume last quarter, 2,5m shares*

Year to Aug 31	'90	'91	'92
Dividend income (Rm)	257	277	322
Taxation (Rm)	2	1	1
Attributable income (Rm)	805	764	687
Earnings (c)	113,9	108,1	89,2
Dividends (c)	35,5	38,0	40,0
Net worth (c)	975,3	1 116,8	991,8

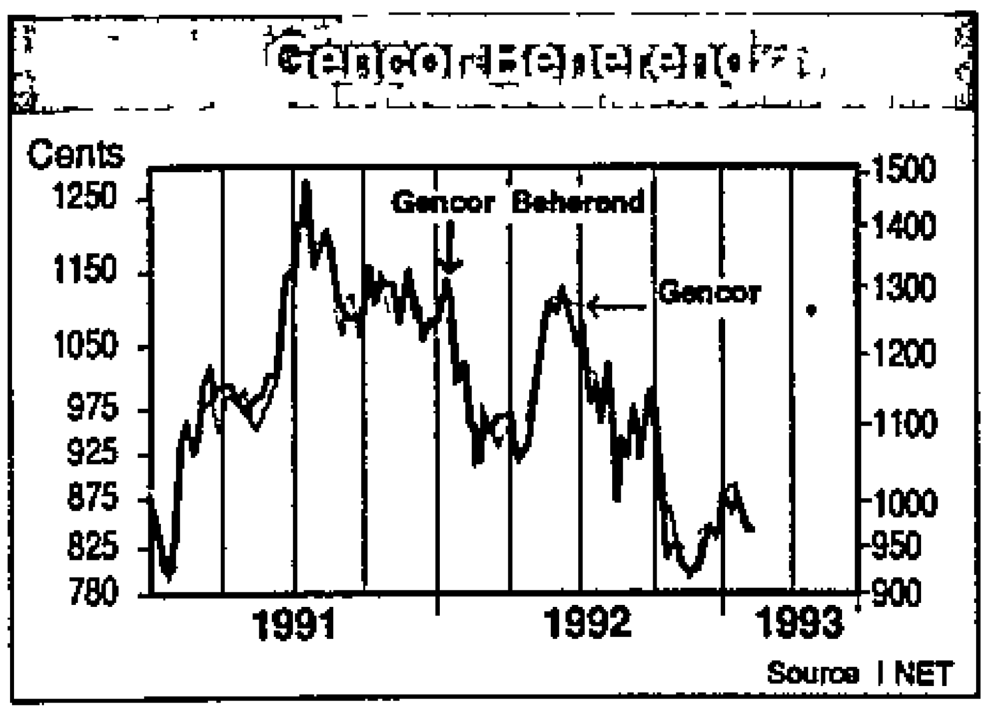
Gencor Beherend's annual report for 1992 is about as inspiring as a visit to the dentist In other words, it is painfully boring Of course, the company's sole reason for existence is to hold Sanlam's control of Gencor Being a conduit emphasises its dullness

The company's financial performance was understandably pedestrian Dividend income rose an encouraging 16%, in an inflationary era it is always great to beat the index But attributable income fell to R687m from R764m. that is a decline of 10%, and occurred because of a reduction of R124m in its share of Gencor's retained income

And therein lies a tale. Gencor's total retained income fell by R225m, largely because of the mining house's need to subscribe heavily in major capital projects Beherend itself was obliged to turn to its shareholders to enable it to fund its obligations to Gencor, and raised R1,14bn in a rights issue

Chairman Marinus Daling carries the same message as most of the industry's captains demand for Gencor's products declined in another year of international economic gloom And demand weakness was reflected in sharp falls in world commodity prices "With few exceptions," complains Daling, "export prices received were well down on the levels achieved in the previous year."

For some reason, ever since Gencor former chairman Derek Keys first expounded on the



Beherend's Daling *export prices well down*

subject, Gencor companies have found a reference to the question of unbundling *de rigueur* Daling is similarly impelled in his chairman's statement this year Unfortunately, he casts no new light on the subject. We are dealing with the matter, he says

There is little reason for investors to prefer this company to a direct holding in Gencor unless it is because, in the JSE's perverse way, it is suddenly available at an attractive discount to its sole underlying asset

David Gleason

GENERAL RATING

The broad view

If 1992 was a difficult year for analysts, they do not seem to have coped too badly Most institutions seem satisfied with the service they received, though there are some misgivings — and some note that there are still huge disparities in the quality and value of brokers' research

This year some general questions were put to evaluate institutions' general views on brokers' research Perhaps the most important is whether the general standard gives value for money

There is a somewhat reassuring affirmative from 16 institutions, 70% of those who replied However, six — just over a quarter — say no One big assurer comments "Not sure Some definitely provide value Others may earn a living despite being poor because of a lack of competition However, brokers are rewarded on dealing as well as research"

Asked whether the overall quality of research improved over the year, 10 (38,5%) say yes, two say no and 14 (53,9%) say it stayed the same

Asked to rate the overall quality of research, only eight (30,8%) say it's good, 15 (57,7%) adequate, and three (11,5%) inadequate Perhaps summing up the views of many respondents is the assurer quoted above, who comments "Varies from excellent to useless, so the average is adequate"

This again emphasises the point rather than the specific ranking, it's an achievement to appear at all in the first three or four places Many names attract few or no votes

There are even more misgivings about the volume of research Twelve respondents (46%) say it is excessive and 14 (54%) adequate Nobody thinks it inadequate But one comments "It depends on the research One can never get too much good research"

Those who feel that research has improved make the following comments

- Research has generally been maintained at a high standard, though there is a move in this quality between firms and analysts — for instance, some replaced others as good at analysing certain topics,
- Quality of analysts is improving at some major firms,
- More accent on research by institutions,
- More responsiveness to suggestions for improvements,
- Work on asset allocation and risk analysis has improved considerably,
- Research teams are more stable than they have been for a number of years, and have had to work harder in a recessionary environment, and
- The I-Net system delivers a concise, quick view on the market (delivery and timing have improved) Morning faxes are also helpful,

Inevitably, comments are not all positive There are plenty of gripes Those who feel research has deteriorated add these comments.

- Quality appears to have been sacrificed for attempts to guess the dividend/earnings and "time" the market/share purchase This respondent asks "Is research which reaches the wrong conclusion based on an erroneous (exogenous) assumption necessarily bad?",
- The objectivity of research by sponsoring brokers could be questioned This is more noticeable than in previous years,
- Emphasis is on volume, not originality, accuracy or thoroughness Company analysts merely reflect what management says, not what the analyst thinks, and
- Recommendations and forecasts have been very inaccurate ■

INDIVIDUAL RANKINGS

Setting the standards

Change is inevitable and this year there are probably more changes than usual in the analysts' research rankings New leaders emerged in five sectors diamonds, gold, mining financials, most improved industrial analyst and economic trends

Chinks are appearing in Martin's dominance of the sectoral rankings Martin analysts now lead in nine out of 17 sectors, including the new one for large industrial groups Last year, its analysts led in 11 of 16 sectors Next year will show whether this is anything more than a temporary slip, influenced by such factors as personnel changes and market turbulence

Like other mining sectors, the coal board was far from bullish Market conditions made things even more difficult for analysts who were striving to break through the established field

Eleven coal analysts are named at least once, but most votes go to just four Eric von Glehn of Martin, John Loewen of Ivor Jones, Dave Russell of Irish & Menell, and Kevin Kartun of Frankel Pollak Vinderine

A year ago Loewen and Russell were joint second, Loewen has now opened up a discernible — but not large — gap The only other analyst mentioned more than twice is fifth-placed Rob Kroll, of J D Anderson

Ed Hern's McConnochie *staying ahead in banks sector*

JD Anderson's Williamson *top gold slot*

Institutions cite Von Glehn's high quality and reliable research, consistent reporting, and his knowledge of the commodity, the sector and the shares Other comments mention Loewen's timeous and consistent reporting (though one respondent adds that Loewen knows lots of facts but does not relate to the share and share prices quite as well as Von Glehn) Institutions comment on Russell's vast knowledge, good industry contacts, regular communication by faxes and his originality, one notes that he "has views and allows his views to be heard"

Diamonds are undoubtedly one of the most problematic sectors of all — both for analysts, who had to cope with the curious communication from De Beers, and for institutions which evaluated this research

The diamond industry and the share are extensively researched Fourteen firms quote analysts researching diamonds, 13 appeared on returned questionnaires

Voting for diamond analysts was widely spread nine are mentioned more than twice and nobody stands out well ahead of the pack A number of institutions comment that no broker appropriately anticipated the bad news that came with the release of De Beers' interim results in mid-August

However, this is not a clear-cut view One large institution, which chose to rank nobody in first position (some named nobody for the sector), makes the distinction that while some analysts gave warning signals around mid-year, nobody was bold enough to come out with convincing sell recommendations early in the year

One analyst who became bearish at an early stage was James Picton But he was working as an independent analyst in the first half of the year His bearish views on the diamond market and warning of a possible dividend cut were published in the *FM* Only in the second half of the year did Picton return to stockbroking, when he became a consultant to Anderson Wilson

Another analyst whom respondents recognise as having taken the correct view and warned of a possible dividend cut before the interim results is Des Mayers, of O'Flaherty & Co, previously not ranked in the sector On the strength of his more prescient forecasts — made when these views seemed heretical — Mayers outstripped other contenders and captures top position

FM 12/2/93 (232)

Joint second are Martin's Des Kilalea (who has just completed his first year of stockbroking) and Ivor Jones's Ted Woods Third are three analysts whose points are too close to be separated Frankel's Kevin Kartun, as well as Picton and James Allen, also of Anderson Wilson

Martin remains top ranked firm in the diamond sector — institutions giving credit for other strengths One, for example, comments of Richard Stuart, who led the sector last year and continues to watch De Beers along with Kilalea "The 'emperor has no clothes' approach must be recognised and appreciated "

Gold is another sector where results differ between the firms' and analysts' rankings Of the firms, Martin retains the strong lead it has held since 1984 Voting for Martin analysts, however, is split between three people, of whom two are joint second Lloyd Pengilly, top gold analyst since 1984 and now working increasingly from New York, and Dennis Tucker Another Martin analyst, John Bridges, is joint fourth, with Simpson McKie's Rodney Yaldwyn

J D Anderson's Bruce Williamson, joint third last year, climbs into the top slot, with a small lead over Pengilly and Tucker Third position is again shared, this time between Silvis Barnard's Robinn Yale Kearney and Fergusson Bros' Trevor Pearton

Gold is still intensively researched, despite the poor performance of gold shares, whose market capitalisation continues to shrink in relation to industrials Respondents name 21 gold analysts, but votes concentrate heavily on just over half a dozen

Comments on Williamson include good market knowledge, in touch with the industry, good rapport, and good knowledge of the mines On the Martin analysts high quality and consistently professional reports On Kearney recommendations, consistency and good rapport, detailed report on Kloof was appreciated And on Pearton original research with depth, good presentation and analysis of results, good forecasts, depth of knowledge, presentation of information

While the value of the gold sector may have diminished, the market cap of platinum counters has grown Eleven platinum analysts are awarded one or more votes, though the bulk goes to only five The final ranking is similar to last year Von Glehn holds his lead, Ivor Jones's Merton Black is again second But Irish's Russell shares third place with Anderson Wilson's Rene Hochreiter Frankel's Kartun is not far behind

Among comments about platinum analysts, reference is again made to Von Glehn's regular reporting of high standard On Black consistent reporting on price movements and changes in world demand, orientation towards external supply factors On Russell thorough analyst with good contacts, provides high volume of information (one notes that he is good on the macro side, while his colleague at Irish, Matt Mullins, is good on the micro side)

Other Mining is another sector that's widely researched but with voting concentrated on only a few analysts Names of 14 analysts appear at least once but only five receive more than three or four votes, half are mentioned only once

Von Glehn keeps his first ranking, but at the other levels there are changes from a year ago, when it was not possible to go any further than third place Russell, second last year, is joined in the runner-up position by Kartun, up from third Climbing into third position is Rice Rinaldi's Mike Wuth, while Ivor Jones's John Loewen is fourth

There's a more dramatic change in the mining financials sector, long led by Martin's Richard Stuart With the experienced Stuart now spending more time on other responsibilities, that helped open the way for last year's runner-up, Frankel's Peter Davey, to overtake Stuart

Frankel Pollak's Davey .. *taking the lead in mining financials*

Voting again concentrates on a few names Of 15 analysts mentioned at least once, only six gather more than three or four votes Stuart, now second, is followed by Fergusson's Bowler and, sharing fourth, Ivor

SECTORAL RANKINGS — FIRMS

Coal
1 Ivor Jones, Roy
2 Martin
3 Irish & Menell Rosenberg
4 Frankel Pollak

Diamonds
1 Martin
2 Anderson Wilson
3 Frankel Pollak
4 Ivor Jones, Roy/O Flaherty

Gold
1 Martin
2 Ivor Jones, Roy
3 Fergusson Bros/J D Anderson
4 Simpson McKie/Anderson Wilson

Platinum
1 Ivor Jones, Roy
2 Martin
3 Irish & Menell Rosenberg
4 Anderson Wilson/Frankel Pollak

Other Mining
1 Martin
2 Frankel Pollak/Rice Rinaldi
3 Ivor Jones Roy
4 Irish & Menell Rosenberg

Mining Financials
1 Martin
2 Frankel Pollak
3 Ivor Jones, Roy
4 Fergusson Bros

Banks & Financial Services
1 Ed Hern, Rudolph
2 Martin
3 Davis Borkum, Hare
4 J D Anderson

Insurance
1 Martin
2 Edey Rogers/Davis Borkum Hare
3 Ed Hern, Rudolph/Mathison & Hollidge

Property & Property Trusts
1 Frankel Pollak
2 Ed Hern, Rudolph
3 Ivor Jones, Roy
4 Martin

Industrials — Consumer Products
1 Martin
2 Simpson McKie
3 Ed Hern, Rudolph
4 Ivor Jones, Roy
5 Fergusson Bros
6 Davis Borkum, Hare

Industrials — Non-Consumer
1 Martin
2 Simpson McKie
3 Ivor Jones, Roy
4 Davis Borkum, Hare
5 Fergusson Bros
6 Ed Hern, Rudolph

Most Improved Industrial Research
1 Simpson McKie
2 J D Anderson
3 Davis Borkum, Hare/Senekal Mouton

Market Movements & Timing
1 Ivor Jones, Roy
2 Simpson McKie
3 Martin

Investment Strategy
1 Martin
2 Simpson McKie
3 Ivor Jones, Roy
4 Edey Rogers

Technical Analysis
1 Ivor Jones, Roy
2 Frankel Pollak
3 Davis Borkum, Hare
4 E W Balderson

Gilts Research
1 Martin
2 Ivor Jones Roy
3 Fergusson Bros
4 J D Anderson

Derivatives
1 Lorenzani & Coogan
2 Simpson McKie
3 Ivor Jones, Roy/Senekal Mouton

Political Trends/Industrial Relations
1 Kaplan & Stewart
2 George Huysamer
3 Mathison & Hollidge/Frankel Pollak

Economic Trends
1 Ivor Jones, Roy
2 Martin
3 Senekal Mouton/Simpson McKie/Frankel Pollak

Overseas Markets & Economies
1 Martin
2 Ivor Jones, Roy
3 Frankel Pollak
4 Davis Borkum, Hare

Computer Service
1 Ivor Jones Roy
2 J D Anderson
3 E W Balderson
4 Frankel Pollak

Innovation
1 Kaplan & Stewart
2 Edey Rogers
3 J D Anderson/E W Balderson/Ivor Jones, Roy

FM 12/2/93

(232)

Analyst

O'Flaherty's Mayers *bearish on diamonds*

Jones's Doug Brooking and Simpson McKie's Rodney Yaldwyn

Institutions give Davey credit for lots of reports and phone calls, good contacts, more comprehensive models and forecasts than any other analyst, good volume, good telephonic and written communication, and accurate forecasts A different perspective is given of Stuart, of whom an institution says he can move past the numbers and focus on strategic issues

In banks and financial services, a sector much in favour in recent times, Ed Hern's Alan McConnochie holds the first position he assumed last year, lengthening his lead over Martin's Richard Jesse — another highly experienced analyst now involved partly with other activities, in particular, helping to strengthen Martin's overall research effort

Others steadily gaining support are third-ranked Graham Baillie, of Davis Borkum, and, joint fourth, Doug Ellish of Anderson Wilson and Chris Freund of J D Anderson Eleven analysts win one or more votes

A respondent calls this a particularly competitive sector Comments on McConnochie include excellent knowledge of sector, forecasts and originality, best market information, telephone communication, monthly industry reports, prolific coverage of the banking sector combined with an incisive and innovative approach to analysis

Comments on Jesse refer to best analysis of data, quarterly reports, reporting of good quality, detailed and timeous On Baillie good quality, pleasant manner and approachable On Freund in-depth work, good communication, much improved and has good potential, very approachable, confidence displayed in recommendations Several comment on Ellish's originality

There are no marked changes in the insurance sector, where Jesse still holds a very solid lead out of the 11 analysts who received one or more votes He's again followed by Edey Rogers's David Southey, who has pulled clear of Baillie, with whom he was joint second last year Mathison & Hollidge's Ian Christison, a specialist (probably the only one) in the short-term insurance sector, is again fourth

Fewer analysts — only five — cover the property and property trusts sector, and again there are few changes Frankel's John Rayner (soon to move to Edey Rogers) remains comfortably in the lead, followed by Ed Hern's Robin Washer, Martin's Janet Mills and Ivor Jones's Niall Carroll, who takes over fourth spot from colleague Ted Woods

It's no surprise that many analysts (25) are named in the new sector for large industrial groups, defined as the 20 largest industrials by market capitalisation, at end-November They include both focused and diverse groups from consumer and non-consumer sectors, and some that straddle both

However, many appear only once or on a few occasions There is close convergence on the first six Stuart emerges at the top, followed by Davis Borkum's Pierre Greyvensteyn, Fergusson Bros' Steve Rubenstein, Martin's Jerome O'Regan, Ed Hern's Johan Blersch and Simpson McKie's Niall Brown Martin's Philipe Tison and Edey Rogers' Franco Busetti are not far behind

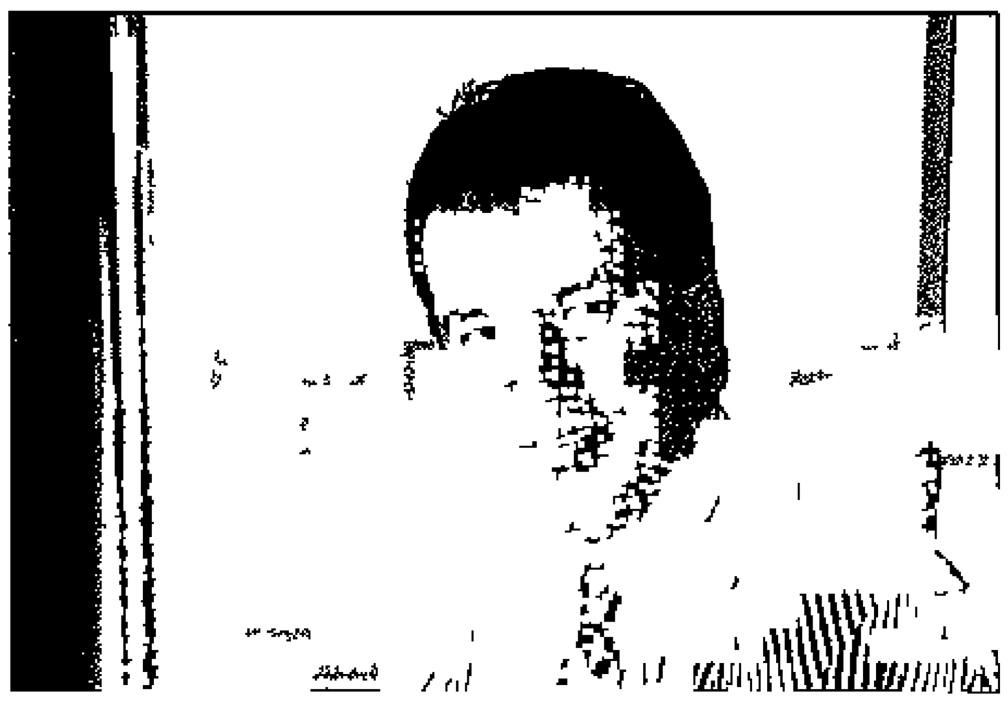
Some comments Stuart good quality, detailed, timeous, succinct, quality of recommendations is good Rubenstein accurate forecasts, well-balanced reports, Barlows report sets the standard for the broking community Blersch outstanding on Richemont and Sasol, original valuation models Greyvensteyn good, all-round research, good volume, thorough, but needs more market feel O'Regan commentary on Barlows is consistently useful and earnings projections accurate Brown top Rembrandt analyst

In the ranking for consumer and non-consumer industrials, a few analysts again stand out prominently from a large number of names In the consumer section, where 19 names appear, four are well ahead Martin's Janet Mills, Simpson McKie's Niall Brown, Ed Hern's Sydney Vianello, and Ivor Jones's Murray Winckler Fifth and sixth are Greyvensteyn and Simpson McKie's Tim Allsop Voting thereafter is widely scattered

Mills has led this sector for a number of years Institutions refer to her consistency, experience, and good reports, one notes that her analysis is thorough, with regular feedback, and her comments clear and concise But Vianello is challenging strongly, and continues to close in on Brown

INDIVIDUAL RANKINGS

Analyst	Firm
Coal	
1 Eric von Glehn	Martin
2 John Loewen	Ivor Jones, Roy
3 Dave Russell	Irish & Menell
4 Kevin Kartun	Frankel Pollak
Diamonds	
1 Des Mayers	O Flaherty
2 Des Kilalea/ Ted Woods	Martin/ Ivor Jones Roy
3 Kevin Kartun/ James Picton/ James Allan	Frankel/ Anderson Wilson
4 William Bowler	Fergusson Bros
Gold	
1 Bruce Williamson	J D Anderson
2 Lloyd Pengilly/ Dennis Tucker	Martin
3 Robinn Kearney/ Trevor Pearton	Silvis Barnard/ Fergusson Bros
4 John Bridges/ Rodney Yaldwyn	Martin/ Simpson McKie
Platinum	
1 Eric von Glehn	Martin
2 Merton Black	Ivor Jones, Roy
3 Rene Hochreiter/ Dave Russell	Anderson Wilson/ Irish Menell
4 Kevin Kartun	Frankel
Other Mining	
1 Eric von Glehn	Martin
2 Kevin Kartun/ Dave Russell	Frankel Pollak/ Irish Menell
3 Mike Wuth	Rice Rinaldi
4 John Loewen	Ivor Jones, Roy
Mining Financials	
1 Peter Davey	Frankel Pollak
2 Richard Stuart	Martin
3 William Bowler	Fergusson Bros
4 Doug Brooking/ Rodney Yaldwyn	Ivor Jones Roy/ Simpson McKie
Banks & Financial Services	
1 Alan McConnochie	Ed Hern Rudolph
2 Richard Jesse	Martin
3 Graham Baillie	Davis Borkum Hare
4 Doug Ellish/ Chris Freund	Anderson Wilson/ J D Anderson
Insurance	
1 Richard Jesse	Martin
2 David Southey	Edey Rogers
3 Graham Baillie	Davis Borkum Hare
4 Ian Christison	Mathison & Hollidge
Property & Property Trusts	
1 John Rayner	Frankel Pollak
2 Robin Washer	Ed Hern Rudolph
3 Janet Mills	Martin
4 Niall Carroll	Ivor Jones, Roy
Large Industrial Groups	
1 Richard Stuart	Martin
2 Pierre Greyvensteyn	Davis Borkum Hare
3 Steve Rubenstein	Fergusson Bros
4 Jerome O Regan	Martin
5 Johan Blersch	Ed Hern Rudolph
6 Niall Brown	Simpson McKie
Industrials — Consumer Products	
1 Janet Mills	Martin
2 Niall Brown	Simpson McKie
3 Sydney Vianello	Ed Hern Rudolph
4 Murray Winckler	Ivor Jones Roy
5 Pierre Greyvensteyn	Davis Borkum Hare
6 Tim Allsop	Simpson McKie
Industrials — Non-consumer	
1 Philipe Tison	Martin
2 Heidi Vollmer	Simpson McKie
3 Jerome O Regan	Martin
4 Niall Carroll	Ivor Jones, Roy
5 Pierre Greyvensteyn	Davis Borkum Hare
6 Franco Busetti	Edey Rogers
Most Improved Industrial Analyst	
1 Niall Carroll	Ivor Jones Roy
2 Terry Pettit	J D Anderson
3 Murray Winckler	Ivor Jones Roy
4 John Biccard	Simpson McKie
Overall Best Industrial Analyst	
1 Philipe Tison	Martin
2 Richard Stuart	Martin
3 Jerome O Regan/ Pierre Greyvensteyn	Martin/ Davis Borkum Hare
4 Niall Brown/ Sydney Vianello	Simpson McKie/ Ed Hern
Technical Analysis	
1 Doug Cleland	Ivor Jones, Roy
2 Dee Campouroglou	Frankel Pollak
3 Dana Wakefield	Davis Borkum Hare
4 Andrew Patterson	
Gilts Research	
1 Nick Fredericksz	Martin
2 Tim Hacker/ James Greener	Fergusson Bros/ Ivor Jones
Economic Trends	
1 Graham Bell	Ivor Jones Roy
2 Mike Brown	Frankel Pollak
3 Louis Geldenhuys	Senekal Mouton
4 Graham Boyd	Simpson McKie



Ivor Jones's Carroll *most improved industrial analyst*

Non-consumer industrials is the biggest sector Names of 31 analysts appear at least once Yet again, about a half dozen are streets ahead of the pack Tison retains his lead, but the runner-up this time is Simpson McKie's Heidi Vollmer, up from joint sixth last year O'Regan remains third, followed by Ivor Jones' Niall Carroll, who was not ranked last year Fifth and sixth are Greyvensteyn and Busetti, who narrowly squeeze out Rubenstein

Carroll is dubbed most improved industrial analyst, with a clear lead over the other 27 analysts who gathered votes Some comments about Carroll developed reliable reputation through accurate forecasting, work rate, thoroughness, large number of companies covered, good telephone communication, good overall research with in-depth financial statement analysis

Martin's analysts again feature prominently in the overall best industrial analyst section Tison has overtaken Stuart, who now appears second, followed by O'Regan and Greyvensteyn as joint third

Technical analysis, a more specialised sector, draws votes for 10 analysts, of whom three run far ahead Ivor Jones's Doug Cleland and Dee Campourogliou remain first and second, while Davis Borkum's Dana Wakefield leapt past E W Balderson's Andrew Patterson, now fourth, followed by Fergusson's Boyd Stafne

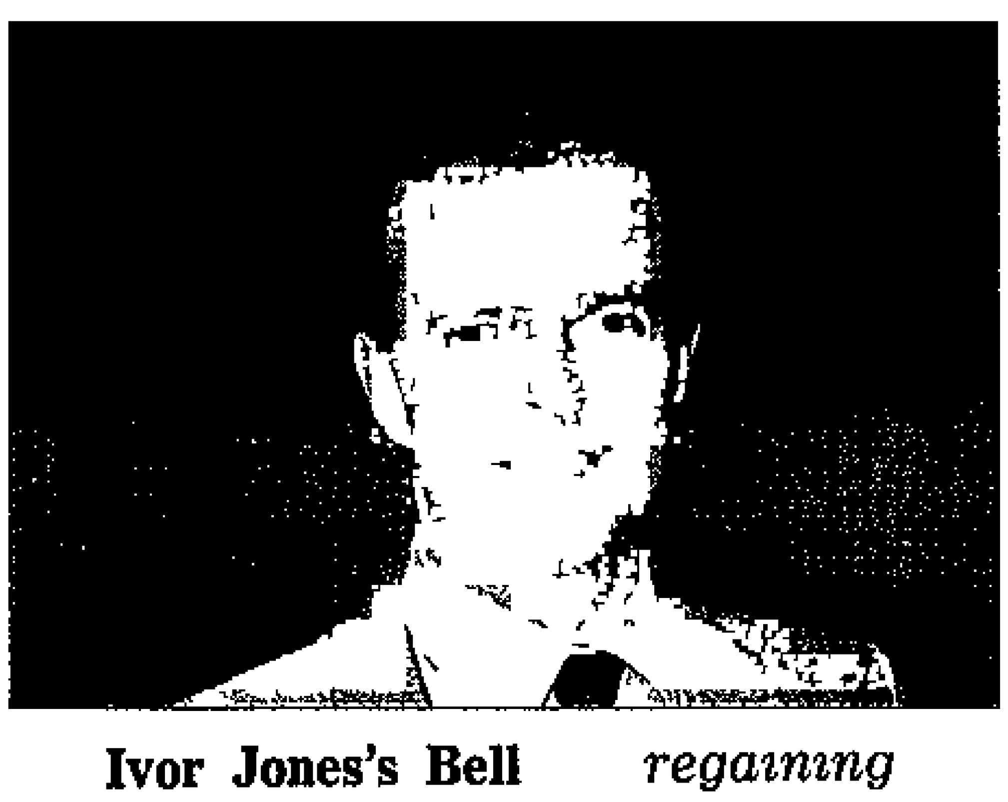
In gilts, 12 analysts receive one or more votes, but it's impossible to rank more than three Martin's Nick Fredericksz, and, sharing second place, Fergusson's Tim Hacker and Ivor Jones's James Greener

Comments on Fredericksz standardised, weekly reports, timing of recommendations, consistent reporting of high standard with good feedback, succinct On Greener technical evaluation of topical issues via IJR market bulletin, unique information, telephone communication, constant quarterly reporting, And on Hacker comprehensive monthly gilt report, special reports, eg SAB corporate bond issue and government finance

The economic trends ranking is derived from nine names each receiving one or more votes Ivor Jones's Graham Bell regains top slot from Frankel's Mike Brown, who slips to second, followed by Senekal Mouton's Louis Geldenhuys and Simpson McKie's Graham Boyd, not ranked last year Martin's Carmen Maynard and Irish's Azar Jammine (sharing joint third last year) are squeezed out

There's been a close tussle between Bell and Brown for the top economics spot for a number of years and both have their supporters Comments on Bell regular reports, telephone communication, original thinker, with good experience, easy reporting style, lots of phone calls, consistently good reporting, well-formated approach in summarising trend behaviour And on Brown reports, forecasts, originality, conferences, presentations, detailed surveys, overall knowledge

The pattern of comments offers a useful indication of what institutions look for Achieving the standards set by the leaders is, of course, where the real difficulty lies ■



Ivor Jones's Bell *regaining the economics lead*

INSTITUTIONS' EVALUATIONS

What they look for

Most financial institutions make their own regular evaluations of research received from stockbrokers These are important because they are taken into account when institutions allocate their business among broking firms More than half the allocation may be based on these evaluations

How do they go about this evaluation? That might seem an easy question One approach would be scientifically to track earnings forecasts and buy or sell recommendations, and use the result to decide how successful the analyst had been in helping the client to make (or avoid losing) money

Forecasts are obviously important, but from discussions with institutional investment managers, and some of the comments on the questionnaires, many other factors are taken into account, too

For one thing, institutions and their needs vary greatly They range from the giants, which have large research departments of their own, to smaller players with comparatively small investment departments that rely on research from a few selected brokers

The research head at a large institution tells the *FM* "As we have our own research team we don't rely heavily on brokers' forecasts We are often more interested in the special insights The sort of information and opinions that might be formed after a visit to the company is an example "

For many aspects of the evaluation, institutions apply judgment, based partly on their own experience The chief analyst at a large institution says "What we really look for is consistent, high quality research In addition to the conclusions, we look carefully at the data and clarity of thinking behind the forecasts Some comments are quite poor "

Several fund managers emphasise the importance of market feel "That's vital," says UAL senior manager Steve Roberts "You can tell me the most wonderful story about a company, but if you haven't got a good view on its value it isn't much good "

Frequency and quality of communication may be decisive One portfolio manager notes that communication in itself won't attract kudos if the substance is inadequate A wrong forecast will be remembered longer than the way in which it is delivered However, a broker's subsequent reaction might help to make up lost ground

Many top analysts and portfolio managers recognise that research that's communicated speedily, clearly and with conviction stands a greater chance of being given a fair hearing

This does not refer only to a pleasing form of presentation or the cosmetics of written reports A number of institutions emphasise the importance of timeous communication Several portfolio managers find it particularly useful when analysts convey ideas or comments by a quick phone call or fax (often preferable), maybe followed later by a written report or presentation

Roberts cites another concern about timing Too many analysts, he feels, work in a routine of producing company analyses after interim or year-end results

"That is not necessarily when companies are under- or overvalued More often they are correctly valued at that time We would like more analysts to break the mould and tell us about situations that offer value at other times of the year "

Another factor cited is the way forecasts or recommendations are made One institution feels nobody put out a convincing sell recommendation on De Beers sufficiently early

Subjective judgments are inevitable, but institutions generally try to tackle the evaluation systematically Syfrets Managed Assets' Matt Brenzel says "We have a very objective approach We look at a range of criteria, allocate points to each and add up the scores " Brenzel lists 11 criteria, of which the most important (derived largely from the others) is credibility

When the *FM* asked one senior investment manager how his institution evaluates brokers' research, he replied "An interesting topic We tend to put up with what we're fed Many brokers don't ask us what we want " If that is a typical view, it suggests this is a subject that might merit higher priority in some brokers' research efforts ■

STOCKBROKERS' RATINGS FM 12/2/93 (232)

Adapting in a difficult year

For stockbrokers' analysts researching equities on the JSE, 1992 could not have been an easy year Industrial shares had already been driven upwards in anticipation of an upswing that failed to arrive and commodity stocks and precious metal counters were dragged down by depressed product prices

With interest rates easing, investors turned to the money and capital markets Institutions were rightly in no mood to listen to a continuing flow of buy recommendations But the *FM's* latest survey of investing institutions' opinions of stockbrokers' research shows that the best analysts — and research teams — have adapted successfully to bearish equity markets

All-round strength and depth ensure that Martin continues to lead the overall rankings It still gains considerably more votes than any other firm, though it has slipped in several sectoral rankings This time it leads in 10 out of 22 sectors, last year in 16 of 21

Ivor Jones remains second overall, but for equities research alone, has been overtaken by Simpson McKie For the ranking in this overall table, points accumulated by firms are weighted by sectors' market capitalisations That has placed a growing premium on the industrial sectors

Simpson McKie is voted the most improved industrial research firm for the second year running The firm is another which has built up a comprehensive research team and retains the third overall ranking attained last year However, two Ivor Jones analysts, Niall Carroll and Murray Winckler, are first and third most improved industrial analysts — so the firm is not resting on its laurels

Fourth overall is Fergusson Bros, up from sixth last year Ed Hern, Frankel Pollak Vinderine and Davis Borkum follow in fifth, sixth and seventh respectively Edey Rogers and J D Anderson are again eighth and ninth overall, while Senekal Mouton has displaced Irish & Menell in 10th slot

A strong showing in this ranking means a firm has built up an all-round (and expensive) research team Many firms have chosen to specialise in particular sectors, where they have built up powerful reputations

Another point is that the overall ranking is derived from a questionnaire which asked institutions to rank firms or analysts down to three (or, at most, six) places If they were ranked to 10 places, the overall ranking might be somewhat different

A number of changes appear in the sectoral rankings and, as usual, the top analysts are not always from the firm that leads the firms' sectoral ranking

Gold, diamonds and mining financials are three such cases Martin is again ranked first in each but this does not apply to the analysts where, partly because of split voting between more than one Martin analyst, individuals from other firms earned more votes

Two new sectors have been included In the firms' sectoral rankings, there is a sector for derivatives, where the leader is Lorenzani & Coogan, a young firm specialising in this area Simpson McKie is runner-up, with Ivor Jones and Senekal Mouton joint third

To give further recognition to the host of industrial analysts, the analysts' rankings include a new sector for large industrial groups, defined as the 20 largest industrials by market cap at the end of November

OVERALL RANKINGS

Research only

Overall	Equities	Points	Firm
1	1	1	Martin
2	3	2	Ivor Jones Roy
3	2	4	Simpson McKie
4	5	6	Fergusson Bros
5	4	5	Ed Hern
6	7	3	Frankel
7	6	7	Davis Borkum
8	8	9	Edey Rogers
9	9	8	J D Anderson
10	10	10	Senekal Mouton

Note Overall ranking includes all sectors listed in firms sectoral rankings table, with all sectors weighted Equities ranking includes only JSE equity sectors, weighted by market capitalisation The points ranking is based on total points accumulated, with no weightings

DEALING

Equities
1 Davis Borkum Hare
2 Martin
3 Ivor Jones Roy
4 Senekal Mouton/Simpson McKie/ J D Anderson

Fixed-interest securities
1 Martin
2 Ivor Jones Roy
3 J D Anderson
4 Fergusson Bros

ADMINISTRATION

1 Davis Borkum Hare
2 Ivor Jones Roy
3 Martin
4 Senekal Mouton

Martin's research team *(sitting) Von Glehn, Tucker, Bridges, Stuart, (back row) Maynard, O'Regan, Mills, Da Silva, Jesse, Gordon and Tison*

Martin's Richard Stuart takes first position, followed by Davis Borkum's Pierre Greyvensteyn and Fergusson Bros' Steve Rubenstein

Though Davis Borkum does not lead the research rankings, findings in other areas underline its overall strength It has climbed to the top in the rankings for administration — where it supplants Martin — and again takes top position in the ranking for dealing in equities, of which it has been a clear leader since this section was introduced in 1985

Others rated highly for administration — a broad area that gives an important insight into a stockbroking firm's efficiency — are Ivor Jones, Martin and Senekal Mouton These also appear in the ranking for equity dealing, as do Simpson McKie and J D Anderson

Dealing in fixed-interest securities is another new sector Much gilts trading has moved off the JSE and is now carried out by other players, such as merchant banks But it's still important for some brokers The leader is Martin, followed by Ivor Jones, J D Anderson and Fergusson Bros

Subsequent articles examine how the survey was done and the results ■

METHODOLOGY

How it's done

The annual rating of stockbrokers' research is not intended to reflect the *FM*'s opinions, but to survey the opinions of investing institutions that use the brokers' services This is fundamental to the methodology used

Once the structure of the survey — essentially the same for a number of years — is established, it is followed meticulously

Rankings are derived from questionnaires sent out to financial institutions and returned by them to the *FM* Information or opinions derived from other sources, such as by telephone, is excluded

This approach differs from a similar survey carried out in the US by the monthly financial journal *Institutional Investor* That survey does not regard the questionnaires as final After they are returned, the magazine spends some two months phoning institutions, to discuss their views

The *FM* avoids that, both for reasons of confidentiality and because we prefer not to try to interpret opinions expressed orally

This survey proceeded as follows A fax was sent to all stockbroking firms, asking them the names of their analysts and the sectors covered These were then drawn up in a convenient list, which was enclosed with the questionnaires

Our list of financial institutions was updated Questionnaires were sent to just over 40 of them in late November, including insurance companies, unit trusts, independent fund managers, mining houses and some pension funds All respondents are assured that replies are treated in confidence

Incidentally, the survey is confined to research produced for institutions It is not concerned with the often quite different research done for private clients

Follow-up phone calls were made in late December and early January, to ensure as high a return rate as possible Completed questionnaires were returned by 27 institutions, a satisfactory rate of about two-thirds

Certain replies are weighted and some subjectivity is inevitable in deciding which In the past (a weighting procedure has been used since 1984), the approach has been to have an "A" group of 10, carrying larger weightings, and a "B" group of 10 with smaller weightings

Because the selection is not straightforward, these groups were reduced this time to an "A" group of eight and a "B" group of seven

Nine stockbroking firms were asked whom they thought should be in each group and the selection was based substantially on their replies All the "A" group completed and returned questionnaires

The essence of this survey is that it asks stockbrokers' customers whether they are getting what they want and which broking firms and analysts are serving their needs best

The questionnaires simply ask who produced the best and most consistent research during the year

In most instances respondents are asked to rank firms or analysts to three places In the main industrial sectors (large industrial groups and consumer and non-consumer industrials), the ranking has been extended to six places to give more recognition to the large number of industrial analysts

We do suggest some specific aspects be considered, such as timeous work, consistency and quality of presentation

But we avoid providing detailed evaluation criteria This is left to the institutions, on the grounds that requirements vary and each respondent knows its particular needs best

As it's hoped to make this survey as constructive as possible, institutions are invited to comment on why credit is being given Some of these comments appear in the article dealing with analysts' rankings It's plain from these and from a recent telephone poll on how institutions evaluate brokers' research (see page 40), that many factors are taken into account — not just forecasts and recommendations

Points are awarded to firms and analysts for a first, second or third place All the rankings are derived from this data When firms or analysts are separated by only a few points, they share the same position

The overall research table ranks firms to 10 places, based on aggregate points accumulated in the sectors

This table has three rankings points accumulated, with no sectoral weighting, an equity ranking based on JSE sectors, weighted by market capitalisation, and an overall ranking, which includes all sectors in the firms' sectoral ranking

For the overall, and primary, ranking it's assumed that equity sectors (again weighted by market cap) make up 70% of the total, weightings for other sectors are estimated

These various weightings can give different slants to the results That's one reason for offering three different rankings But the sectoral tables contain more specific and probably the most useful rankings ■

OPPORTUNITIES BEING MISSED

As usual, institutions list a number of areas where they feel more could be done The list is longer than usual, showing that even in an ostensibly over-researched market, there are always opportunities These include.

- ☐ More pro-active telephone contact on market information,
- ☐ Not enough innovative and original research,
- ☐ More use should be made of foreign connections;
- ☐ Greater emphasis on cash flow analysis and cash flow earnings as opposed to accounting earnings;
- ☐ Gilt options strategies,
- ☐ More research on international markets,
- ☐ Comment on wordwide industry trends;
- ☐ Market timing (trend identification),
- ☐ Futures research and timing,
- ☐ Records of recommendations,
- ☐ Political implications of government income and expenditure, parastatals/IDC's role and actions, control boards, government corruption, homeland financing costs,
- ☐ More emphasis on asset allocation,
- ☐ More on the detailed methodology used in evaluation and forecasts,
- ☐ Niche sectors, second- and third-liners and special opportunities Research is concentrated in large market cap stocks,
- ☐ Timetable of events, such as economic and political/international meetings, and
- ☐ Derivatives research seems to fall between two levels either pitched at an introductory stage, or put out for the investor fully familiar with all aspects There is room to find middle ground, for example, the development and recommendations of strategies for the institutional investor

TRENCOR/FSI/W&A

FM 12/2/93 (232)

Funding routes

One of the more arcane — and, therefore, fascinating — conundrums to emerge from the coupling of Trencor and W&A is how chairman Jeff Liebesman intends to engineer the injection into the group of Trencor's R350m contribution to the rights issue It isn't as easy as may first appear

The W&A structure has FS Group holding 64,5% of FSI, through which Liebesman holds most of his equity in the group and which is carrying debt of around R280m FSI, in turn, holds 75,4% of Waicor (fully diluted) which holds 62,4% in W&A, the principal operating company W&A's debt is about R1,1bn

Assuming all the companies in the control structure procure rights issues in such a way that Waicor and FSI's control is reduced to only 50%, then the maximum sum that could be guaranteed to Trencor would be about R180m That would present some difficulties given the expressed intention of the deal, which is to permit Trencor to invest up to R350m

On the face of it, it would seem the only way Trencor's guaranteed investment can be increased is if certain other institutions holding shares in Waicor and W&A give solid commitments to waive their rights in favour of Trencor. Action of that kind could yield rights to subscribe for up to about R140m if every minority shareholder ceded its entitlement

Since this must be highly unlikely, we must assume for this exercise that the likelier figure is about R50m-R60m. The total shortfall, therefore, is about R110m before account is taken of the amount of capital to be raised in FSI.

I suspect that a quid pro quo for the entire transaction was that in return for getting W&A relatively cheaply (at a likely strike price of R1,75/share), Trencor has probably committed itself to subscribe for FSI equity at a premium to intrinsic NAV.

If so, it would allow FSI, in turn, both to follow its rights in Waicor and substantially to reduce its own debt of about R280m. My guess is that upwards of R100m could be invested in FSI in this way.

Liebesman declines any comment "You are speculating," he says, "and since we are now in a bid period, I can't help you."

An important side effect of the scheme considered in this exercise is that FSI would reduce debt, proportionately, to a significantly greater degree than the other companies The subsequent improvement which would result in the gearing ratio suggests the share might then attract renewed investor interest

David Gleason

FM 12/2/93 (232)

Community fund could top R50m

232

South 13/2-17/2/93

INVESTMENT in the Community Growth Fund (CGF) will top R50-million this year, predicts Mr Gordon Young, an economist and advisor to Unity Incorporated, the investment company formed by the seven Cosatu and Nactu affiliates

The unions have pooled their money to invest in companies with good industrial relations records

The fund has investments worth about R20-million. It announced good half-yearly results recently.

Unity has 19 conditions which must be met by companies before money is invested in them These include a priority on creating jobs, training for blacks and women, environmental concerns and eliminating racism in the work-place.

Some of the companies approved include Safren, whose subsidiary, Rennies, pays good wages and spends money on training programmes

Unity rejected Rent s brandy partly because of its cigarette production, but also because of its major stake in Perskor publishers of NP-supporting newspapers

Young said the fund was started in response to a need to have workers control their money.

Workers now say it is possible to make socially responsible investments and have good returns.

The fund also enables workers to move money from the rigid pension funds of companies to the higher-yield provident funds Also, workers' money was almost exclusively invested in guaranteed portfolios.

Disadvantages in this were

- Actual returns were never declared (eg if a company made a 25 per cent return, they would perhaps only declare 18 per cent)
- The placement of investments was never declared, which could embarrass unions if done with companies with poor industrial relations
- It was difficult to leave these portfolios as most operate on a percentage return over 10 years Investors would lose if they wanted to take their money elsewhere.

CGF investments are transparent as investors can see where money is invested, with results published every six months Investors may pull out at a day's notice

CGF's partnership with Syfrets has paid off In the first quarter since its start on June 1 1992, R7-million had been invested By the end of the second quarter almost three times as much was invested

The main source for the CGF has been union provident funds Fortunately, Young says many companies with provident funds have been open to the CGF

COMMUNITY GROWTH FUND CGF

WAGHIED MISBACH

larly high

Exposure to the agricultural sector had been reduced in recent years, but it

posit it there and spend … when I go on holiday

I wonder how the SA Reserve Bank feels about that?

No surprises for public eye

232

S/Times (Bus)

14/2/93.

EVEN though RMB Holdings' deputy chairman GT Ferreira himself wondered whether the JSE had gone over the top with his group's share price at R16, the latest results do nothing to contradict the market

Mr Ferreira admitted at a press lunch a week ago that he had been apprehensive about having his group in the public eye — not so much that reporters could scrutinise but for the increased pressure to perform or watch the share price tumble

Listed in November, RMB Holdings has jumped from R10 a share to R16 This week's interims to December come as no surprise — earnings a share up by 23% to 30cps and the dividend by 24% to 10,5c. The yield is thin at below 2%

Effective from July 1992, RMB Holdings took control of pedestrian life office Momentum, Rand Merchant Bank being made a subsidiary of Momentum Momentum's price has also soared, from R3 to R8 in a year, currently 760c

RMB Holdings reports that the bank did well, Momentum puts the bank's contribution as part of investment income, which rose only 2% to R306-million The income from Rand Merchant Bank is a small component (around R20-million) of total investment income

Momentum's Neil Krige says lower interest on the cash holdings, a decrease in dividends and increased benefits contributed to the slower growth

Momentum's premium income climbed by 48% to R622-million in the six months to December, largely as a result of single-premium transactions unlikely to be repeated Growth in recurring income was modest.

Net taxed surplus disclosed to shareholders doubled to R19,6-million — due mainly to Rand Merchant Bank's contribution.

R40m Dubai bid for Fancourt

EDWARD WEST

DUBAI-BASED Geap International has offered R40m for Fancourt Holdings as settlement for the R97m owed to debenture holders and bond participants, and for R15m owed to contractor Group Five

Geap International MD Mahendra Patel said on Friday Geap had made a R25m offer to curators for "all of the rights, title and interest" of the debenture-holders and of part bond participants of the Fancourt project, and of the Masterbond companies

The offer would also provide for settlement of contractor Group Five's R15m builder's lien over various assets and, if accepted, would be followed by negotiations with representatives of minority shareholders, Patel said

The offer was valid for 30 days only, and was dependent on Reserve Bank approval and approval from curators The offer would also lapse if any of the Fancourt companies were placed in final liquidation — an issue due for a legal decision in court on February 19, he said.

Patel said the offer would give bondholders immediate access to considerably more money compared with a recent offer by a consortium comprising Standard Merchant Bank, Group Five and Orient Express Hotels, which had been rejected.

If the Geap offer failed and Fancourt was liquidated, creditors would face a complex legal situation, with claims and counter-claims ensuring a delay of at least another 18 months, possibly leaving little for distribution BDay 15/12/93

Geap was involved in international manufacture, contracting, property development and trading, and had previously been involved in golf course project development, said Patel (232)

● Picture: Page 3

Anglo Alpha proves to be a good buy for AVI

By Stephen Cranston

Anglovaal Industries has reported a 21 percent increase in earnings to R147,2 million but because of an increase in the number of shares in issue, earnings per share increased by just ~~nine~~ percent to 464c.

A notable feature was the contribution from the 25 percent holding in Anglo-Alpha, acquired in the second half of last year It contributed 10 percent of the group's attributable earnings

Top earner

Once again National Brands, which holds Bakers, TW Beckett, Pakco and Yardley, was the biggest earnings contributor, with a 28 percent contribution Packaging and rubber group Consol followed with an unchanged 27 percent

This was followed by AVI Diversified Holdings, which has interests principally in textiles and engineering It provided 17 percent of the bottom line This was down from 21 percent The textile division reported lower profits, largely because of continued unrest around Mooi River Textiles.

I&J, which reported a 19 percent earnings decline saw its contribution fall from 20 percent to 13 percent The troubled electronics and construction group Grinaker had an unchanged three percent contribution

Group turnover increased by six percent to R4,199 billion but profit before tax was up by just one percent to R371,4 million

A decline in the effective tax rate from 44,6 percent to 41,2 percent, the maiden contribution from Anglo-Alpha and reduced income for minorities turned this into a 21 percent increase at the attributable level.

The net cash position of the group fell by R327,6 million to R141,9 million as a result of the acquisition of 25 percent of Contred by Consol from Trencor and group capital expenditure of R144,2 million.

Star 15/2/93

Offer for Fancourt, Masterbond rights

232

A Dubai-based company has offered R25 million for "all of the rights, title and interest" of the debenture holders and part bond participants of the Fancourt project and Masterbond companies

A separate offer would also provide for settlement of Group Five's approximately R16 million builders' lien over various assets

If accepted, the offer would be followed by negotiations with representatives of minority shareholders

Announcing this at the weekend, Geap International (UAE) managing director Mahendra Patel said the offer was valid for 30 days and would lapse if any of the Fancourt companies were placed in final liquidation

In terms of the offer, debenture and bond holders would have immediate access to more cash than was the case with the proposal made recently by an other source, Patel said.

"But acceptance now is important If there are further delays, it is unlikely my company would be prepared to make as good an offer again," he warned

There has already been a 16-18 month delay and uncertainty over Fancourt, a Gary Player-designed luxury golfing complex during which time it had received a negative image which seriously affected sales.

Patel said various sensitive assets could deteriorate further, and certain key personnel, seen as central to the development's success, could start looking at alternative prospects.

This would be taken into account by prospective buyers, if there were any, and would drive the price downwards

If the Geap offer was not accepted and Fancourt was placed in liquidation, creditors would face a long wait due to the complex legal situation

Claims and counter claims could result in delays of up to 18 months. — Sapa

Cafca bows to effects of Zimbabwe recession

8 | DAY 16/2/93

(232)

DUMA GQUBULE

CENTRAL African Cables (Cafca), the Harare-based and JSE-listed company, reported a 35% decline in attributable earnings to Z$12,6m (Z$19,3m) for the year to end-December

This was equivalent to 41c (63c) a share. The dividend payout for the year was 10,2c (15,7c) a share.

Cafca, which had been on a five-year winning streak which saw turnover and attributable profit increase more than five-fold, finally succumbed to Zimbabwe's worst recession in spite of a spectacular export performance

Group secretary Alastair McFarlane said the group had budgeted for a similar performance this year

The electrical cable manufacturer's turnover dropped marginally to Z$117,3m (Z$121,4m)

A breakdown of turnover showed exports more than doubling to Z$30,2m, (Z$13,9m) — just over a quarter of total turnover — while domestic sales declined 19% to Z$87,1m (Z$107,5m)

Operating profit was down a third to Z$20m (Z$30m) Operating margins had declined because of changes in the sales mix and fixed cost structure of the business, McFarlane said

He said Cafca's overall thrust was to become more competitive internationally and continue cost reduction strategies

Supreme directors 'knew of losses' before liquidation

(232)

BIDAY 16/2/93

PETER GALLI

THE directors of provisionally liquidated Supreme Holdings and Supreme Investment Holdings had been aware of the huge losses incurred by the group for some time.

Coopers Theron du Toit investigative accountant Peter Goldhawk, appointed by the liquidators, said yesterday "I am meeting the liquidators on Wednesday ... but I have established that the losses were known by the directors long before last November's provisional liquidation."

The financial statements for one of the companies had been qualified by its auditors in 1990 as they could not determine if the statements accurately and fairly reflected its financial position. However, it continued to trade until the liquidation.

The liquidators recently announced that they had found the two companies had realisable assets of R86,2m, while liabilities amounted to R278,54m.

The Section 417 inquiry that had been requested into the affairs and activities of the two companies would compel the directors to answer questions on all their investment and other decisions under oath, said Goldhawk.

The liquidators have said they would institute the necessary actions against any parties who might be liable if the evidence supported it.

The joint provisional liquidators said yesterday there was confusion among debenture holders about the meetings scheduled for the various centres from next week.

"The purpose of the meeting is to obtain their consent for the substitution of securities currently held on their behalf by the trustee for the debenture holders for shares in the three JSE-listed operating companies. They will not be asked to vote on whether to accept a cash offer or shares in the listed companies at this meeting."

The meetings were effectively a first step in a process to secure the maximum cash value for debenture holders, who would retain the right to choose between taking cash or shares in the future, the liquidators said.

If approval was not given for the substitution, the listed companies — Supreme Industrial Holdings, Supreme Manufacturing Holdings and Protea Furnishers — would also have to be liquidated.

"This is not in debenture holders' interests and no decision should be taken as to how to vote until they have been able to discuss and clear any doubts at the meetings," Goldhawk said.

Five 'substantial' offers for Fancourt

232 LINDA ENSOR

CAPE TOWN — Five substantial offers to purchase the luxury Fancourt resort outside George were under negotiation, Masterbond curator Arnold Galombik said at a news conference yesterday.

Two offers had come from Eastern countries, two from SA banks and one from Cape Town lawyers acting on behalf of a German syndicate. BDay 17/2/93

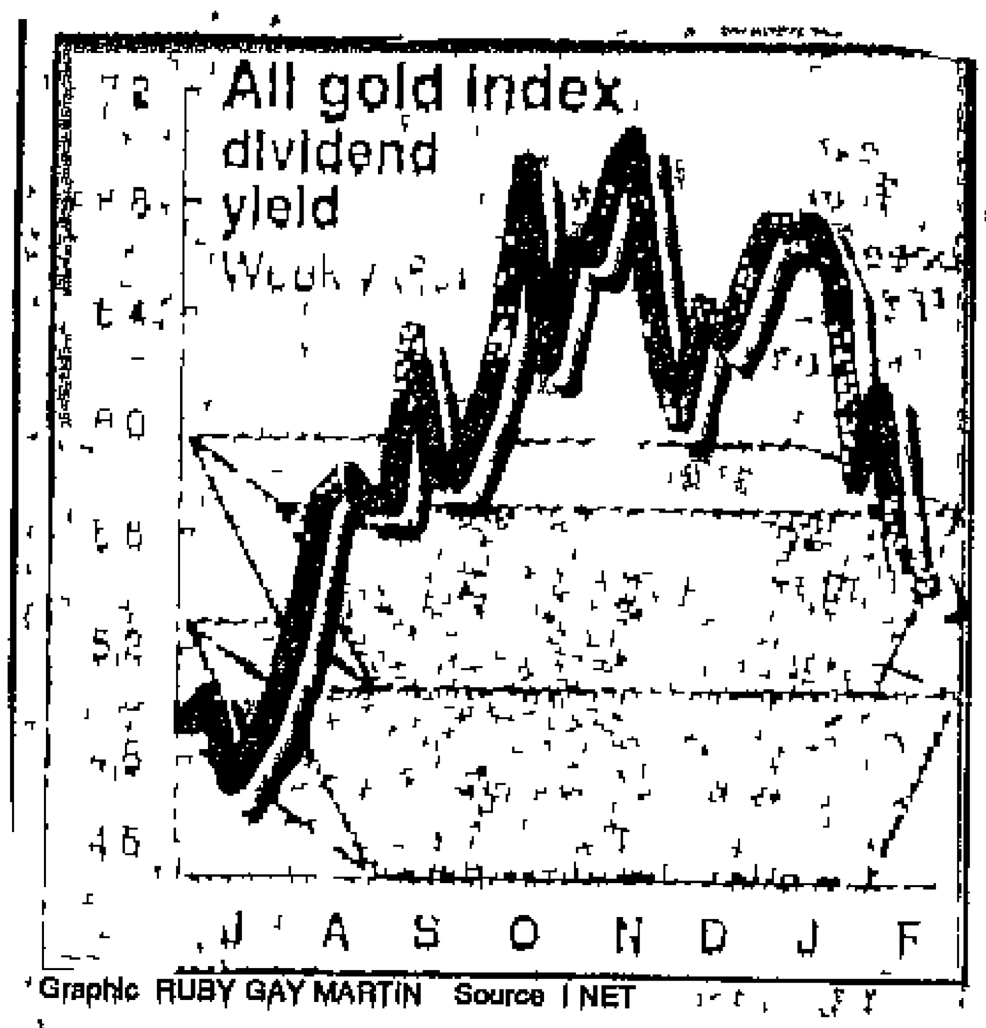
Galombik said the curators and the Fancourt provisional liquidators regarded the offer by the Dubai-based company Geap International as "totally inadequate and unfair to investors".

Geap was prepared to buy Fancourt for about R50m with only R25m going to Masterbond investors, who had about R116m in capital and interest invested in the resort.

An amount of R17m would go to Group Five and the balance of about R8m to concurrent creditors and shareholders, including former Fancourt chairman André Pieterse. Galombik said the curators and provisional liquidators repudiated the validity of Group Five's claim to have a lien over the full R17m of Fancourt Holdings' debt to the company.

"The claims of Masterbond investors were secured by first mortgage bonds and we shall do everything possible to secure their rights and ensure that other creditors, who are in law not entitled thereto, do not rank ahead of them," Galombik said.

Galombik said the curators were in favour of Fancourt being finally liquidated on the return date tomorrow, but still had to discuss this with the provisional liquidators



Graphic RUBY GAY MARTIN Source I NET

Foreign investors put pep into JSE

MERVYN HARRIS (232)

RENEWED foreign buying injected fresh life into the JSE yesterday to lift the all gold index almost 5% or 47 points to 1 003, its highest level since August last year.

The rally came on the back of US investors returning to the fray after a holiday but the market came off the top towards the close on expectations that Wall Street would open lower. Concern over higher taxes when President Bill Clinton unveils his economic package today sent share prices tumbling on Wall Street, where the Dow Jones opened 76 points lower.

The strong performance of JSE gold shares came despite little early movement in the gold price but it later closed more than $3 higher in London at $331,80 on the sell-offs on Wall Street and the dollar.

A dealer said: "People are worried that they might miss out on a gold boom and this has encouraged nibbling by domestic investors who have been surprised by the huge foreign buying." BDAY 17/2/93.

Trade in gold shares accounted for almost a third — R240m — of last week's turnover of R762,8m, the highest since the week to August 17 1990. Gold share turnover over the past month totalled R447m.

The rise of gold shares has taken the all gold dividend index down from a high of 7% last November towards 5% yesterday.

Hope that govt will end securities tax

B/DAY 17/2/93. (232)

JSE President Roy Andersen yesterday expressed hope that government would reduce or eliminate marketable securities tax (MST) in the Budget.

Speaking at the Frankel, Pollak, Vinderine conference, Andersen said MST was a major reason for the lack of liquidity on the JSE The total tax collection to the fiscus from MST was only about 0,2% of annual revenue.

"It is therefore hoped that government will fulfil its promise made two years ago and either reduce or eliminate MST altogether in this year's Budget," he said

Aside from MST, other factors putting a damper on liquidity in the market were tax uncertainty and the disappearance of the small investor.

Many investors still believed tax assessors automatically assumed the sale of shares held for less than five years would be taxable

There was a lack of clarity on whether a "safe haven" choice applied to the entire portfolio or only to a particular share

GRETA STEYN

Referring to the Katz committee on the future structure of the JSE, he said the committee's findings would be released in three to nine months time. The research phase of the project had been concluded and a start had been made with drafting key chapters of the report.

Once the draft report had been finalised it would be tabled for the JSE committee to consider whether to recommend changes to the structure of the market.

"During the 1993 session of Parliament, the Stock Exchanges Control Act will be amended to permit, but not compel, dual capacity trading and corporate membership It will then be up to the JSE Committee to determine whether or not to change the JSE rules," Andersen said.

Some of the chapters being considered for the Katz committee's report included limited versus unlimited liability, trading methods, capitalisation of broking firms, surveillance, derivatives and international investors, Andersen said

IDC unbundling put on hold until after Budget

BDAy 17/2/93 (232) (88)

EDWARD WEST

LIFE companies were major investors in most valued listed share stocks, and an unbundling of assets, leading to a dividend distribution, would attract dividend taxes, Industrial Development Corporation (IDC) GM Malcolm Macdonald said.

One of the greatest problems inhibiting the unbundling of corporate assets was the notion of the deemed dividend upon which life companies paid tax on dividends.

This made unbundling a major disadvantage to life offices, and was a major obstacle in the unbundling of corporate assets.

The unbundling of the IDC's National Selections (Natsel) and Industrial Selections (Indsel) could not be completed before the Budget, and was now planned for April. The IDC hoped to realise about R500m from unbundling, said Macdonald.

It was hoped the definition or status of the deemed dividend would change after the Budget, thus facilitating the unbundling process, he said.

Assurance industry sources said the sixth schedule to the Income Tax Act would be abolished this year, which would remove life assurers' objections to the unbundling process as it meant dividends would not be taxed. The abolition of the sixth schedule and a revision of the Insurance Act would probably be referred to in the Budget, a source said.

Macdonald said the full value and mechanics of unbundling had not yet been decided, as two merchant bankers were in the process of placing values on the unlisted investments.

Although the IDC would have to buy back Natsel and Indsel's unlisted investments — making up less than a quarter of the total investment value — it was important to realise fair value for those investments in terms of the outside shareholders, he said.

Indsel's unlisted investments include stakes in ERF, Algorax, Richards Bay Minerals, Richards Bay Smelters, L & C Steinmuller, Delfos and Atlas Copco, Automotive Overseas Investments, Alusaf, Advanced Foods Research and Sappi Management Services. Natsel's unlisted investments included stakes in the same companies.

Indsel's listed investments at Monday's trading prices amounted to about R600m, while Natsel's totalled about R486m.

Their listed investments include shares in Sappi, Sasol, Palabora Mining, Implats and CG Smith.

Star 17/2/93

Andersen calls for cut in MST

232

The government should reduce or eliminate marketable securities tax to give a boost to liquidity on the Johannesburg Stock Exchange, JSE president Roy Andersen told the conference

The government had promised such a move two years ago and he hoped that it would fulfilled in next month's Budget

"The experience in both Sweden and Taiwan has been that a reduction in MST has resulted in a significant improvement in market liquidity," Andersen said.

Furthermore, the total tax collection by the fiscus from MST was estimated to be only 0,2 percent of annual government revenue.

The poor liquidity on the JSE has been identified as one of the key issues facing the stock market in the future, Andersen said

Other factors inhibiting liduidity were exchange control, tax uncertainty on the sale of shares and the defection of the small investor from the JSE

Andersen said the problem of poor liquidity was one of the key areas the JSE had focused on its recently concluded research

The research aimed to deal with the issue of how the JSE should be structured as South Africa enters a new era — Sapa

COMPANIES

JSE revises formula for listing fees

BDAY 18/2/93.

DIRK VAN EEDEN (232)

THE JSE yesterday announced a revised basis for determining listing fees after a review indicated disparities between services used and amounts paid

The move entails a sliding scale for the determination of initial listing fees. In effect small, low-priced issues will cost less while larger high-priced issues will cost more

According to a circular sent to companies listed on the JSE, annual revision fees would not be increased in 1993, but the maximum and minimum fees would be raised by 5% For the JSE this would mean an increase in income from this source of about 4%.

Fees for the processing of listings will rise by an average 12%.

The revised annual fees are payable on March 1, but the new fee structure for initial listings will come into effect only on June 1 The current rate of listings and documentation fees would be applied to all transactions where documents had been formally approved by the JSE by May 31

Battered but leaner Frame reins in losses

BDAY 18/2/93.

MARCIA KLEIN

A SIGNIFICANTLY downsized and rationalised Frame Group contained its attributable loss to R8,6m for the half-year to end-December after showing a R20,9m loss in the previous year

Increased imports of textiles and reduced consumer spending resulted in a 9% decline in turnover to R308,1m (R338,2m), chairman Mervyn King said The group was operating at well below capacity

Operating income of R872 000 compared with an operating loss of R7,9m in the previous year and an operating loss of R30,2m at the June year-end. King said this was the first time since June 1990 that the group had shown an operating profit

However, this profit was offset by interest charges of R14,2m, 20% lower than the previous year's R17,7m This resulted in a R13,3m (R33,8m) pre-tax loss

Frame reported a loss of 41,4c a share, compared with a 110c a share loss in the previous period and 238,8c a share loss at the June year-end No interim dividend was declared

In the two years to end-December, staff had been reduced by 47% to 8 005, and factory premises scaled down significantly Since December 1991, working capital levels and borrowings had been reduced

King said the results reflected "a marked improvement". If the sales volume had been the same as the previous year, the group would have operated profitably after interest, King said. But "imports and the recession took their toll on gross sales"

He said the combined effects of the structural adjustment programme and the recession "had devastated the textile industry" A panel was considering the industry's long-term strategy but the Board on Trade and Tariffs had not yet announced the time period for the interim ad valorem duty structure.

He said structural adjustment programme duty-free permits were "still rife", and it would take until March 1994 to work them out of the system

The group's future would be influenced by the economy and "equitable barriers against disruptively priced textile imports from subsidised textile exporters"

But the rationalisation meant Frame was well placed to take advantage of "a beneficial structure in the textile industry and an upturn in the economy"

Subsidiary Consolidated Frame Textiles reported a loss of 23,9c (60c) a share

UK firm pulls out of Africa

BDAY 18/2/93

LONDON — British packaging group Low & Bonar said yesterday it had sold its remaining African businesses in SA, Zimbabwe and Zambia to a Virgin Islands-based company for £1,5m

It said £1,1m had been paid in cash by Cavmont, based in the British Virgin Islands, and the balance was payable over the next three years

Group finance director Norman McLeod said the six industries in question were involved in manufacturing textiles for the clothing trade and industrial plastics.

Last year the group disposed of operations in Kenya and Nigeria McLeod said the move out of Africa was to enable the company to concentrate on its core business.

— Sapa-Reuter

EXECUTIVE SUITE

STAR 18/2/93.

JSE revises structure of listing fees

(232)

Finance Staff

The Johannesburg Stock Exchange has announced a revised basis for determining listing fees.

It says a review of the fee structure has shown a disparity in that companies are charged annual revision fees irrespective of the extent to which they use all the benefits of the exchange.

Conversely, companies which use the exchange facilities to raise large amounts of capital have been charged only nominal fees.

To reduce this disparity and to bring the fee structure more in line with international practice the rate for calculating annual revision fees will not be increased in 1993 but maximum and minimum fees will be raised by 5 percent.

The effect of these revisions will be to lift income from this source by just under 4 percent, which is considerably below the inflation rate.

A sliding scale has now been introduced for initial listing fees which will reduce fees for small low-priced issues but increase fees for larger high-priced issues.

Fees for processing listings documentation will increase by an average of 12 percent.

The revised annual revision fees are payable on March 1 and the new fee structures for initial listings and documentation will take effect in June.

The current rate of listings and documentation fees will be applied to transactions where the documents have been formally approved by the JSE on or before May 31.

It's make or break as 'triple witching hour' approaches

STAR 18/2/93.

By Derek Tommey (232)

South African investors are to experience on March 15 what they call in the United States the "triple witching hour."

It is the hour when futures contracts, put and call options and similar speculative instruments based on the movement of share indices have to be settled.

It is of vital importance to share market players to know when the triple witching hour will occur.

This is because there is always the possibility that some of the speculators might try to "ramp" or "dump" shares which have a large weighting in the share index in order to move the index in their favour. This means that shares can move quite differently from investors' expectations.

The South African Futures Exchange has had triple witching hours before. But what makes this one different is the huge amount of money that is tied up in futures contracts.

In the past 12 months or so activity on SAFEX has risen by leaps and bounds. As a result, some R1,25 billion is riding in 35 000 contracts on the "all share" index. And these contracts all have to be settled on March 15, says Safex's chief executive, Stuart Rees.

Because the contracts are linked to the "all share" index a swing of 10 points in the index means a gain or loss of R3,5 million to the contract holders — depending on whether they have gone short (sold in expectation of a drop) or gone long (bought in the expectation of a rise).

However, it is not just the futures contracts which are to be settled on March 15. There is an additional R500 million in traded options — puts and calls — which also have to be settled on March 15.

Then Transnet's Elfi fall due on that date as well.

All told the fate of large sums of money rests on how the "all share" index performs between now and March 15.

Moving market

Because so much money is at stake, there have been suggestions that some of the participants might try to move the market so that it favours their position. But Rees thinks this is not possible.

"If you have a small open position where there are two or three strong participants who, for argument's sake, have gone long and there is a handful of weak players who have gone short, some manipulation might be possible."

But in the present situation where there is such a large open position in the various instruments, participants are likelier to be balanced on both sides and moving shares to influence the index would be difficult, he says.

Investors face 'switch' challenge

S10 Am 19/2/93.

MATTHEW CURTIN

FUND managers and investors are facing the challenge of holding increasingly expensive industrial counters or switching to better-value commodity-based stock, whose upside is still capped by the sustained trough in world commodity prices.

Dividend yields from defensive industrial counters have sunk as low at 0,7% in the case of Richemont, and vary from 1,1% to 2,3% for shares such as Anglovaal Industries, ABI, SA Breweries, Suncrush and Trencor Yields are little more attractive from bank stock like Investec and Nedcor.

The industrial index dividend yield of 2,5% is near lows of 2,4% touched a year ago, then the lowest since the 1987 stock market crash

Analysts said investors' unease was in part reflected in the rush to buy undervalued gold shares in the past two weeks, even though dollar gold prices remained sluggish, blighted by weak world economic growth and the threat of sales of gold by central bank. (232)

One cautioned that although higher rand gold prices promised good earnings and dividends from SA gold mines, inevitable rises in labour costs and capital spending would dent profits.

However, one market source said yesterday that with industrial shares becoming over-priced, fund managers had to make the "critical decision" as to how long to delay a switch to better value shares.

Conflict over future JSE structure could delay reforms

BDay 19/2/93

232

GRETA STEYN

CONFLICT between bankers and stockbrokers on a future structure for the stock exchange would delay JSE reforms, banking sources said yesterday

The future of the JSE is being investigated by a committee headed by Prof Michael Katz A source close to the committee said its report had initially been scheduled for release in time to be discussed at the Frankel, Pollak, Vinderine investment conference this week The topic was shelved, and JSE president Roy Andersen said at the conference the committee would report "in three to six to nine months' time"

Members of the Katz committee declined to comment yesterday Bankers predicted the conflict would not be resolved and that the committee's report would have to reflect this The situation would delay financial market reform

The main argument between the bankers and brokers was about throwing open membership of the JSE to include banks and other financial institutions If membership was opened up, banks could access their corporate client bases and threaten brokers' business Sources said brokers were fighting to retain the status quo while banks were pushing hard for the exchange to open up membership

Bankers argued that they were already market makers in equity futures, and it would make sense for them to deal in the underlying shares without being compelled to work through brokers The banks wanted to trade in a dual capacity — as principals and agents

The banks were represented on the committee by Investec MD Stephen Koseff, who declined to comment

Sources said big institutional investors were backing the brokers rather than the bankers. The institutions did not see great advantages in being able to bypass the broking community They valued their access to brokers' research, which might be affected if brokers cut back on research when revenues came under pressure

The Life Offices Association is represented on the committee by Johannes van der Horst Other members include Financial Services Board official Gad Ariovich, Bernard Nackan of the Unit Trusts Association and the JSE's Andersen The JSE has six representatives on the committee

Katz, Andersen, Registrar of Banks Hennie van Greuning, Rand Merchant Bank chairman G T Ferreira and Finance spe-

☐ To Page 2

JSE

BDay 19/2/93

232

☐ From Page 1

cial adviser Japie Jacobs had been scheduled to discuss deregulation of the financial markets at the Frankel conference. The topic was changed and little news emerged on the committee's work.

However, Andersen said the research phase of the project had been completed and a start had been made with drafting key chapters of the report. Once the draft report had been finalised, it would be tabled for the JSE committee to consider

During the 1993 session of Parliament, the Stock Exchanges Control Act will be amended to allow dual capacity trading and corporate membership This means legal restrictions on banks becoming members will disappear, and all members may trade as principals and agents. However, before this can happen the JSE committee will have to decide to change the exchange's rules

Aspects of the JSE that are being discussed by the committee include the question of fixed versus negotiated broking charges and the system of open outcry. Chapters under consideration for the report include the role of the JSE in SA, capital requirements, brokerage, trading capacity, membership capacity, limited versus unlimited liability, trading methods, capitalisation of broking firms, surveillance, liquidity, settlement, the private investor and derivatives

TOM TOP TRADER COMPETITION

232

FM 19/2/93

The Traded Option ... k (TOM) ... criticism from all ... after its launch ... behind ... ule, in January last year. Brokers ... options remain mixed on TOM's futur... mos... to believe it will ... in h... lo...g ... Initial problems in ... uded ... settlement, option writer (usually institutions) not being allowed t... use scrip in portfolios as margin collateral, lack of clarity over Marketable Securities Tax (MST), and the absence of foreign investors.

All these have been resolved. Inland Revenue has ruled that MST is not payable on scrip-settled ... tions though it remains payable on tra... actions resulting from exercise where delivery is taken of scrip. Scrip in portfolios can now be used as margin collateral by option writers and ...rip settlement on equity options has been introduced.

Foreign residents could previously buy only all options on equities. Now the Reserve Bank has given permission for them to buy and sell both call and put options via the financial rand or blocked rands using TOM. They also have the advantage of the financial discount.

To boost interest a search is on for the top TOM trader. Interested parties will test their skills in a competition to be launched on March 10.

Frankel Pollak Vinderine's David Shapiro says the *FM*-JSE sponsored competition "is a wonderful way to address the key issues of lack of awareness and understanding which appear to be inhibiting interest in traded options."

Competitors will use simulated trading through the Simtex format successfully applied in last year's Safia futures competition, allowing them to deal in traded options as if in the actual market.

Owing to TOM's illiquidity, special Simtex premiums will be posted on Reuters continuously during competition trading hours.

Participants without access to Reuters can contact their broker or call on dedicated phone lines set up to quote options.

The winner will receive the TOM Top Trader Trophy and R30 000. The winning company team will receive the *FM* Best Option Team Trophy. The competition will run until May 5.

☐ Queries should be sent to Nic Oldert at (011) 836-8355.

Mineworkers share R45,9-m profits in first six months

STAR 19/2/93 (232)

The National Union of Mineworkers said yesterday it would continue with the profit-sharing arrangements entered into with most of the country's mining houses.

A comprehensive profit-sharing scheme between the Chamber of Mines and NUM was signed towards the end of last year and was implemented over the last two quarters of 1992

The participating mines operated by Anglo American, Randgold, JCI and Gengold paid out a total of R45,9 million to workers under the profit-sharing schemes in the last six months of last year, NUM statistics show.

An average payout to an individual mine worker over the same period was R201 with a miner at Anglo's Elandsrand receiving R976 in that period, while at Gengold's Bracken a miner gained R651 and at Stilfontein R400 and JCI's Randfontein paid out R356 to each worker

At the other end of the scale, Randgold's Blyvoor paid out only R92 per worker in the six months, Gengold's Kinross R112 and Anglo's Vaal Reefs R150

Less generous

"Some good, solid mines with long lives, paid very little indeed," the union said "In general, the wealthy Anglo mines paid a much less generous profit share than struggling Gengold mines."

The union singled out JCI's Randfontein as one of the "surprises" as its bonus scheme paid out bonuses every month at one of the highest rates.

Gold Fields and Anglovaal refused to participate in profit-sharing and instead gave two one-percent basic wage increases

The union said the profit-sharing schemes in their first six months provided better returns than the extra basic wage increases at these two mining houses It would press for the extension of profit-sharing schemes to all gold mines

The union said it was committed to "negotiating and working towards a re-structured mining industry that combines long-term economic viability with the humane treatment of all its workers". — Sapa.

W&A/PEP FM 19/2/93 (80)

Broken engagement (232)

Nothing is ever quite what it seems Faced with fairly relentless questioning by the *FM* to disclose why it proved necessary for blue-chip Trencor to rush to the rescue of W&A, his principal operating company, Jeff Liebesman protested that he had many options and denies there was any rescue. "I really wasn't pushed into this deal," he says.

Since then, I have established that Liebesman did, indeed, have options. In particular, Pep chairman Christo Wiese entered into heads of agreement with Liebesman and the agreement was signed by both parties Implementation of the terms of the signed document was subject to certain conditions precedent, these were never met

What is clear, however, is that somehow Liebesman and Wiese reached a subsequent agreement which permitted Liebesman to seal his later deal with Trencor's Neil Jowell. Asked for comment, Jowell will say only that he was aware of the arrangement between Liebesman and Wiese but that he received confirmation from his legal advisers there were no impediments to the Trencor/W&A deal.

Liebesman says the arrangement between himself and Wiese "never culminated in an unconditional complete agreement." However, he confirms that Wiese's subsequent disappearance wasn't achieved simply on the basis of a cordial farewell· "There were some commercial arrangements," says Liebesman, "but these were entirely on the basis of a person-to-person deal" Liebesman adds: "As such they have nothing to do with you."

Wiese says he prefers not to comment "It was a good deal all round," is all he will say "This was an arrangement between two individuals in their private capacities."

Sanctity of privacy is a concept strongly supported by the *FM* Nevertheless, the agreement between Liebesman and Wiese begs the question of what arrangements would have been put in place between W&A and Wiese had the deal been consummated

Given the respective businesses of Trencor and W&A, the deal between Liebesman and Jowell will probably prove, in retrospect, to have been the more logical of the options available.

David Gleason

FM 19/2/93 (232)

MASTERBOND FM 19/2/93. (232)

Who will blink first?

The offer last week by Dubai-based Geap International to secure control of Fancourt, the luxury golf resort near George, has effectively been rejected by Masterbond's curators. And a legal storm over the validity of

Continue

FM 19\2\93. (232)

builders' liens is brewing between the curators and Fancourt's provisional liquidators and construction company Group Five

Geap offered R25m for all Masterbond's claims against the Fancourt companies Rejecting the offer, the provisional liquidators of the Fancourt companies and curators of Masterbond told a press conference in Cape Town this week they considered it inadequate and unfair to investors

Recalculating Geap's offer, Masterbond joint curator Arnold Galombik said it appears Geap is prepared to pay about R50m in total, spread between Masterbond debenture holders (R25m), building contractor Group Five (R17m) and other concurrent creditors, including Fancourt developer and founder André Pieterse Pieterse, a major shareholder in Fancourt, notes that no-one has yet offered to buy his shares.

Pieterse's involvement in the Geap offer is said by observers to be linked to his substantial shareholdings in the eight Fancourt companies. Pieterse says this is wrong, but won't comment further It's clearly a complication, though. Pieterse's continued ownership of the controlling interest in the Fancourt companies could hamper any rescue operation However, Pieterse says he's willing and anxious to co-operate with any genuine buyers

Builder's lien

Group Five's key involvement arises out of its construction activities on the latest phase of the Fancourt development· 12 lodges, said to be virtually complete, and a further 28 lodges about 60% finished. The company claims to hold a builder's lien over these assets; since a lien of this kind ranks ahead of first mortgage bond holders (such as Masterbond) Group Five's role may be pivotal

Recognising this, the Masterbond curators and Fancourt provisional liquidators jointly "repudiate Group Five's lien Attorneys and counsel have investigated this matter and we are acting on their advice "

Group Five chairman Peter Clogg tells the *FM*· "It's one thing to make a press statement but we don't know their grounds I'm reasonably relaxed that we're covered "

Meanwhile, final liquidation of Fancourt was considered by a Cape court this week As the *FM* went to press no decision had been taken It seems likely the Masterbond curators and Fancourt provisional liquidators will apply for a further extension to canvass proposals expected from other parties

Galombik says he has received inquiries from Singapore, Japan, Germany and SA. "We intend," he says, "to provide all parties with full information about Fancourt to enable them to arrive at proposals."

Strictly speaking, he says, the Geap offer hasn't been rejected, because it still has 30 days to run. However, he adds that Geap MD Mahendra Patel tells him that the company's first offer is also its last and that it will not put any more cash on the table

Clogg confirms Group Five was instrumental in persuading Geap to bid "We contacted it in Dubai last year" It's worth

continue

FM 19/2/93. ECONOMY & FINANCE

(232)

noting that Geap chairman Humaid Bin Drai is also president of Dubai Golf Club

In the absence of any other firm offers, the Fancourt dilemma is unlikely to be resolved quickly or to the ultimate satisfaction of debenture holders.

David Gleason

TRENCOR (232)

Gratifying performance

With the lion's share of its business transacted overseas, Trencor depends heavily on the buoyancy of international trade Though world trade softened throughout last year, and the domestic economy slumped, the group maintained real earnings growth in the six months to December

Turnover grew by an impressive 28,5% Chairman Neil Jowell says he was gratified with the performance of the overseas interests His comment refers particularly to Tex-

continue

FOX FM 19/2/93

ON A ROLL

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	279,4	346,6	381,5
Pre-int profit (Rm)	56,9	97,1	66,8
Pre-tax profit (Rm)	46,4	84,9	56,5
Attributable (Rm)	44,7	85,3	52,7
Earnings (c)	312	593	363
Dividends (c)	42	153	90

(232)

tainer (*Fox* November 6), the US-based international container leasing operator in which Trencor has a significant stake.

While exports and earnings generated outside SA added lustre, trading was conducted at roughly maintained margins, the stronger dollar helped magnify rand profits All the domestic operations were hampered by recession but the impact was largely offset by interest earned on R260m cash raised from the issue of convertible debentures in November 1991 The sale of Trencor's interest in Contred (*Fox* December 25) came too late to affect the interim results

EPS were up 16,3% and the interim dividend has been increased 114%. This was to equalise the disparity between the interim and final dividends.

Jowell says trading conditions in the second half are expected to be similar to those of the first Based on present exchange rates, earnings growth for the full year "will at least exceed the rate of inflation, notwithstanding an expected increase in the average tax rate"

The investment in W&A Investment Corp won't yield a significant earnings contribution this year, but it will absorb up to R350m once the W&A rights issue is completed around April

Trencor's share has remained in demand over the past six months. It rose to a high of R192 before the 10-for-one split (effective February 15). Its historical dividend yield is now a thin 1,3% and its p e exceeds 21 Despite the outstanding earnings record, it seems fully priced, but the share should remain an institutional favourite and will doubtless be accumulated by investors if the price weakens

Gerald Hirshon

BUSINESS

JSE 'needs affirmative action'

WMail 19/2-25/2/93 - (232)

By REG RUMNEY

JOHANNESBURG Stock Exchange president Roy Andersen this week made what would have been a startling admission a few years ago

"We can't be credible in the new South Africa if we are all white males," he bluntly told the Frankel, Pollak, Vinderine investment conference, during a panel discussion on deregulation of financial markets Affirmative action was needed to develop black managers in the JSE administration, he said, in a wide-ranging address, which dealt with among other subjects research the JSE has undertaken into how the bourse should be restructured as it enters a new era.

The research looks at whether, how and in what way the JSE should follow the Londond Stock Exchange's "Big Bang" deregulation

The mention of affirmative action was a clear sign business is becoming to terms — in varying degrees — with the demands of transition

Andersen also noted the African National Congress did not like the "gearbox" vision of the JSE as mobilising savings and passing them on efficiently to users of capital to create wealth. However the JSE did have a role to play in the new South Africa.

The JSE, he said, could:

- Help unbundle the concentrations of power where this is desirable.
- Use the development capital market and venture capital market to assist emerging entrepreneurs
- Provide investment vehicles for stokvels.
- Provide a market for shares made available through privatisation.
- Provide a market for shares issued under staff share incentive schemes

Andersen also spoke of how savings can be rechannelled to emerging entrepreneurs. "The age-old problem of entrepreneurs not being able to bridge the gap between bank loans, which facilitate growth up to a point, and the ability to raise capital through the stock exchange is well known. At the same time the large institutions have a fiduciary relationship with policy holders and investors and are therefore reluctant to invest in high risk ventures.

"A possible solution to this dilemma is to create new instruments which are quoted on the stock exchange and partially underwritten by the government. The large institutions could then invest in these instruments with the proceeds lent to the emerging businessmen"

This idea was first mooted at the Frankel, Pollak, Vinderine Platform for Investment scenario presentation, he noted

Rand Merchant Bank executive chairman GT Ferreira also referred to the need to find imaginative ways to bridge the gap between conventional banking and a grossly underserviced unsophisticated market.

The previously disadvantaged would not be content with a levelling of the playing field, he contended The feeling might be, he said, "We played the first half of the match uphill, we want to play downhill in the second half".

Continuing in a sporting vein he used the analogy of two sports that used handicaps, golf and racing, to explain why it would be better to help the disadvantaged rather than penalising the advantaged. In racing the handicap was a penalty on the fast horse in golf the penalty conferred an advantage on the weaker player.

On the question of risk, Registrar of Deposit-Taking Institutions JH van Greuning noted that the role of regulators has to change, recognising that the authorities could not prevent financial institutions from defaulting

Van Greuning did not have to refer to the Masterbond scandal when he remarked it had been found the investing public thought of all financial institutions as banks, and did not realise other financial institutions, such as agencies, existed where the investor himself carried the risk.

The proposed Financial Services Act introduced the concept of "fit and proper" management of financial institutions, the idea being the management of institutions must be responsible for protecting risks of investors.

Being "fit and proper" to manage a bank comes down to at least not having a questionable financial history. As an example, Van Greuning produced a Bank of England questionnaire which asked such embarrassing questions of, say, would-be bank directors as whether and how many debt judgments had been given against them

The Act, he concluded, should have fewer rules and concentrate on disclosure.

No need for tears over timeshare

STAR 20/2/93. 232

BUYING timeshare would seem to the uninitiated to be fraught with pitfalls. But since the introduction of broad controls by the Timeshare Institute of South Africa (TISA) in association with the Harmful Business Practices Board, prospective buyers have been able to relax a little.

The most important consideration when buying timeshare — as with any other commodity — is to ensure you get value for money. This means not only ensuring your financial investment is safe, but also that you get the wonderful, relaxing annual holiday you deserve.

When considering the financial aspect of selecting a resort, the primary concern should be the extent of the bond held over the property. This is most easily checked by obtaining financial statements for the past two years. What is most important here is to see whether the bond has been reduced during this period.

Benchmark

Resorts that have been liquidated in recent months generally failed to channel monies received into their bonds and ended up with foreclosures. Another aspect to watch out for is levies. Are they constantly rising?

HOW MUCH? When deciding how much to pay, a good approach would be to estimate your future expenditure on holiday accommodation for the next five to six years and set that as a benchmark. However, certain rules apply: weeks in periods of high demand such as December and Easter are always the most expensive.

THIS is the first of two articles intended to help readers make a safe investment in the timeshare market.

Check the state of the bond

You also get what you pay for; luxury resorts with all the amenities laid on will be more expensive than those offering only the basics.

Prices also vary according to geographic area: a rough rule of thumb is that Cape Peninsula resorts are the most expensive, while Durban offers the least expensive timeshare accommodation.

An excellent source of information on relative values of timeshare holidays is the resale market. A good place to start is with Time & Time Again. Published once every two months, it features an extensive list of timeshare available for resale. This will give you the clearest and most concise picture of what is available throughout the timeshare market. It also offers excellent bargains for the budget-conscious buyer.

It is most important to realise that you are buying a holiday — an experience rather than an object. Because of this it is as important as the financial considerations that you select a time of year and place that suits all your lifestyle requirements. If you are to enjoy visiting a place repeatedly, it should be a resort that attracts the kind of people you are comfortable with and offers the kind of facilities you will use.

WIDE RANGE: People commonly view all timeshare as being the same, but this cannot be further from the truth. The timeshare market in South Africa, represented by approximately 150 destinations, offers resorts that appeal to virtually the full range of tastes and prices.

Extreme examples are a resort in the eastern Cape catering primarily for retired couples, offering two-sleeper units, bowls and leisurely nature trails, and the Natal South Coast resort catering for people of conservative political persuasion, admitting whites only.

Evaluate

Whether your preference is for a quiet nature-orientated stay in the bush or a glamorous razzle-dazzle holiday at a prime coastal spot, there is a timeshare resort for you.

The best way to evaluate a resort is to stay there. When you are offered a free weekend, use it, or when buying on the resale market, offer to rent the time from the seller, see how it suits you and only then offer to buy. This also affords you the opportunity to talk to other timeshare owners and find out about the calibre of management at the resort.

□ Next week: Exchanges and hints for consumers

TWO FIRMS LIQUIDATED: *Some investors will lose everything*

Fury erupts on Supreme salvage plan

STAR 20/2/93.

(232)

A NUMBER of investors in the doomed Supreme group have decided to oppose a plan, put forward by the provisional liquidators, which would realise between 20 and 30c in the rand.

About 7 000 people invested a total of R316 million in the group's two provisionally liquidated companies, mostly via debentures and preference shares

The holders of the preference shares have been told that they will lose their entire investments, totalling R40 million

Opposition to the rescue plan was raised as the first of three meetings called by the provisional liquidators took place in Durban yesterday

Another meeting is scheduled for Cape Town on Monday and a third is to be held in Johannesburg on Friday

Stormy

The meetings have been called to get agreement on a proposal which would see debenture holders exchange their claims against the two liquidated companies, Supreme Holdings Ltd and Supreme Investment Holdings Ltd, for shares in JSE-listed Protea Furnishers The liquidators estimate that the two-part procedure would net investors an initial dividend of between 20 and 30c

INVESTORS are being asked to agree to swop their claims for shares in another Supreme company, JSE-listed Protea Furnishers, reports MAGNUS HEYSTEK

At the stormy meeting in the Durban City Hall yesterday, Natal investors who pumped funds into Supreme before its two holding companies folded in November confronted the joint liquidators over rumours that directors misappropriated millions of rands

An accountant investigating the group's accounts this week said it was clear the directors knew before the business went under that losses were being made

The liquidators have applied to the Supreme Court for permission to hold an inquiry, in terms of section 417 of the Companies Act, at which they would be able to compel directors to answer questions on investment and other decisions

The holding companies' realisable assets were estimated at R86,2 million, against liabilities of R278,54 million

The liquidators and their investigators believed the offer should be accepted However, a group of Natal Midlands investors vociferously opposed the proposal, which involved settlement of an inter-group loan by way of a share transfer and the issue of new shares in Protea Furnishers to Supreme Holdings.

In Johannesburg, a group of investors headed by Eric Gilfillan was considering an urgent Supreme Court application to prevent the meeting scheduled to be held at the Sanlam Auditorium on Friday

Gilfillan, who claimed to represent other large investors, said debenture holders had been given too little time to study the proposals.

He said the liquidators were giving the impression that the meeting would be an informal one, the fact was that investors would be required to vote on the proposals, which, he said, had not been communicated properly to debenture holders.

In a letter to the Master of the Supreme Court, he said it was impossible for debenture holders to vote on the proposed scheme of arrangement before a meeting of creditors had been held This had not yet been done

Warned

He also expressed concern that one of the joint liquidators, Oliver Powell, was associated with accounting firm Kessel Feinstein, which had a close association with the Supreme group This, Gilfillan said, was a breach of the Insolvency Act

Peter Goldhawk of Coopers Theron du Toit, who was appointed to investigate the group's accounts, warned this week that if the proposal did not get the go-ahead, the group's two remaining operating companies — Protea Furnishers and Supreme Manufacturing — would have to be liquidated

In that case, investors would receive considerably less than the expected 20-30c for every rand invested

He said the proposal was the first step towards securing the maximum return for investors

● Gilfillan appealed to all debenture holders to contact him on (011) 838-7545 to give him their proxies to vote against the proposal on Friday

Personal surety the key to credit

Director's confidence is a good yardstick

STAR 20/2/93.

232

FINANCE STAFF

THE risk of bad debts could be significantly reduced if members of close corporations and directors of smaller companies were required to stand personal suretyship for their businesses' credit, says a corporate law specialist.

Value

"If a member or director has no confidence in his own business, there is no logical reason why a third party should advance credit," says Cliffe Dekker & Todd partner Jonathan Witts-Hewinson

Figures released by credit bureau Information Trust Corporation showed that more than 1 200 000 summonses for debt were issued during 1992 The value of judgments taken against businesses was likely to exceed R3 billion

Witts-Hewinson says substantial credit is being given without adequate security While some bad debts are inevitable, especially in the current recessionary climate, creditors can greatly reduce their vulnerability by applying sound basic principles.

They should realise that a suretyship is worth only the net asset value of the person giving the suretyship. If the person standing surety has no net realisable assets, the suretyship is obviously worthless

When offered a cession of book debts, creditors should remember that bankers usually already hold the cession Since a cession cannot be given twice, the debtor has no rights to cede to the creditor

Pledges of shares given by shareholders of the client seeking credit are seldom any security at all If the creditor should ever have to call upon the security, it would most likely be because that company is insolvent — in which case the shares will be worth absolutely nothing, says Witts-Hewinson

Rule

It should also be remembered that immovable property or immovable rights cannot be ceded or pledged A pledge of movables is no security at all until the pledged goods are delivered to the creditor Notarial bonds can afford security, but due regard must be given to existing rights of third parties

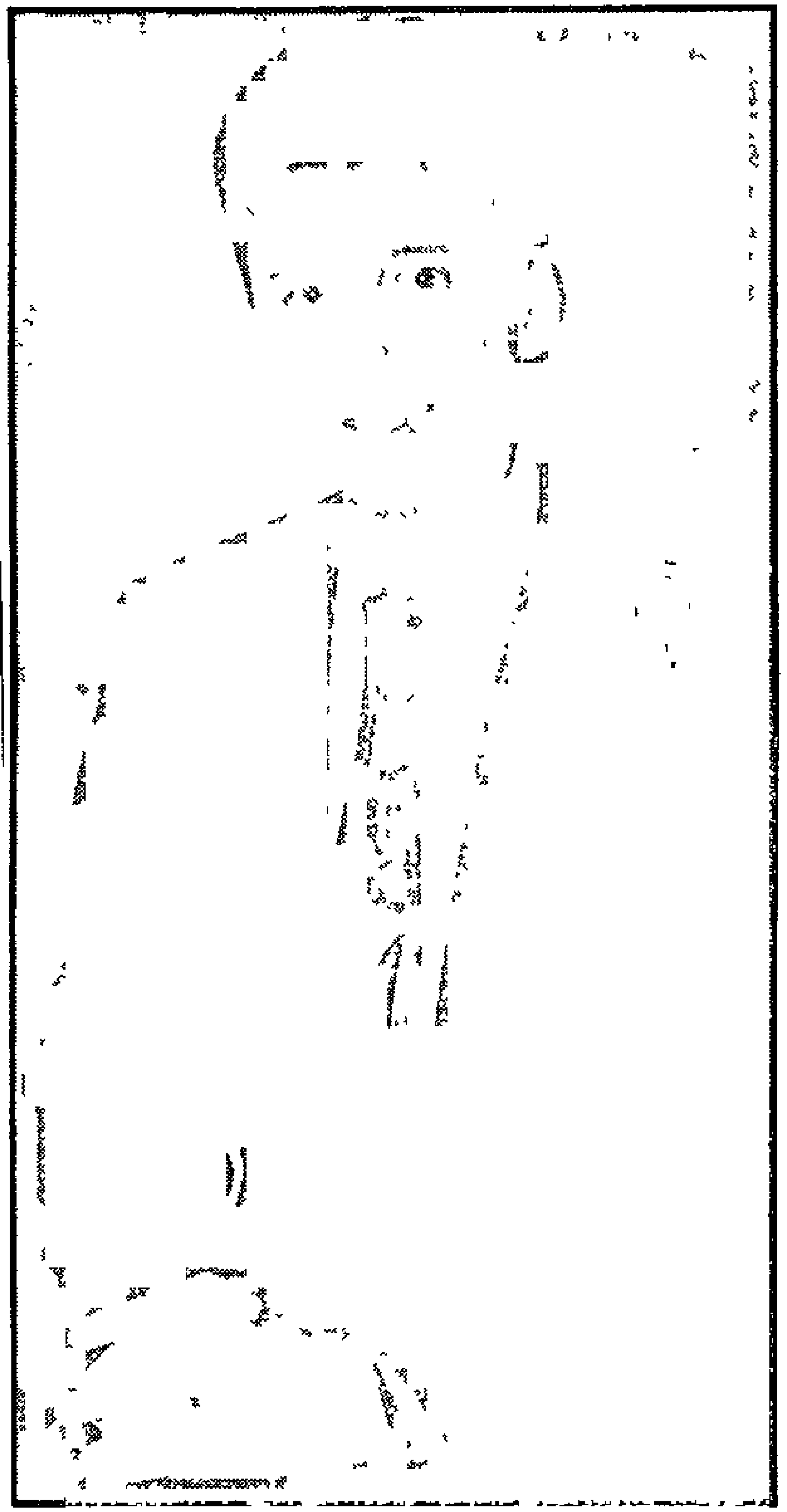
As a general rule, never give credit to a close corporation if its members will not give suretyship personally, Witts-Hewinson says.

Pitfalls of a recovery

232

STimes (BUSS) 21/2/93.

By ZILLA EFRAT



COSTA JOHN problems compounded by interest rates

SEVERAL medium-sized companies in South Africa risk surviving the recession and then falling victim to the economic recovery

Costa John, director of Kessel Feinstein's family business division, says many companies find their cash-flows have been weakened by the recession.

An upturn in the economy may cause a fatal surge in the cash needed to fund the higher levels of stock and debtors that accompany increased sales.

"Add to this the fact that many mid-sized companies may have deferred capital expenditures and mainteneance, and these companies find their full order books and positive profit margins overwhelmed by negative cash-flow," says Mr John

"The South African business environment unfortunately compounds these problems with high interest rates and high inflation."

Credit Guarantee economist Luke Doig adds that during a downturn companies also hold stocks that over time may become redundant.

When the economy turns they find demand rises but not for these goods. The result is that they have to write these assets off as a loss

Bankruptcy

Mr Doig says preferred creditors, who have control over a struggling company's assets, may also wait for an upturn before calling in their loans because they know that they will get more in the rand This could cause a number of companies to collapse

In addition, companies may find their balance sheets considerably weakened by the recession, to the extent that banks will not give them a loan despite a recovery in their markets and prospects

Mr Doig says a problem South African companies have experienced, particularly in the early 80s, was created by SA's monetrary policies.

The authorities started raising Bank rate to slow the economy once it began heating up This resulted in large fluctuations in interest rates, which eventually put a number of companies out of business "It is hoped that this pattern does not repeat itself in the next upturn," says Mr Doig

The trend of not surviving a recovery, however, is also seen in the US, where companies have operated in a stable, low interest, low inflation environment

According to the Bank of America, some 2 000 profitable medium-sized businesses in California filed for bankruptcy each year during the economic recovery of the 80s.

Mr Doig says smaller firms have the ability to adapt more easily to changes in their environment

He adds "Big firms have more fat to play with They have more resources, can raise-finance with greater ease and have wider cost-cutting options

Medium-sized firms, however, are more finely balanced and vulnerable to sudden changes

However, Mr John believes the estimated 700 000 medium-sized family businesses in SA have more options which will help them avoid a cash crunch

Through close relationships with customers, suppliers and lenders, they may improve the cash-flow cycle of the business by negotiating favourable credit terms Pride in quality and service may yield cost efficiencies and better margins

As a last resort, more "sweat equity" could be contributed by family employees who delay or reduce compensation In this way a few percentage points in sales growth may be financed which may otherwise have been financially crippling

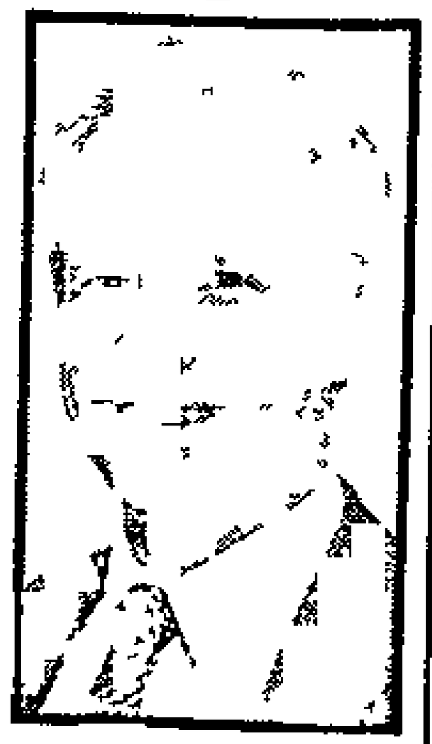
Mr Doig says what counts at the end of the day is a company's ability to manage its assets Good communication with creditors and bankers is also vital

Next year will be better . . .

S/Times (Buss) 21/2/93

232

DIAGONAL STREET



By Teigue Payne

AS THE year continues, investors may increasingly hear prognostications that industrial shares are fully priced

If investor attention this year is diverted to mining shares, as has recently been the case with golds, industrial shares could slide silently sideways — which, given inflation, is effectively a derating If some nasty jolt occurs on overseas markets, or locally, they could come down with a thud

Given the present levels of the leading industrial shares which make up the Industrial Index, they seem to have decidedly modest upside potential unless prospects for South Africa change radically

In 1991, the year after political reforms and the suspension of the ANC's armed struggle, the Industrial Index performed exceptionally well, rising 38% By comparison, the Mining Producers Index rose 13% and the All Gold Index fell 6%

Over 1992, the Industrial Index rose 4%, the Mining Producers Index fell 27% and the All Gold Index fell 28%

It could be argued that 1993 will be a year of recovery for industrials because of expectations of a better year in 1994 Many economists are forecasting virtually zero economic growth in 1993, but at least moderate growth in 1994

The first problem with this line of reasoning is its echo of *deja vu* In what year recently was next year not going to be better?

Finance Minister Derek Keys referred to the next-year-will-be-better syndrome in his address to the Frankel Pollak Vinderine investment conference this week

He said that expectations that more revenue would flow in the future because of higher economic growth had supported many decisions to increase government spending in the past

That next year generally did not turn out to be better is confirmed by the dismal average real GDP growth rate of 1% a year in the decade ending 1991 The results of jumping the gun in government overspending are now patent

On the JSE, the question is whether investors will, after so many disappointed expectations in the past, go on believing in next year

The second question about next year is whether investors can continue to rely on the warm updraught of inflation which repeatedly face-lifted company profits in the past For the first time since the early 70s, SA's consumer inflation is below 10%

Dr Chris Stals, governor of the Reserve Bank, at the same conference, pointed out that while SA's current inflation might seem low it was still unacceptably high at two or three times that of SA's major trading partners

Also at the same conference, Chief Minister Mangosuthu Buthelezi made the surprising, refreshing statement. "Price stability is probably a government's most important role"

The message is clear from a number of quarters *aluta continua* against inflation Which means investors can no longer take for granted that it will drive up their shares as quickly as it did in the past.

Indeed, the downtrend in inflation must be causing many managers of industry some headaches After becoming accustomed to riding a rising balloon, it is difficult to immediately adjust to a descent.

The result is that little, if any, growth — even in nominal terms — can be expected in the aggregate profits of Industrial Index companies in 1993

And in 1994, even if it is a better year growth in profits may be modest. This will follow virtually zero growth in the aggregate profits of Industrial Index companies in 1992

Conventionally, the stock market discounts future earnings trends by a year to 18 months, so forward price earnings ratios are a more telling measure than historic price earnings

On the current outlook for earnings growth in 1993 and 1994, the forward price earnings of the Industrial Index is now at a high level of about 14, a level not seen since 1970

Against the priceyness of industrial shares is the sure return offered by real interest rates — and they will stay that way if Dr Stals has his way Or the hope of higher returns on the bond market.

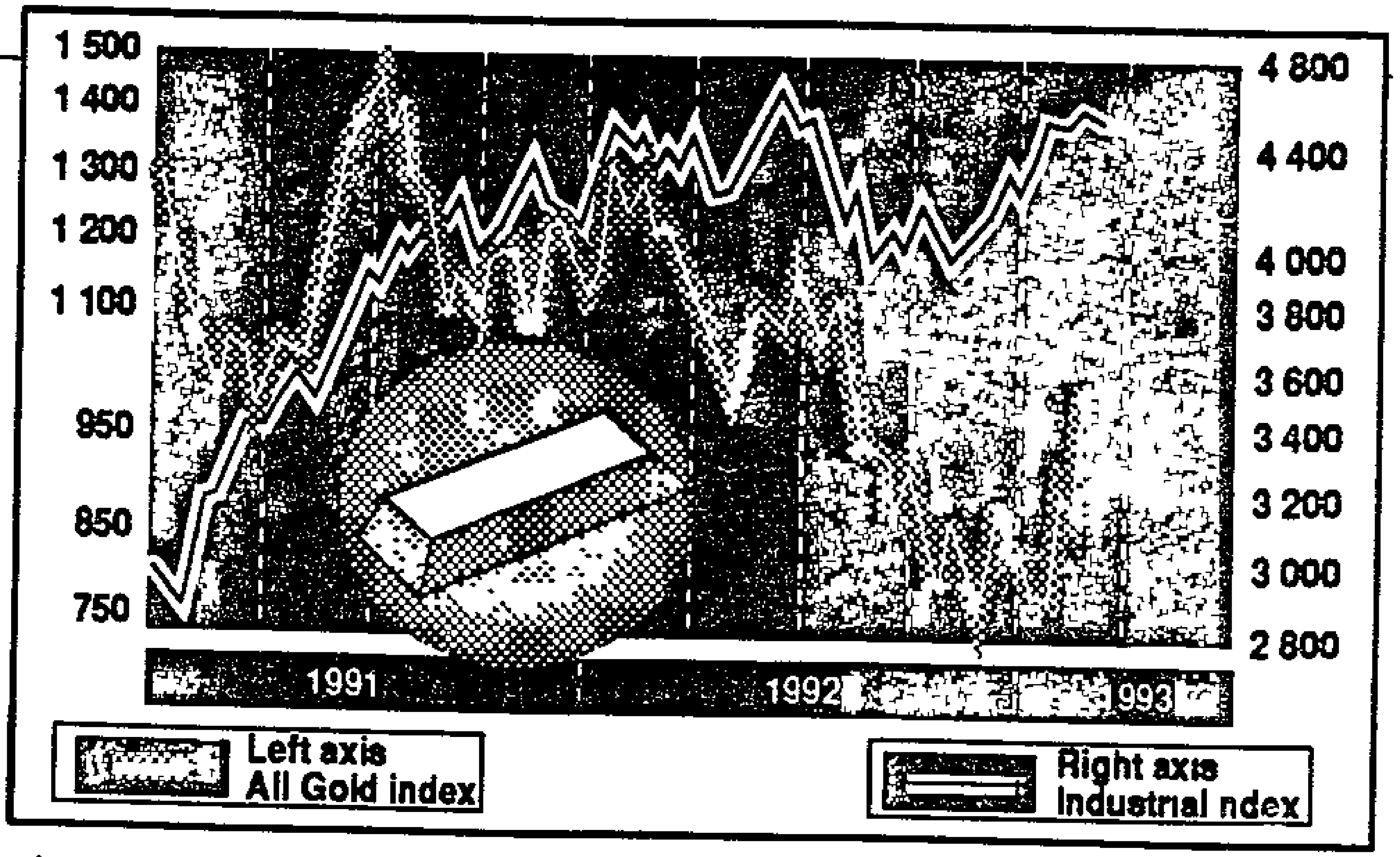
Or the possibility that the mining boards may be reawakened with an upturn in the commodity cycle after a five year downcycle — though that upturn has also been the subject of many false calls recently

All of which is not to say that no opportunities exists on the industrial boards

With government consumer spending being checked and little growth expected from private consumers, traditional consumer sectors appear fully priced for the moment

The electronics and engineering sectors could see a lift with increased GDFI spending this year much of it related to section 37E incentives And some Cinderella sectors such as furniture and motor, may also be worth considering

But one thing is certain the search for value among industrials will be harder this year



RINGO IS TIRED OF SEEING RED

S/Times (Buss) 21/2/93

OFFICE furniture companies have been through a torrid couple of years, but Mathieson & Ashley's executive chairman Winky Ringo — tired of seeing red ink filtering into his companies' books — has been using the slow months to reshape the group's strategy

He talks of a "new financial era" for the company, and pivotal to survival and success is the expansion of the group's mass-merchandising, office products centres. The cash-and-carry chain OfficeMart has been allocated R24-million for expansion, which will see store openings in Johannesburg, Pretoria and Randburg in the next six months, moving nationwide next year

In the first calendar year of operation, M&A's three OfficeMart stores were stunted by start-up costs, resulting in a R2-million bottom line loss But Ringo is more interested in the sales of more than R36-million clocked up in the 12 month period as a barometer of future prospects

The warehouse-type stores have identified a huge demand for cut-price stationery, which is likely to account for more than half of OfficeMart's takings in the current year

M&A's results for the six months to end December are due to be published within the next five weeks

CHERILYN IRETON

SA and the oral fixation

232

S Times (Buss) 21/2/93

AMONG the JSE sectors which have habitually looked overpriced but have not proved to be so on a longer perspective are the consumer sectors — retail and wholesale, beverages, food, packaging, tobacco and pharmaceuticals.

That these sectors have outperformed the Industrial Index in recent years must be a reflection of the belief that consumption is one of the few certainties in anything but the most pessimistic scenario for a future SA

This belief in what is effectively the oral fixation of the masses is reinforced by trends which have occurred in many African states.

For instance, because of the economic policies it has followed, Zimbabwe's economy is now virtually dependent on consumption, with little capital formation

Within the gamut of consumer sectors, three sub-sectors — beverages, food and packaging — hang together because they are related in their growth levels

They have all suffered from lower consumer spending and downtrading recently

But in the long-term, investors know the favoured ethnic group is changing in SA, that redistribution towards the new favoured group is inevitable and that that group will spend their new-found income primarily on the oral fixation.

If SA's economy is better managed than Zimbabwe's, this could turbocharge the growth rates of traditionally "defensive" companies.

Beverages — more specifically, beer and carbonated soft drinks — have had the fastest volume growth of these three sub-sectors

Until the 1991-1992 crash in consumer spending, beer, as represented by SA Breweries, had annual growth of 9% and above. Soft drinks, as represented by Amalgamated Beverage Industries (ABI), had annual volume growth a few points below that.

Little wonder, therefore, that ABI — which has remained focused on its industry — has one of the highest ratings on the JSE

Consumption growth of these liquids has recently declined to around zero, but there is plenty of hope for the longer term

Bottled beverage consumption in Zimbabwe has been extremely resilient. The habit for their consumption, once gained from the colonialists, is not easily or willingly lost

By contrast with bottled beverages, SA's food manufacturing growth has been modest at about 2% a year in the 80s, well below population growth of about 2,5% a year.

The level of GDP growth every year has been a much more direct coefficient of annual food manufacturing growth than population growth urbanisation, though the latter has provided an underspin.

Food companies have responded to this slow fundamental growth rate by diversifying into value-added foods, pharmaceutical and wholesale activities.

Packings are linked into the beverage and food sectors because they are its main customers. About 30% of all packaging production by volume goes to the beverages industry and 20% to the food industry.

Packaging manufacturing growth has historically been faster than that of food, averaging perhaps 4% in the 80s but slower than beverages This relatively high growth rate may have encouraged packing companies like Nampak and Holdains not to diversify as food companies have.

All three sub-sectors look vulnerable at their current high levels If they fall in price this year that will present a buying opportunity, on a long-term view at least.

□ *TEIGUE PAYNE analyses consumer industrial companies for Frankel Pollak Vinderine*

CIB four 'liable' for R142m

By JEREMY WOODS

FOUR directors of the collapsed Cape Investment Bank are being held personally liable for R142-million of missing funds in one of the largest claims of its kind in SA legal history

CIB liquidator Tjaart du Plessis has issued summons in Cape Town's Supreme Court against CIB chairman Jan Pickard junior, and directors Eugene Swartz, Sigfrides Lohle and Gerlof Reitsma

The summons says a "reckless" R1-billion punt in Eskom stock that went wrong was one of the reasons for the collapse of CIB

The summons refers to section 424 of the Companies Act, which states that if a business is carried out in a reckless manner, or with intent to defraud creditors, any person who was a knowing party may be held personally liable

The summons says the four directors were knowingly party between June and October 1990 in conducting the business of CIB recklessly and/or with intent to defraud creditors

CIB failed to disclose to its creditors, shareholders, regulating authorities and members of the public who might become depositors that it traded at a loss during the year ended June 30 1990

CREDIT

"The above notwithstanding, CIB continued after June 30 to solicit and accept deposits from members of the public, including deposits totalling approximately R240-million from the SA Rail Commuter Corporation"

CIB "continued to lend and advance portions of these moneys to clients who had already shown themselves to be unlikely to be able to repay the advances"

CIB was liquidated on April 11 1991 with debts exceeding R100-million A major creditor is the state-subsidised SARCC, which invested R240-million with CIB

The summons says that during the first and second quarter of 1990, CIB purchased large amounts of E168 Eskom stock on credit. By June 30 stock valued at approximately R1-billion had been purchased, utilising "short-term credit facilities provided by other financial institutions"

Legal advisor to Mr Pickard, Tinus Slabber, says the action is being defended A trial date is expected to be set soon

Sooner or later, the stock market bubble will burst

Bdm 22/2/93.

FRED CROOKS

232

IN 1985, Ravi Batra wrote a remarkable book, The Great Depression of 1990, and updated it in 1988 after the stock market crash which he then described as a "mini crash" despite the severe 22,6% plunge in the index.

His main theme is that historical determination is clearly evident in the cyclical nature of recessions and depressions, money growth, inflation, government regulation and the growth and decay of societies.

Recessions have occurred in the US economy at roughly 30-year intervals, interspersed with serious depression every 60 years, during the 1820s, 1870s and 1930s. And he calculated that a long, deep world depression would begin in 1990, and last at least six years. So the big question is: are we in a depression already or are the Americans justified in thinking that the recession is over?

Batra reasons that the primary cause of depressions is the unequal distribution of wealth which reaches extremes just before each slide into the abyss. About 1% of Americans owned 36,3% of the national private wealth in 1929 After declining to 21% by 1949, it rose steadily: last year the Federal Reserve said the top 1% of US households increased their share of private net worth from 31% in 1983 to 37% in 1989.

The deployment of this money is skewed in favour of speculation and away from productive investment, causing a financial panic when the bubble bursts and an accompanying depression ensues.

Right now, the stock markets and their derivatives, the futures markets in the US, UK and some Asian markets are no more than casinos. Money deployed in the futures markets exceeds stock market capitalisation by large multiples and annual turnover in shares on the stock markets has risen to about 80% of their quoted value. They are no longer investment vehicles.

The behaviour of the American stock markets in particular is instructive The Dow Jones industrial index contains the 30 so-called blue chips. Many of these companies are in deep financial trouble and some are technically bankrupt, yet the price to earnings ratio for this group is about 40 — their earnings are about 2,5% of their quoted share values on average. The index reached 3 440 on June 2 1992 and has declined about 150 points since.

The Standard and Poor 500 Index accounts for 500 of the largest corporations and boasts a price to earnings ratio of about 26 It reached a high of 443 in December and is a few percentage points lower now.

The rest of the public stocks are sold "over the counter" or are contained in indices such as Amex. These secondary stocks are enjoying unprecedented popularity. TV advisers repeatedly say these stocks have brighter prospects than their struggling peers, and consequently they continue to make new highs. Clearly a divergence has developed indicating uninformed buyers are participating in the game of picking winners. These unwary gamblers should take cognisance of a few points.

Firstly, at no stage during the 20th century has the price to earnings ratio of the Dow Jones index been so high. Just before the 1929 crash it was a dizzy 20 or so.

No index rises indefinitely. Forecasts are for a Dow Jones index at 3 600 and Standard and Poor 500 at 454. These are probably wishful empirical calculations and the potential for loss is far greater than the likelihood of profit. What happens if or when these levels are reached?

Examination of a long-term chart of the Dow Jones industrials index shows a resistance line for prices going back to its inception and containing the highs of 1929, 1965, 1973 and 1983. During 1984 prices breached this line at an index level of 1 250, and in a scant eight years were almost 300% higher at 3 440 Technically this is known as a "blowoff".

It is frightening to see this phenomenon on any chart and it always portends an even more rapid and deeper reversal of prices, at the very least back to the resistance line which then becomes a support line Cyclical analysis using the Fibonacci series indicates a progression of market reversals culminating in October 1995 with the index at either 1 450 or an unimaginable 750!

Ralph Elliott used what he called the "Laws of Nature" to analyse and predict stock prices with astonishing success, and his disciples continue to emulate his achievements in real life trading competitions, outperforming all other systems consistently. This school predicts a massive market correction during the next few years.

Looking abroad it is evident that the other two major economic giants do not share America's optimism. The Japanese stock market is more than 60% down from its 1989 high and German stocks are below their 1987 pre-crash highs while the American stocks are about 30% higher, UK stocks about 20% higher and SA industrials 100% higher than their pre-1987 crash highs. Have prospects really improved since those heady days?

British euphoria after the election of the Tories in April 1992 and after the October devaluation are prime examples of top of the market madness. Industries are flagging and have long been in decline. Consensus is that a cheap pound will stimulate exports — but who is buying?

Budget and national deficits have become topical since Ross Perot highlighted it during the US election campaign, but how many people really understand the implications?

A $4-trillion debt has so many noughts that it boggles the mind, but simply stated it translates to $16 000 for every American citizen, or more than $50 000 per average household. In 1990 the federal reserve stated that 90% or 84-million of these households had an average net worth of $57 000 each It will therefore take the entire stock of private assets owned by virtually all Americans to repay the national debt. US prosperity rests on the quicksands of international credit The current ratio of US debt to GNP of 2,6:1 was last recorded in 1929.

Whether by accident or design, the US administration engineered a criminally brilliant plot to dupe its creditors. It refrains from printing money thereby keeping down inflation and interest rates and instead issues IOUs called treasury bonds, backed by faith and trust in the government alone and redeemable in 30 years time, mostly to foreigners and big banking institutions in the US. It is not far-fetched to envisage a run on these practically worthless, unbacked "securities" by some of the giant Japanese banks who are dangerously undermargined, thereby creating a panic akin to the banking crisis of the early 1930s.

Adding to these woes is the mounting balance of trade deficit. This feature accompanied many of the earlier depressions, but the latest version must be viewed with alarm. Since 1984 the dollar has lost more than 50% of its value against the Deutschmark and the yen; yet this devaluation failed to give the US a trading edge against its competitors. Trade also requires credit and world liquidity is ebbing according to the International Bank Credit Analyst, which is punting the risk of a repeat of the 1987 global stock market crash.

It also points out that "investors in US securities who ignore Japan do so at their peril. Japanese still own $200bn of US securities, mainly government bonds. They stopped buying securities in 1987 and helped to cause the crash that year. Outright repudiation of American assets in a financial panic would be much worse."

In all this it is difficult to find room for optimism and it might be prudent for genuine investors to stand aside from the overheated financial markets until the situation resolves itself.

☐ Crooks is a lifelong student of stock markets. He lives in Howick, Natal.

'1993 will be a better year for the JSE'

B/DAY 23/2/93 (232)

Last year was turbulent for the JSE. Two portfolio managers give their their views on the stock market's likely direction this year.

SAGE Resources Fund portfolio manager Dirk Stofberg says 1993 will definitely be a better year for the stock market, but the key factor for fund managers will be good individual share selection.

"The key factor for the SA economy will be the global upswing everyone is waiting for. With SA being such an open economy, it is important we have a growing world economy.

"Economic data coming from the US suggest that the present recovery is not another false start.

"Unfortunately, Germany and Japan are sinking into recession On balance we can expect a lacklustre performance from the world economy.

"On the JSE, ratings on the metals and mining sectors are reasonable. The outlook is not exciting, which makes timing all the more important in the investment stakes.

"There will not be rapid growth from these sectors. We might have to wait until Germany recovers, taking the rest of Europe with it.

"Looking at the rest of the market, SA will, at best, achieve a 1% growth rate. The outlook for the industrial sector is also lacklustre with, at best, a 10-15% growth in earnings.

"Taking into account the high ratings of many industrial counters, one can only expect returns on the market to be in line with earnings growth.

"The financial sector will show the best earnings growth and the banks and insurers are likely to have sound results.

"Unfortunately, especially for leading insurers, ratings are in extremely demanding territory.

"Share prices of leading insurers will possibly increase at a lower rate than earnings growth as stretched ratings adjust downwards.

"The banks, however, still offer reasonable value and are likely to be a good defensive sector.

"Short-term interest rates are likely to decline throughout the year, which suggests cash will not be a good place to be in because of diminishing returns.

Narrow

"Long-term rates are unlikely to decline significantly during the year and we expect them to trade in a narrow range between 13,75% and 15%

"Although the lower inflation rate is encouraging, a number of factors, like the high budget deficit, will act against the good news"

Old Mutual portfolio manager Adrian Allardice says the average unit trust investor can look forward to a better year.

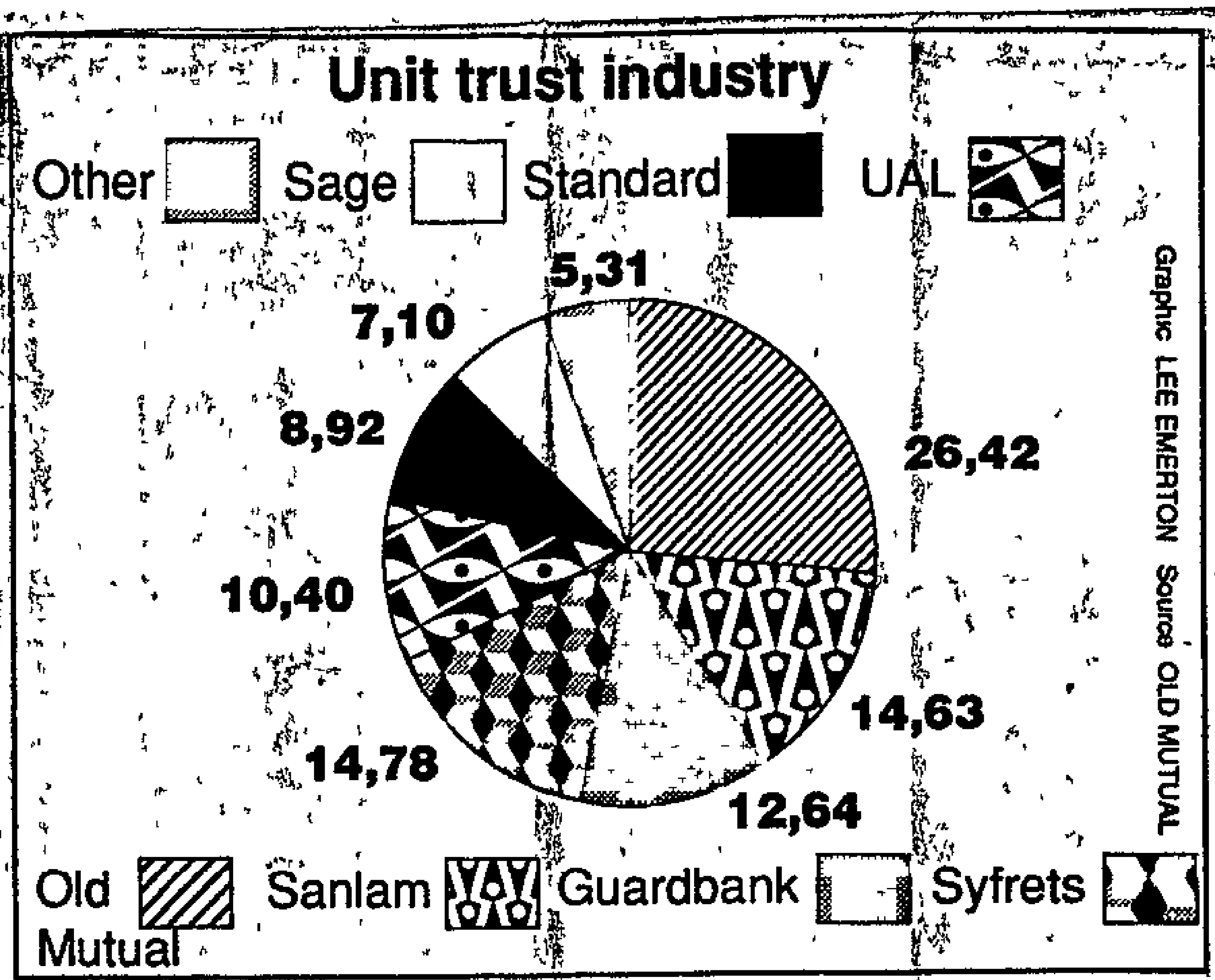
"It appears there will be a better agricultural season and the political situation has improved, which is all good news for the economy.

"The world economic outlook is still unexciting. A recovery in the US is being offset by recession in Germany On balance prospects for the world economy are marginally better.

"The world economy and SA are closer to an upswing, but 1993 will still be a testing year.

"The stock market, however, tends to look a year ahead and has already recovered from last year's setbacks.

"The share market will offer reasonable, but not outstanding returns this year Picking good shares will be most important."



Big industrial nations show major investment growth

BDay 23/2/93 (232)

PERSONAL savings in SA have still not been invested on a large scale in unit trusts, judging from a comparison with other leading industrial nations compiled by the University of Pretoria Graduate School of Management.

According to the survey, the total assets of US mutual funds (the US term for unit trusts) are projected to rise more than three-fold to $3,63-trillion, of which $2,2-trillion will be long-term assets and $1,43-trillion short-term assets.

At the end of 1989, one in four US households owned mutual funds, compared with one in 20 at the beginning of the decade.

In the last decade mutual fund investing has become a mainstream strategy for building wealth in the US.

The country's first fund was launched in 1924. In 1945 the industry had $1bn in assets and in 1951 one million accounts.

By the early 1970s, there were nearly 400 funds with over $50bn in assets.

A new concept signalled a dramatic industry change in the early 1970s, the money market mutual fund. This let the small investor participate in the high short-term interest rates of the money market that previously were only available to major institutions

The money market funds sparked a surge of creativity in the industry, resulting in municipal bond funds, government income funds, option/income funds and other specialty or sector funds The industry now has over 3 000 funds.

Institutional ownership of mutual fund assets were 34% of total assets and individual assets 66% at the end of 1991, Money market funds accounted for 40% of total assets, equity funds 27% and bond and income funds 33%.

In the UK, the industry experienced strong growth during the 1980s. Total assets grew at a compound annual growth rate of 24,33% during the period 1982-1991 to £55bn.

ll be a better year for the JSE'

Receiver keeps his hands off investors

B Day 23/2/93.

UNIT trust investors do not receive any tax deductions on their contributions, but the receiver does not take a share of the proceeds when an investor sells his units.

There are exceptions when an individual is deemed to be acquiring the unit trust assets to speculate rather than to invest.

There are, however, no clear rules to define what amounts to speculation in unit trusts.

Unit trust returns have an interest portion, which is exempt from tax of up to R2 000 a year for each taxpayer which means only big investors are liable. The dividend portion is tax-free.

A University of Pretoria Graduate School of Management survey says unit trusts are taxed as companies so they are exempt from tax on dividends, while no tax is payable on capital gains on the sale of investments.

232

Declare

Interest is only taxable to the extent that it is not distributed to unitholders in the year of receipt.

But since a unit trust is obliged by law to declare all dividend and interest income net of expenses to unitholders, it is effectively a non-taxpaying entity.

The tax element of the income distribution in the hands of the unitholder depends on how the unit trust derived the income.

Year of uncertainty ahead for investors

BDAY 23/2/93 232

This should be a difficult year for most investors as they try to anticipate the changes taking place within SA and those that could affect global stock exchanges, writes Consolidated Fund Managers MD CLIVE FOX.

GENERAL equity unit trusts, which represent nearly 75% of total investment in unit trusts, had average returns of 5,8% last year.

This compares favourably with the JSE actuaries overall index which declined 2,04% during the same period, but is well below the annualised inflation rate of 12,9%.

Although the performance of the JSE was relatively flat on a 12-month view, there were some fairly major swings in the market, with a variance of 28% between the high in June and the low in October.

The volatility of the JSE stems largely from the abnormally high degree of uncertainty that gripped most investors.

Such volatility is likely to dominate the market this year. While a high degree of uncertainty exists, markets are likely to fluctuate wildly in response to various factors.

Political uncertainty continues to hold sway. Until there is a clear direction on the country's future, SA investment markets are liable to respond dramatically to developments.

The uncertain political undertone has also had a negative bearing on the economy, where businessmen find it difficult to make future plans in such a volatile environment.

On a more positive note, the significant decline in the consumer price index has resulted in lower interest rates.

The benefits of lower interest rates should improve the overall profitability of the corporate sector and provide small stimulus to consumer confidence.

The business community has significantly restructured during the recession. This is likely to translate into strong bottom-line earnings growth if there is an improvement in the business climate.

Although the JSE is at present expensive by most ratings, should earnings growth occur, it would go some way to improving the present overvaluation.

Looking at external factors, there is evidence of recovery in the US economy.

This improvement has already translated into a much stronger dollar, which is likely to widen further the US trade deficit.

Depending on the strength of the US recovery, the US Federal Reserve might soon be forced to raise short-term interest rates. This could have a strong undermining effect on a desperately overvalued Wall Street.

Instability is likely to remain a feature this year as countries battle against the effects of recession and the need to stimulate their economies with lower interest rates.

In Japan, the economy continues to weaken under the effects of strong asset deflation. This has serious implications for the banking industry and could result in the Tokyo stock exchange reaching lower levels during the course of the year.

Overall, the environment does not bode well for growth. Given the overstretched local industrial equity market, a fair degree of risk remains in funds heavily exposed to industrial equities.

With the dividend yield on the industrial index perilously low at 2,5%, the possibility remains that industrial shares could suffer a severe setback before a period of more discernible growth.

As with 1992, it is CFM's view that investment in industrial-biased funds is likely to remain unexciting, although volatile.

Looking to the mining boards, gold shares could show some improvement from the depressed levels of late 1992.

CLIVE FOX

Global inflation has been running at some very low numbers, but there are signs it could be picking up in some major economies.

It is probable that the gold price will reverse its extremely long downtrend. Any small gain in the price could translate into a large improvemnt of earnings, allowing for a fairly substantial recovery in gold shares.

A conservative stance to investment remains appropriate. With inflation less than 10% and likely to stay that way for a while, investment in the income funds, last year's star performers, could still be advantageous.

creases would be slight. ... on higher gold prices.

UK tax could hit holders of SA equities

3/10A/1 23/12/93 232

TRACY SCHNEIDER

HUGE capital gains taxes in the UK would hit holders of SA equities, gilts and other assets and could depress the financial rand, analysts said yesterday.

"Broadly speaking, this new law means certain offshore individuals could become taxable on their worldwide income and assets, including those in SA," said Syfrets international consultant David Cosgrove.

Reserve Bank GM for Exchange Controls John Postmus said the sale of UK holdings and shares in SA could affect the finrand.

The taxation included a worldwide inheritance tax of 40% on amounts above £150 000 and capital gains tax levied at the same rate as UK income tax.

Among solutions Syfrets was proposing was an offshore trust.

COMPANIES

JSE hearings on brokers' scam

DUMA GQUBULE 032

THE JSE would proceed with its own disciplinary hearings against a number of stockbrokers involved in the Old Mutual scam, including convicted former broker Greg Blank, JSE president Roy Andersen confirmed yesterday.

Andersen said because those involved had pleaded guilty, not all evidence had been led in court. The JSE would shortly proceed with its own hearings now that it had completed investigations.

Sources said yesterday the JSE's actions could range from reprimands to expulsions for those involved.

Meanwhile, Andersen said he was aware of a possible loophole where South Africans could buy shares of SA companies in Namibia on the country's stock exchange to avoid paying marketable securities tax and stamp duty. SA companies could buy shares of companies listed on both exchanges in Namibia through a nominee company not registered in SA.

The JSE would not be taking any measures, but the practice demonstrated the disadvantages of the marketable securities tax.

BIDAM 22/12/93

The biggest company listed on both exchanges is Standard Bank Investment Corporation.

Safex considers contract change

TIM MARSLAND 232

THE SA Futures Exchange was considering redesigning the dollar/gold futures contract to try to increase trading volumes, exchange CE Stuart Rees said yesterday.

Just 170 contracts have traded on the exchange so far this year.

The contract is based on the gold price in dollars. A contract is priced at the gold price multiplied by R10 and expires on a quarterly basis.

Futures contracts are traditionally used by investors to hedge against future price movements in the spot investment and by speculators.

An analyst said because the contract was based on the gold price in dollars rather than rands, producers were unable to take advantage of currency movements.

As a result, producers preferred to make use of offshore futures contracts such as those offered on the US Commodities Exchange.

A source said the Reserve Bank was not keen on a rand/gold futures, as they could be used to speculate against the rand. BDay

One portfolio manager said there was no need for a local contract because producers were able to take part in the more liquid offshore contracts and local investors had no need to hedge against gold price movement. If investors wanted to hedge gold shares, they would rather use the equity-based all gold futures contract, he said. 23/2/93.

One dealer said the contract would pick up only if the Bank were to prevent producers from using offshore futures contracts.

However, the Bank was unlikely to do this as it already offered attractive hedging options of its own to marginal producers.

If volatility returned to the gold price, interest in the contract would pick up.

Investors asked to help trace Supreme's assets

STAR 23/2/93.

By Des Parker (232)

The search for assets of the defunct Supreme group hotted up at the weekend

The liquidators have asked investors to tell them anything they know of funds rumoured to have been moved out of the country and for details of brokers and investment consultants who handled investments

At a meeting in Durban City Hall attended by as many as 1000 Natal debenture-holders in the two liquidated Supreme companies, liquidator Brian Cooper said rumour was rife in the province that money from the companies had left the country.

"Please let us know and we will investigate all such reports at the inquiry into the affairs of the group, which begins in April in Johannesburg."

In response to questions by two men who told the meeting their investments were channelled respectively through Sage Financial Services and the Perm, Cooper said all debenture-holders would shortly be asked to name their brokers

The extent of involvement of brokers and whether they or their employers were liable for making up repayments to investors would be canvassed

Debentures

By a show of hands, debenture-holders assented in principle to the liquidators substituting securities held by the debenture-holders' trustee for shares in the group's three JSE-listed operating companies.

The liquidators estimated the procedure could net investors an initial dividend of about 22c in the rand, possibly by mid-year

The alternative was unlikely to secure 7c in the rand over a period lasting several years and would probably involve litigation.

About R276 million was invested in debentures with Supreme Holdings and Supreme Investment Holdings

Harvey Wainer, an accountant appointed to advise debenture-holders, described the security held by investors as "very poor", which left them "exposed to a very large extent".

Accountant Peter Goldhawk, the liquidators' investigator, said Supreme had had a complicated and often-changed structure From about 1986, debenture and preference share capital had been taken in and split between its three JSE-listed companies and a number of unlisted operations

The bulk had gone into risky, unlisted ventures, such as speculative property development, money-lending businesses and credit-based retailing concerns selling predominantly to low-income communities

Liabilities

Cooper promised investors that if reckless or illegal action by any directors came to light in the inquiry, they could face criminal prosecution and be held liable for the debts of the companies.

At a similar meeting in Cape Town yesterday some 1 000 Supreme investors also voted in favour of the liquidator's action.

● A meeting for local debentures holders is to be held in the Sanlam Auditorium at the Rand Afrikaans University, Auckland Park, at 10 am on Friday

Rumour of attack on Mandela hits finrand

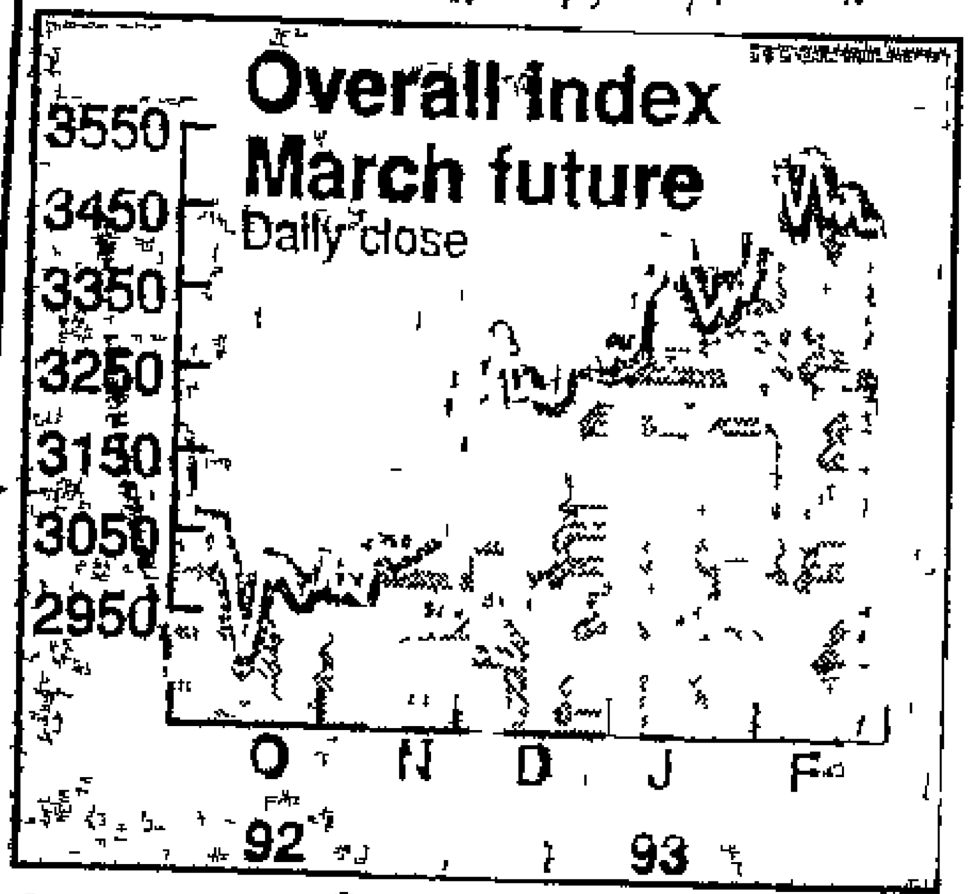
232

SELLING pressure after unfounded rumours that ANC president Nelson Mandela had been shot knocked the financial rand and futures contracts, dealers reported yesterday. B/DAY 24/2/93

The financial rand lost ground to end the day weaker at R4,5950 to the dollar from R4,5050.

Dealers said near month equity-based futures contracts — those set to expire on March 15 — were trading at a discount to the spot market which reflected the lack of confidence in the stock market.

The near month all share contract traded at 3 425 points compared with the spot index at 3 447 points and a previous close of 3 447 points.



Graphic LEE EMERTON Source I-NET

TIM MARSLAND

The industrial index traded at a 50-point discount to the spot index at 4 445 points compared with a previous close of 4 502.

The all gold index traded at 1 005 points compared with the spot 1 008 points and a previous 1 001 points.

The equity futures contracts are priced at the index level multiplied by R10 and expire on a quarterly basis. Investors pay an initial margin of about 10% of the value of the contract price into an account at the SA Futures Exchange.

Price movements are either credited or debited from the account daily depending on the index level.

One dealer said the market was waiting for direction.

Under present conditions, the March close would have little effect on the JSE as investors were more likely to switch into the March 1994 contract because it was about 4% cheaper than switching into shares.

As a result, the rally in share prices, which dealers had believed would coincide with the March close-out, might not occur, he said.

Normally, the futures market pre-empted the spot market, but this was not necessarily the case now.

Since June, the all share futures contract had mostly traded at a discount to spot.

Tollgate directors in Fetlar Foods inquiry

BDAY 24/2/93

Own Correspondent (232)

CAPE TOWN — A secret inquiry into the liquidated Tollgate Holdings subsidiary Fetlar Foods is being held at an undisclosed venue in Cape Town

Two Tollgate directors are among 13 people who have been summoned to appear before the secret commission of inquiry, held in tems of section 417 of the Companies Act

The commission was appointed in terms of an order by Judge L A Rose-Innes earlier this month in an in-camera application by Golden Arrow Retirement Plan, the pension fund of the Golden Arrow Bus Services.

Rose-Innes ordered that the records of the application for the secret inquiry — except for the court order authorising the commission of enquiry — and all proceedings before the commissioner be kept private and confidential.

Bertrand Hoberman SC was appointed to head the commission and must deliver a report on the enquiry to the Registrar of the Supreme Court.

The following people are to be examined by counsel or an attorney on behalf of Golden Arrow Retirement Plan·

Tollgate Holdings director G L MacIntosh, Safegro Institutional Fund Management Limited director I M Lewis, Safegro MD K S Cockroft, Equikor MD I Hirschon, and Tollgate Holdings secretary N Blackshaw.

Also summoned were: Tollgate Holdings director M Key, Golden Arrow Bus Services chairman N S Cronje, Hosken Employee Benefit Fund MD R S Davey and F E Mayoss, M L Wilken, B N Willenberg, E C Roberts and A Lawrence

□ Police attached to the Office for Serious Economic Offences swooped on the homes and offices of directors of Tollgate Holdings during the first week in February and seized documents

It was reliably learnt at the time that the homes of Julian Askin, Laurie MacIntosh, Alexander Wilmot-Sitwell and Mervin Key were searched

Govt to press ahead with privatisation programme

BDAY 24/2/93 (232)

BDAY 24/2/93

TIM COHEN

CAPE TOWN — Government intends pressing ahead with privatisation plans where appropriate, with Abacor and the internal wing of SAA being the main candidates in the medium term.

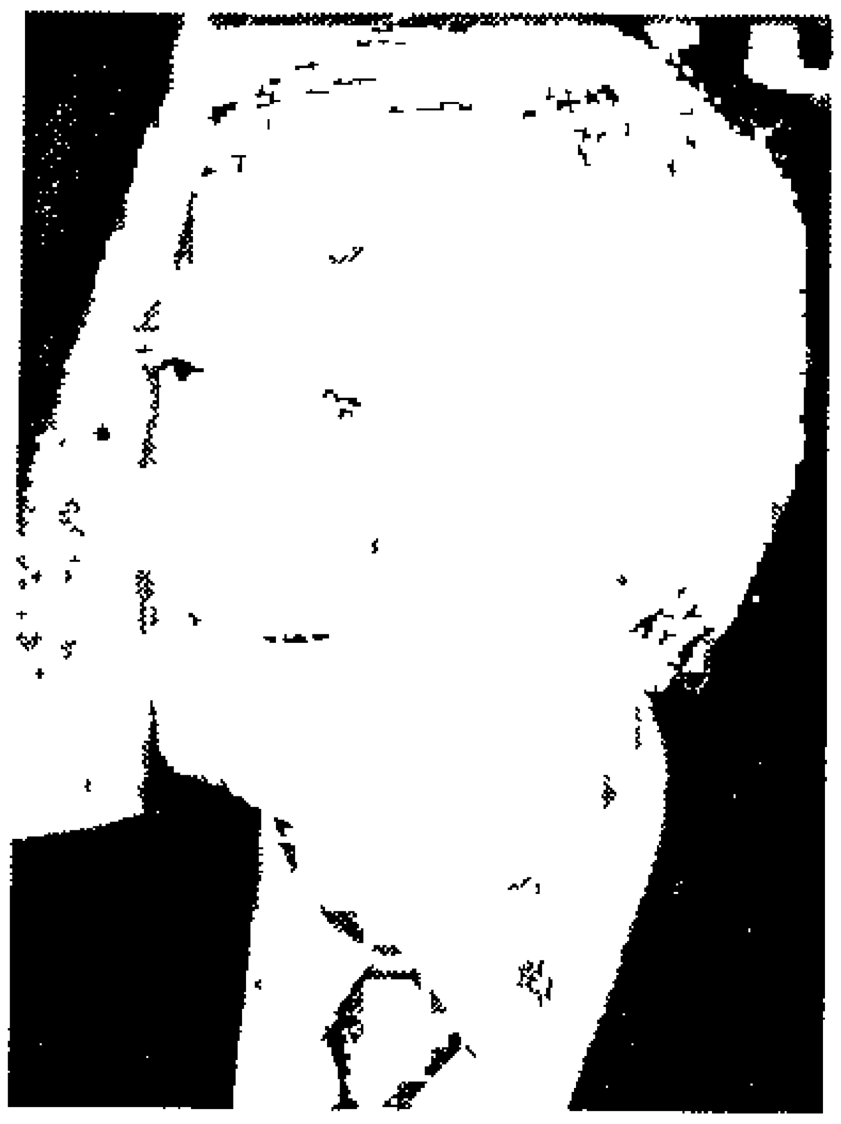
Public Enterprises Minister Dawie de Villiers said in an interview this week that although privatisation had become a politically contentious issue, government would continue privatising public enterprises.

Government had to be certain that the consumer would benefit by the privatisation and that public monopolies were not converted into private monopolies.

Government could not ignore the fact that a new government would be in power soon and the political sensitivities of some political players.

However, in certain circumstances the state could find itself with assets that would simply erode away in the face of competition by commercial opposition.

Abacor, which would have to compete commercially because of the recently deregulated meat market, was one such case. As a consequence, De



● DE VILLIERS

Villiers predicted, the privatisation would go ahead soon.

SAA, especially the internal wing, was in a similar position, although the time frame involved would probably be longer — about a year — because of the necessity for the internal industry to stabilise.

The position of SAA's external services was more complex, because almost all external air carriers were supported by the government's of their countries of origin, he said.

Plans to privatise Foscor were currently on hold because of the depressed state of the fertiliser market as a consequence of the drought, which had decreased the demand for fertilisers.

Even if plans to privatise public enterprises were not carried through to their final conclusion, government would press ahead with the commercialisation of the institutions.

State forests, none of which had been privatised, were an example of this effort, which had progressed well and was almost complete.

As the commercialisation of public enterprises progressed, options like down-sizing and franchising became possible, and would be considered.

De Villiers suggested the proposal that Eskom should pay tax was not likely to be received positively, although it was under consideration.

Eskom, currently involved in a large-scale electrification expansion scheme, required state assistance and asking the utility to pay tax would be like moving money from one pocket into the other.

JSE planning for role in 'new SA'

BDay 24/2/93 (232)

THEO RAWANA

THE creation of new financial instruments, which would be quoted on the JSE and partially underwritten by government, could help smaller entrepreneurs raise capital, JSE president Roy Andersen said yesterday.

Addressing an investment seminar in Johannesburg, Andersen said the JSE's role in SA was to create productive capacity, employment and wealth by gathering the nation's savings and passing them on to the users of capital.

The exchange was working on ways to ensure that everyone had a chance, he said.

Andersen said rechannelling the savings of the nation to allow access by emerging entrepreneurs had always been frustrated by this sector's inability to bridge the gap between bank loans and the ability to raise capital through the JSE

"At the same time the large institutions have a fiduciary relationship with policy-holders and investors are therefore reluctant to invest in high-risk ventures," said Andersen.

He added "A possible solution to this dilemma is to create new instruments which are quoted on the stock exchange and partially underwritten by government The large institutions could then invest in these instruments with the proceeds lent to the emerging businessmen."

The JSE was working with business groups and a wide range of political parties to ensure that it played a relevant role in the new SA, he said.

Areas where the exchange could be of assistance included

- Assisting with the unbundling of the concentrations of power where this was desirable,
- Using the development capital market and venture capital market to assist emerging entrepreneurs,
- Providing investment vehicles for stokvels,
- Providing a market for shares made available through privatisation, and
- Providing a market for shares issued under staff share incentive schemes

Dealing in shares not yet accepted

By Mzimkulu Malunga

■ 'Time before blacks feel comfortable in the Johannesburg Stock Exchange' 232

Sowetan 24/2/93

IT will take time before black people feel comfortable about participating in the share market on the Johannesburg Stock Exchange (JSE), the chief executive officer of the Nairobi Stock Exchange (NSE) said yesterday

Addressing the *Sowetan*-Simpson Mckie investment conference at the Carlton Hotel in Johannesburg Mr Job Kihumba said there was a time when the NSE was viewed as "a white man s institution "

But after a massive educational campaign that perception had change nd more Kenyans were buying shares traded on the NSE

Supreme directors to face inquiry

BIDAY 25/2/93

PETER GALLI

232

DIRECTORS of the finally liquidated Supreme group will be questioned on their investment decisions and activities under a Section 417 inquiry in April

The inquiry, in terms of the Companies Act, was ordered by the Master of the Pretoria Supreme Court

"Company directors are responsible for running the business and protecting its assets," said Coopers Theron du Toit investigative accountant Peter Goldhawk, who was appointed by the liquidators

"If it can be proved that they were aware their actions could put creditors at risk, they can be found guilty of reckless trading and become personally liable for all losses incurred," said Goldhawk.

Big risks but big profits on the Stock Exchange

Sowetan 25/2/93. (232)

By Mzimkulu Malunga

□ Audience fears being swallowed by white business:

INVESTING in the Johannesburg Stock Exchange is not for the faint-hearted - but with an element of patience investors can make lots of money

This is the message which emerged from the gurus of the stock markets at this week's *Sowetan* Simpson McKie investment conference held at the Carlton Hotel

Efficient enterprise

"Stock markets are the crucial part of an efficiently working free enterprise economy," argued Simpson McKie's director, Mr Peter Trengove Jones

Though the risk was high, so were the returns There was no investment which was watertight, but a thorough research and a high level of prudence was the name of the game in the stock markets

"The share market in South Africa has delivered returns seven percent above the inflation rate " he said

Not long ago insurance giants like Liberty Life or retail heavyweights such as Pick 'n Pay were just small companies, but due to bravery of the management to take risks, those companies were today among the market leaders in their respective sectors

Sceptical audience

In the midst of a sceptical audience, JSE president Mr Roy Andersen revealed that the institution was on the verge of completing a report to define its future role The report will go before the JSE committee to consider whether to recommend changes to the structure of the market

Majority of the audience, many of whom were black managers in corporate South Africa and self-employed black business people, called on the JSE to review its entrance requirements for companies applying for listing if it hoped to win credibility in the black community

Fears that black companies would be swallowed by major conglomerates if they listed on the JSE also formed a large part of the debate

Mysterious to majority

Many participants wanted an undertaking from the stock exchange to protect black companies from takeovers by big business before venturing into the JSE - an institution which remained a mystery to a broad section of the black community

For his part Andersen felt such provisions would lead to racial tension in the JSE but indicated they were flexible in exploring alternative measures which could give an element of protection to black companies which might choose to list in future

He said during the 1993 parliamentary year, the Stock Exchange Control Act would be amended, a gesture which could lead to a change in the rules

The immediate past president of the Unit Trusts Association, Mr Clive Turner, outlined investment opportunities in one of South Africa's fast-growing industries

Due to their simplicity and relative safety unit trust investments appeared to have attracted a more positive response from the participants at the conference

Some even went to an extent of challenging the UTA to look into the feasibility of establishing a black-owned and controlled unit trust company

The conference was also addressed by a Kenyan financial expert and the chief executive officer of the Nairobi Stock Exchange, Mr Job Kihumba, who said it would take some time before black people could feel comfortable about the stock exchange in this country

Educational campaign

The experience of the stock exchange in Kenya showed that a massive educational campaign about the stock market could change people's perceptions towards such institutions

Enterprise editor Mr Thami Mazwai, who chaired the proceedings, summed it up when he said black people had been passive participants on the JSE as the money they invested in the financial and insurance companies was invested on the shares traded on the stock exchange

Budget boost to unbundle

S Times (Buss) 28/2/93. (232) (…)

Business Times Reporters

FINANCE Minister Derek Keys is expected to facilitate the unbundling of large corporations by granting relief from certain taxes in his Budget next month.

The concessions could include a waiving of marketable securities tax (MST), stamp duties and/or transfer fees to companies involved in genuine restructuring

However, there is a growing fear among corporations that these moves will be accompanied by a reintroduction of tax on dividends

Already, the JSE notes a rush of companies not only declaring dividends but aiming to pay them before the end of the tax year in case this happens

Investment managers, however, believe these fears are unfounded

The tax was scrapped two years ago because dividends are declared out of taxed earnings, and it was widely regarded as unfair for dividends to be taxed further in the hands of the recipient

Shelved

The Finance Ministry will offer no comment on specific Budget issues, and past attempts to reduce MST have come to little

Mr Keys's predecessor, Barend du Plessis, got cold feet after taking the first step towards a 0,5% a year stepwise reduction of MST over three years

It was reduced from 1,5% to 1% in 1991, but the next reduction was shelved because it was viewed as politically incorrect at the time

Meanwhile, conglomerates are not unbundling because of the costs of MST, notes Sankorp's general manager, Marinus Daling

He says that, technically, the exchequer is not losing a source of revenue because of this inertia But MST only collects about R220-million a year, around 0,3% of the total pull, because of it

JSE president Roy Andersen is unhappy about MST, because the JSE is the only financial market upon which the charge is levied and because it hampers liquidity of the market

Liquidity on the JSE is the third-worst among the world's bourses and it is not conducive to attracting foreign investors to virtually the only market where MST persists Nor does it encourage companies to invest when there is an additional cost when realising a mature investment

Mr Daling says it is for the stockbrokers themselves to lobby the ministry with regard to the complete removal of MST

Sankorp's stance is that, if the status quo with regard to existing parameters is maintained, there will be no changes, if Mr Keys introduces the moratorium on stamp duties, transfer fees and MST in examples of genuine unbundling, there might be

Sankorp reorganised its investment wings substantially last year

Murray & Roberts became the home for gross domestic fixed investment activities, Malbak for consumer business and Servgro for its service investments Gencor houses mining and energy, as well as substantial stakes in Sappi, M&R and Malbak

Both M&R and Malbak have pyramid holding companies which, Mr Daling concedes, reduce liquidity within the stocks

Hampered

"During the 60s and 70s it was fashionable around the world to grow conglomerates It was the in thing to buy bad paper with good and the philosophy snowballed

"The trend is now turning towards greater specialisation and focus, but in South Africa we are hampered from restructuring because of costs," says Mr Daling

There are two angles to unbundling; the first would be to do away with control pyramids and the other main thrust would be the distribution, possibly by dividend in specie, of shares held by conglomerates in their subsidiaries

Mr Daling says it is imperative for South Africa to stay in line with the rest of the world

Some conglomerates do offer a critical mass in which institutional funds can be placed South Africa's closed economy and limited avenues for investment are well-documented greenhouse factors There is also an argument in favour of size, because big companies can be globally competitive

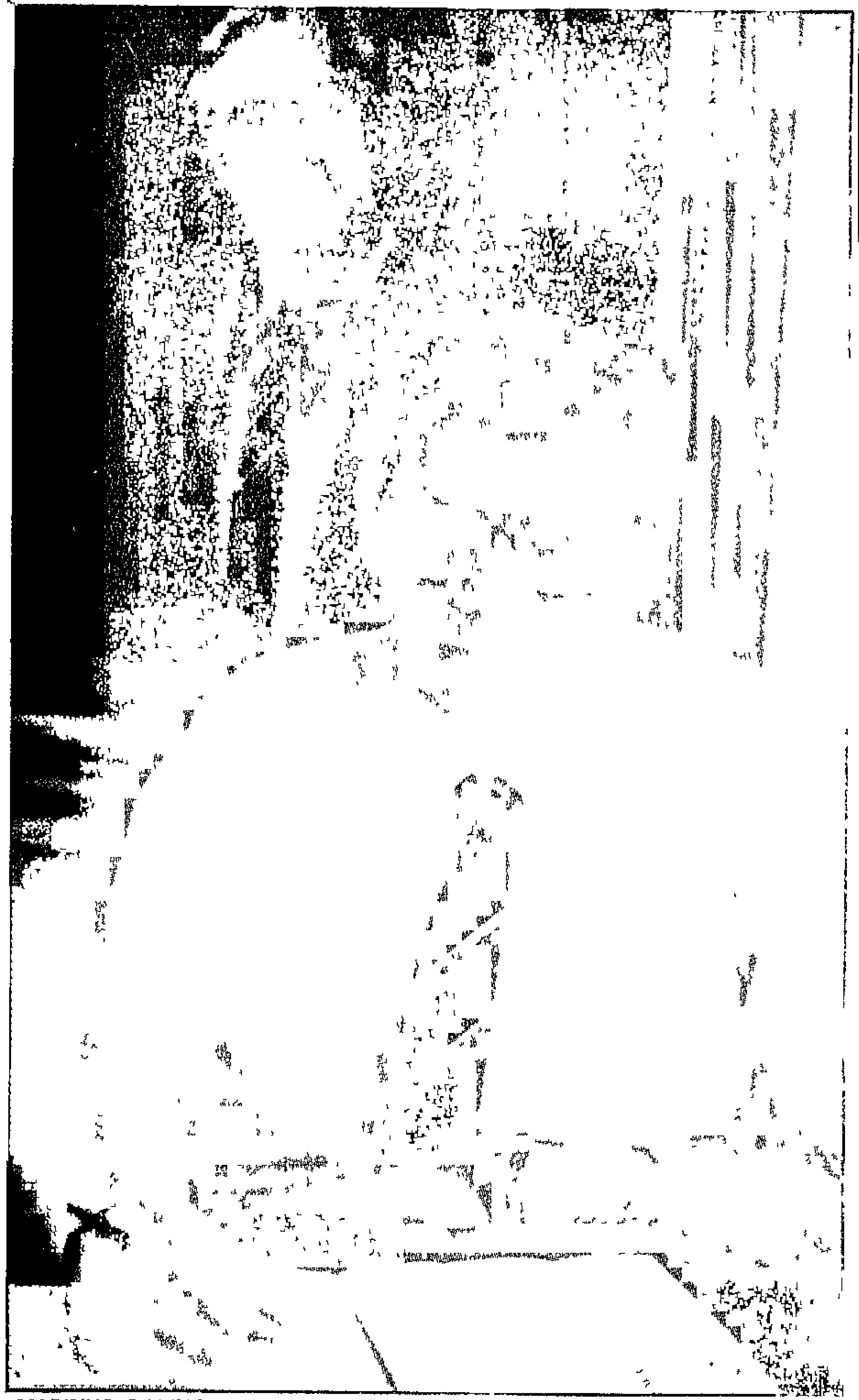
Cross-held

Beyond Sankorp there are plenty of examples of bundles ripe for unravelling The English media is extensively cross-held, a thorny issue ahead of a new government Argus is likely to sell its holding in Times Media this year

The Industrial Development Corporation deferred its plans to unbundle Natsel and Indsel until after the Budget

Old Mutual investment manager Rowland Chute agrees that any reduction in dealing costs will be a plus, especially over the longer-term For institutions, MST is a niggle, but a small price to pay over time Its scrapping would not dramatically change the investment landscape

Mr Chute says 1% extra on costs is a significant amount to a dealer, and there are many examples of why one company should be sold to another — but it is not because of the costs



MARINUS DALING stockbrokers themselves must lobby the ministry

Crucial date for debenture holders in Supreme

STAR 25/2/93.

(232)

Magnus Heystek
Finance Editor

The Supreme-saga enters a crucial stage tomorrow at a formal meeting in Johannesburg for many debenture-holders in the troubled group.

A total of 7 000 investors have about R300 million at risk in the Supreme Group in the form of debentures and preference shares.

Preference shareholders have already been informed that they will lose the R40 million they invested in the scheme.

The two top companies in the Supreme Group were put into provisional liquidation last November after they were unable to pay interest to debenture-holders.

Debenture-holders will be asked to formally approve a scheme of arrangement which will see the provisional liquidators of Supreme Holdings Limited and Supreme Investment Holdings Limited get control of JSE-listed Protea Furnishers (Profurn) and Supreme Manufacturing Holdings

In terms of the agreement Protea and Supreme's indebtedness to the debenture holders will be capitalised by way of an issue of new shares to the liquidators.

If the ageements are ratified by the meeting — informal meetings held in Durban and Cape Town have already indicated a massive support for the proposals — the liquidators will try to sell the shares for cash to interested third parties

The alternative, say the joint liquidators, is the liquidatation of the two companies which will mean that debenture-holders will realise only about 7c in the rand from the forced sale of assets.

According to the joint-liquidators — Basil Brian Nel, Brian St Clair Cooper, Oliver Powell and Les Cohen — it is essential for debenture-holders to accept the proposal.

This will put them in a better position to reclaim the maximum amount of money owed to them.

In the future, the liquidators say, debenture-holders will be given another choice of accepting the cash raised by the sale of shares or shares in the listed companies.

The alternative would be to take legal action against Protea Furnishers and Supreme Manufacturing Holdings based on securities provided by them to the debenture holders

Based on legal opinion received by the liquidators the securities issued by Protea are probably invalid and unenforceable

Legal action will probably result in the liquidation of Protea as suppliers will withhold supplies while other financiers will call up debt This route, say the liquidators, will see debenture-holders realise no money at all

The only acceptable alternative would be to try to maximise the value in the shares of Protea, which have independantly been evaluated by accountant Peter Goldhawk at about R60 million

Tomorrow's meeting takes place in the Sanlam Auditorium at the Rand Afrikaans University at 10 am

NRB paves way for JSE listing

By Des Parker STAR 25/2/93

DURBAN — New Republic Bank (NRB) has paved the way for a JSE listing with the announcement of a rights offer which will make Sanlam and IGI Life the first institutional shareholders in the Durban-based company.

The offer, which closes on March 26, is underwritten by SA Bias's financial arm Merhold and will almost double the share capital of the bank from R22,6 million to R40 million

232

MD Mac Mia says that in terms of the arrangements with Merhold, Sanlam will acquire 15 percent and IGI Life 10 percent of the bank's shares

"This increased capital base means the bank will have met the full eight percent capital adequacy requirement immediately," he says

"It will also place us in a favourable position to expand the bank's commercial activities and the range of services we provide"

NRB has nine retail and three corporate branches, and intends to apply soon for a JSE listing.

Mr Clive Turner

Boom in unit trust industry

■ First unit trust in SA launched in 1965:

ALTHOUGH the unit trust investment mechanism has been practised in the industrialised countries since the 19th century, it is still a new phenomenon in South Africa.

232

The first unit trust in South Africa was launched in 1965 with total assets valued at R600 000

This move followed the enactment by Parliament of the Unit Trust Control Act.

Two years later the Association of Unit Trusts was formed to assist both management companies and unit holders in dealing with the authorities.

Currently there were 46 unit trusts, managed by more than 20 companies with assets valued at R11,4 billion

Sowetan

The same year, five new unit trusts were launched

The number of unit holder accounts rose from 735 000 to 938 000.

"The creation of the unit trusts advisory committee in 1991 was of even more direct significance to our industry," said AUT's outgoing chairman Mr Clive Turner

26/2/93.

The committee was appointed to review the austerities of the Act.

Many believe 1991 was the year which saw a record time boom in the history of the sector

"It is imperative that our industry does all in its power to maintain its reputation for sound management within the framework of a tried and tested but nevertheless dynamic regulatory system," Turner said

Your bank balance counts

Sowetan 26/2/93

■ Look before you take that giant leap into the world of unit trusts

BEFORE investing money in unit trusts, it is advisable for prospective investors to ask themselves a few questions and to consider other responsibilities

A would-be investor must check his bank balance to ensure that he will have enough cash left for other contingencies after having honoured his regular commitments and having invested in unit trusts

Basic financial security requirements, such as savings accounts, fixed deposits, life assurance and pension fund, have to be fully covered before investing money in unit trusts

For a proper return, the money invested in unit trusts have to remain untouched for about five years

A prospective investor could explore various types of unit trust, depending on his financial needs The simplest and most common form of unit trust is the **General Equity Fund** Here the money is spread across carefully-selected shares traded on the Johannesburg Stock Exchange

It is recommended that first-time investors invest in an established general equity fund

Another type of unit trust is the **Special Equity Fund** This is an investment in one or two sectors of the market. (232)

For instance, the pool money in a unit trust can be invested in the shares of mining companies such as De Beers, Anglovaal or Gold Fields Alternatively, they could also be invested in industrials, such as Barlow Rand or Richemont

"The mining sector, with its large component of gold and mining-related shares, is especially subjected to relatively larger fluctuations than the general fund

"Larger fluctuations can naturally yield higher profits Huge losses are just as possible," says Mr Johan Yssel, communications manager at Sanlam Unit Trusts

Due to the fact that the focus is in a single sector, the risk is higher as growth of the fund depends entirely on the performance of a single sector or two sectors of the market

This type of unit trust is recommended for established investors

Income Funds are a reasonably secure investment Returns on this type of unit trusts do not depend on the growth of the fund as this is an income generating investment

The money is invested in parastatals such as Eskom

Interest you earn is tax free

Sowetan

26/2/93

■ Unit trusts are a grey area:

WHEN an investor reaps the profits of his savings in unit trusts, the actual growth of the funds are not taxable (232)

All dividends and the first R2 000 of the entire interest income earned are tax free

"The increase in value on units in a unit trust can be compared to that on a house," says Cilliers Smith, a senior marketing manager at Sanlam Unit Trusts

"When a house is sold and the capital appreciation is realised, the profit is not taxed "

Since unit trusts are regarded as medium to long term investment mechanisms, they are generally regarded as tax efficient

Profits accruing from the sale

According to Smith, the Income Tax Act does not make specific provisions in respect of the profit accruing from the sale of units

He says unit trusts are a grey area as far as tax is concerned

He says an investor could be exempted from paying tax if he can prove to the taxman that his intentions are of a long-term nature.

UNIT TRUSTS SUPPLEMENT

Units you can trust

Sowetan 26/2/93. 232

■ **IVORY TOWERS** Few blacks go beyond banks and building societies:

By Mzimkulu Malunga

TO MANY BLACKS, places such as the Johannesburg Stock Exchange are ivory towers of the rich, the elite and the powerful.

While many people have the urge to invest whatever little resources they have, very few ever go beyond banks and building societies.

Even then, few ever explore investment possibilities other than savings accounts, fixed deposits and current accounts.

But through unit trusts, an investor can find himself directly participating in the share market on the JSE.

A unit trust is a pool of money generated by individuals. This is in turn invested into collective resources in various companies listed on the stock exchange.

Unit prices rise and fall in line with the fluctuation of share prices of the companies in which the money has been invested.

The price of a unit is calculated according to the underlying value of all shares held in the unit trust.

Contrary to buying shares directly from a particular company, where the risk is heightened by the ups and downs of share prices, unit trusts minimise the risk by spreading the money across a wide range of companies.

If one share performs poorly, the investment is likely to be safeguarded by other shares in the pool.

The money and the shares are administered by a unit trust company, employing people highly schooled in the dynamics of financial management.

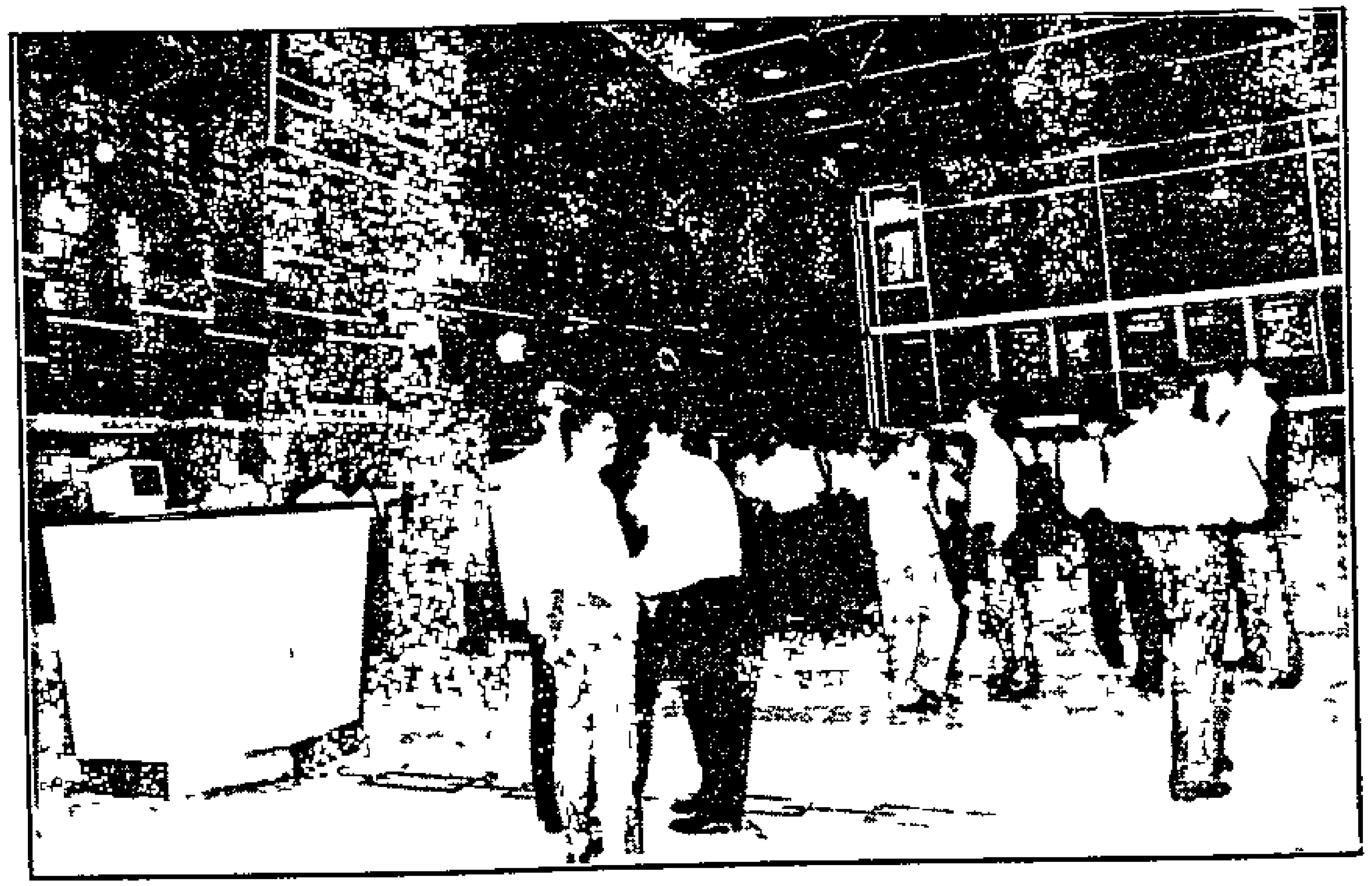
Unit trusts have always yielded returns above the inflation rate.

Due to market fluctuations, prospective investors are encouraged not to withdraw their money for a minimum period of about five years after which ups and downs of the market place would have stabilised.

However, it is important to note that unit trusts are not a substitute for a savings account. A prospective investor must have enough savings to cover emergencies.

Experts say unit trusts should be seen as a supplementary form of investment rather than anything else.

They are, the experts say, medium to long-term types of saving.



Inside the Johannesburg Stock Exchange

A stokvel by any other name is ...

Sowetan 26/12/93 (232)

■ INDIGENOUS Unit trusts have a lot in common with burial societies:

UNIT TRUSTS HAVE a lot in common with the indigenous savings methods that have been practised in this country for many years

Through stokvels and burial societies people pool their resources together for a particular purpose

Burial societies main objective is to bury the dead in a dignified manner

Until recently, huge sums of money used to be saved in financial institutions for long periods to be used when a death occurs

Today organisations such as the National Association of Co-operatives Societies of South Africa are mobilising these funds for the acquisition of companies aimed at black economic empowerment.

Stokvels have a much shorter term savings method and their areas of focus are much broader

Members of a stokvel can get together and contribute a fixed amount of money The money is saved for the purpose of buying one another cars or furniture, to name but two

The money circulates on a rotational basis and in most instances the system of first in first in the beneficiary line operates

But burial societies operate differently Help goes to a grieved family, irrespective of whether a member joined first or last

Similarly unit trusts pool people's resources together to generate higher returns which are then shared among unit holders though here, the number of units an investor has determines his share of the cake

Various unit trust companies have now started group savings through which people invest their pool money until such time as it has accumulated enough interest to buy a taxi or start a business on partnership basis

A group trust, as this type of unit trust is called operates along the same lines as a club account.

Stokvel members invest their money in a group trust. say about R1 000 then they are all issued with documents certifying their investment

The group then arranges the minimum monthly savings with the management company concerned

Unit trust companies differ when it comes to investment requirements

The difference however is not so much because they operate within the parameters of the Unit Trust Control Act.

"It is a good idea for a stokvel members to invest large portions of their funds in a unit trust as they will be able to reap all the benefits of this industry without losing the stokvel concept " says Russel du Bois of IGI unit trusts

Outside the Johannesburg Stock Exchange

A million people are participating

Sowetan 26/2/93

(232)

Mzimkulu Malunga

■ Despite uncertainties on the stock markets in South Africa, unit trusts are growing at a pace faster than the inflation rate:

MORE than a million people in this country are currently participating in the share market through unit trusts

Much as this figure may appear substantial to many people, it is still a drop in the ocean in a country inhabited by about 40 million people

Despite current political uncertainties that are putting pressure on the stock markets, unit trusts are still growing at a pace higher than the inflation rate

One does not need to be well-off financially to invest in unit trusts

Some funds, as unit trusts are sometimes called, need as little as R50 a month

Experts say prospective investors can use lower share prices at the stock exchange to their advantage by buying units when the prices are still down

Reap higher yields

This, they say, will enable them to reap higher yields once the economy starts picking up.

There is also a system called switching funds This enables investors to minimise the risk by changing to safer types of unit trust during downswings

An investor can switch from a general equity fund to an income fund - which has nominal market fluctuations Switching funds costs an investor much less than pulling out completely when prices go down

Asset or albatross?

(232) FM 26/2/93.

Ronnie Bowker is national technical services director at Ernst & Young

Share purchase trusts are meant to provide an incentive to employees but they are proving a disincentive in many cases, particularly in small companies that listed in 1987 This is true where the market price of the share is sharply lower than its issue price

Here is a typical example of a share purchase trust established by a small listed company

- The original loan made by the company to the trust amounts to R2,7m,
- This covers the cost of 1,5m shares issued to the trust at R1,80 each,
- Of these shares, 500 000 have been allocated to employees, and
- Employees paid an initial amount of 10c per share

The trust is therefore owed R850 000 by the participants After paying to the company the initial sums received, the trust still owes R2,65m to it This is to be paid out of dividends received on scheme shares, repayments by participants and surpluses generated by the trust but, in any event, no later than 10 years after allocation of the shares to participants

The problem for the trust is that it holds 1m shares at a cost price of 180c each but would be unable to allocate them to participants at that price It could issue the shares at 35c each, the price at financial yearend, but this will create a shortfall of R1,45m when the loan has to be repaid The company, therefore, has a long-term receivable which it might never be able to recover in full In addition, if not all of the R850 000 is recoverable from the participants, the shortfall will increase

Uncertainty about the future performance of the company and its share price makes it difficult to determine the extent of any provision required in the company's books at the current year-end Experience has shown that the problem tends to escalate each year so preparers of financial statements should adopt a conservative approach when determining the provision

A second problem is that the participants, who have been allocated shares at 180c a share, are paying fringe benefits tax on the soft loan of 170c a share, while the share is worth only 35c and company dividends have fallen to low levels The share purchase *incentive* scheme has now become a *disincentive* These participants would like to get out because it is costing them money and providing no incentive

The simplest solution is for the trust to repurchase the shares from participants at the original issue price (180c), though the equity of this may be questioned by some outsiders, especially where directors are major scheme participants While this solution will relieve the participants of their problem (with no adverse tax implications for them), it will increase the trust's problem in that it will hold even more shares which are overvalued when compared with the current share price

In such situations, companies are restructuring their share purchase scheme arrangements Typically, they are writing down the loan to the share trust to an amount which reflects the current share price

The trust is then able to issue shares to participants at reasonable prices and should be able to meet its full remaining obligations to the company Clearly, there are other methods of restructuring share purchase schemes, but these will also involve a cost to the company

What is of concern is that some companies are neither disclosing the shortfall nor making adequate provision for the uncollectable portion of the loan to the share trust

What is the message to companies and their auditors? Do not assume that the loan to the share trust is recoverable just because it is a long-term debt If the amounts are substantial, disclosure should be made of the repayment terms, as well as the aggregate of the amounts owing to the trust by participants and the market value of the unallocated shares held by the trust Where the share price has fallen materially below the original issue price to the trust, the share purchase scheme should be reviewed Where appropriate, disclosure should be made of the plans and, if necessary, provision should be made for any expected writedown of the loan to the share trust

Disclosures required by the JSE in relation to share purchase schemes are not sufficient on their own to identify potential shortfalls Companies should consider the potential shortfalls when finalising the annual financial statements

Gordon builds up his British empire

(232) STAR 26/2/93.

By Derek Tommey

Donald Gordon's outstanding ability to create wealth for his shareholders has been recognised by British investors.

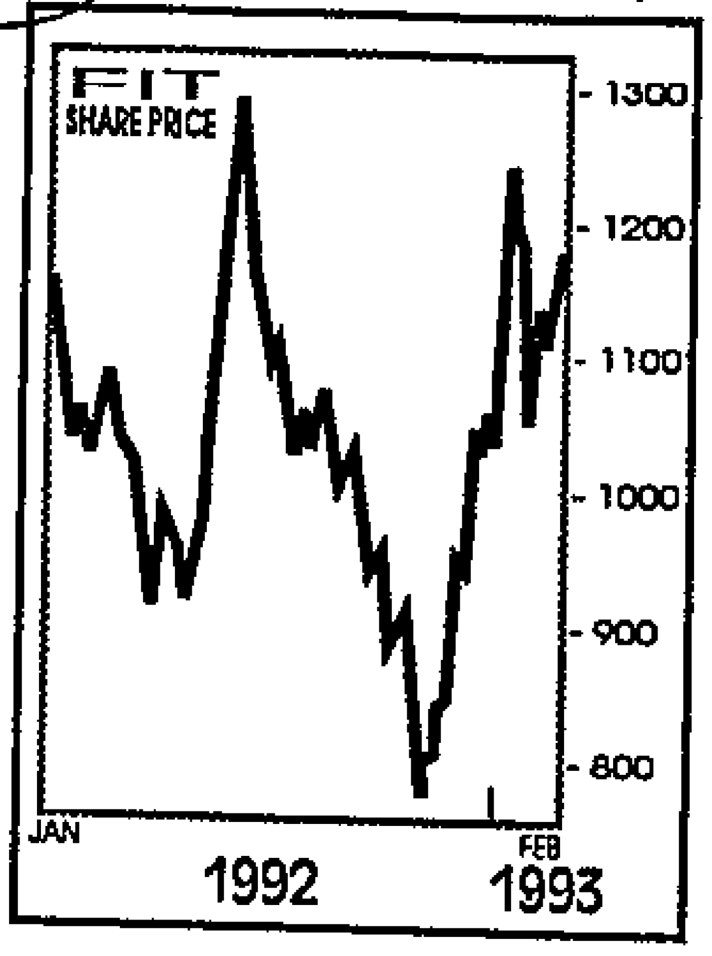
They have been extremely strong buyers of Gordon's British operation, TransAtlantic Holdings (TAH) in recent months, pushing up the share price by more than 73 percent

South Africans know Gordon well He is the man who built up the insurance giant, Liberty Life, from scratch into one of the country's top four insurance companies with assets of more than R22 billion.

With the release today by TAH of its preliminary profit figures for 1992, it is clear that he is well on the way to creating another major financial empire in Britain — a view which Britons appear to fully support

They ignored TAH — which has major property and life insurance interests — when it was listed in London at the end of last July and the share price slid from 197p to 166p by October However, since then they have bought it up to 288c

South African investors are not excluded from sharing in TAH's potential JSE-listed First Investment Trust (FIT) has a 36,8 percent stake in TAH Its shares too have recently experienced a strong rise, moving from 775c in October to around 1100c yesterday Liberty Life has a 17,4 percent stake in TAH



The FIT share price has risen in recent days on the back of the strongly performing UK investment TransAtlantic

The major interest in the preliminary figures issued today by TAH is how well the company has survived Britain's worst post-war recession which has resulted in a devasting slump in the property market. The figures show that TAH has survived extremely well.

TAH's profit before interest and taxation rose 41 percent from £68,6 million (R341 million) to £96,4 million (R479 million). This included a £27,9 million (R39 million) increase in property investment income, primarily because of new lettings arising from the shopping centre development programme, and a full year's contribution of £36,7 million (R93 million) from its 50 percent interest in Sun Life Holdings.

Profit before tax was £60,7 million (R302 million), down slightly from the £61,2 million (R304 million) in 1991.

The net interest charge rose from £7,4 million (R37 million) to £35,7 million (R177 million) which reflects the reduction in interest capitalised on property development projects

After advance corporation tax, which relates to dividends paid, earnings dropped to 9,93p from 14,52p a share. But excluding this tax earnings amounted to 13,01p (16,58p).

Dividends totalling 12p (11,45p) have been declared

Shareholders' funds before minorities rose from £775 million (R3,6 billion) to £948 million (R4,4 billion).

The "savage" environment for property development resulted in the net assets being written down from 310p to 274p causing Gordon to complain about the way business property is valued in England

But because the company's property flag-ship, Thurrock Lakeside Shopping Centre, has "increased its retail dominance", and the emerging signs of a return of consumer confidence holds out the prospect for exceptional growth at the centre, it was revalued from £325 million (R1,5 billion) to £380 million (R1,8 billion)

Thurrock is substantially larger than Eastgate, which is also a Liberty Life development, and boasts that it has all the Bond Street shops but with parking

It is in Essex just off the M25, and has a catchment area containing 11 million people

FIT reports a drop in earnings from 36,3c to 27,5c a share However, Gordon says these earnings are not readily comparable in the light of the major structural changes at TAH

An unchanged final dividend of 13c has been declared making an unchanged total of 20c for the year

FM 26/2/93. 232

FANCOURT FM 26/2/93 232

Second time around

Rebuffed once, an international financial and property conglomerate has reinstated an offer to rescue the controversial and exclusive Fancourt golf resort near George Fancourt was constructed largely on R89m of borrowings provided by failed investment group Masterbond

The most recent developments include an earlier offer submitted by Dubai-based Geap International. This was rejected by Masterbond curators who described it as "unfair and inadequate" to Masterbond debenture holders There was a revised offer late last week, as applications went to the Cape Supreme Court for the liquidation of the Fancourt companies

Some time ago, the Masterbond joint curators determined their best course of action on Fancourt would be to liquidate the companies. A provisional liquidation order was granted Shortly before the final return date (which had already been moved several times), a consortium including Geap and SA building and construction company Group Five submitted an offer to buy all the curators' claims against Fancourt for R25m

The offer included payment to Group Five of R15m to cover the company's builder's lien over the Fancourt properties, together with an unspecified amount for partial payment of concurrent creditors

The offer was rejected by Masterbond curators who pressed ahead with the liquidation of the companies, despite a clear warning by Geap MD Mahendra Patel that liquidation would result in the immediate withdrawal of his consortium's offer

Telephone conversations last week between Patel and joint curator Arnold Galombik, persuaded Galombik to modify his final liquidation application to the court· in papers filed ahead of last week's final return, Galombik confirmed *bona fide* rescue proposals had been received An extension was granted The final return date, which Galombik says won't be extended, is now March 5

Fancourt was purchased by film producer Andre Pieterse in 1968 when he bought the property from ill-fated Glen Anil Pieterse's career encompasses an early period with Ster-Kinekor and was followed by several years as a senior vice-president with major Hollywood movie maker MGM Later, Pieterse returned to SA and joined the Department of Information at the time Eschel Rhoodie exercised power in it

He produced the film *Golden Rendezvous* with money partly contributed from the sale of an interest in one of Pieterse's companies to a government front company The film, based on the Alistair Maclean thriller, was not a box office success

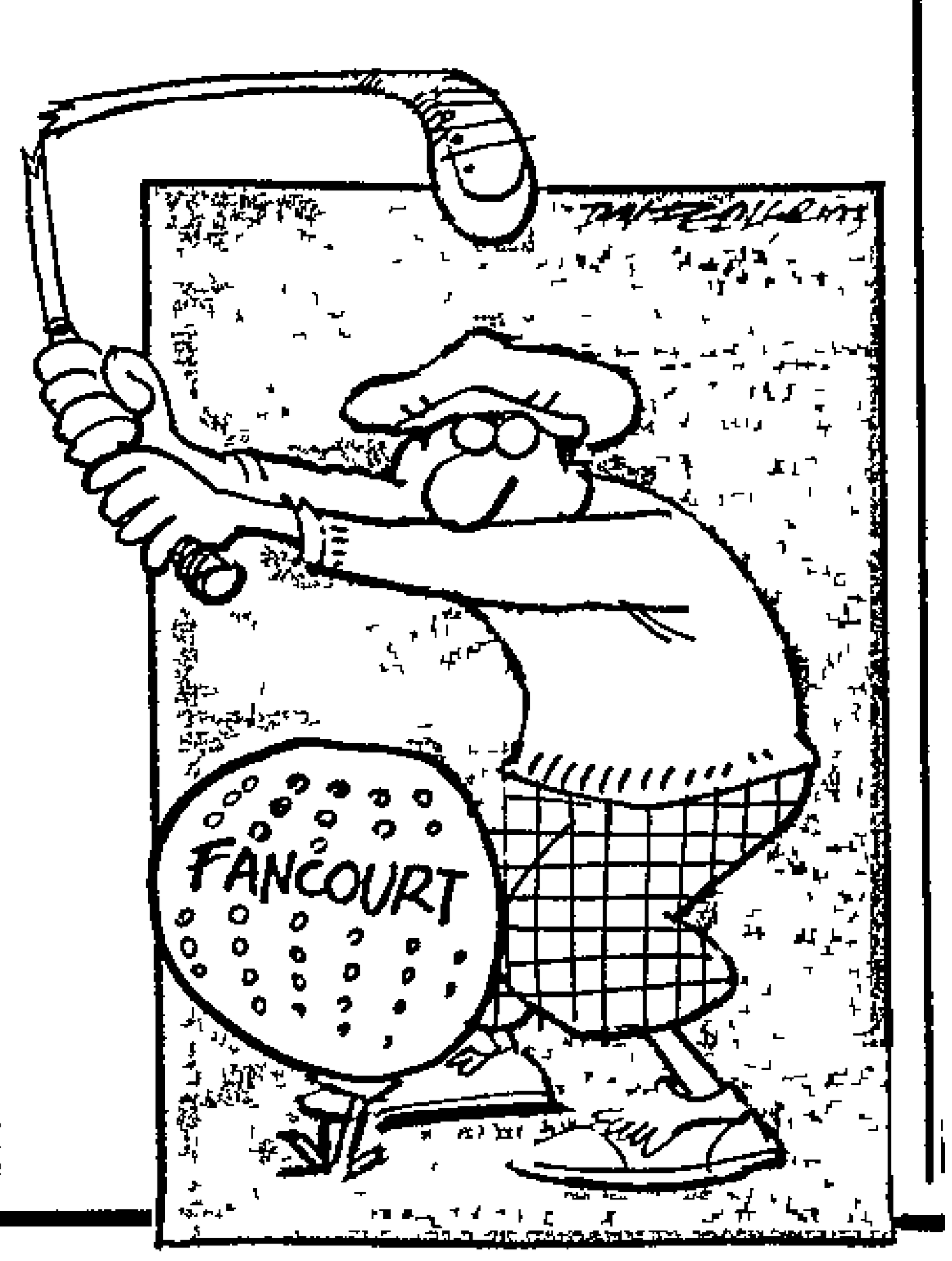
Many years later, Pieterse decided to convert the Fancourt Manor House into a country hotel Masterbond provided R2,9m in financial assistance and subsequently a further R1m The scheme was expanded to embrace the exclusive golf resort, with residential rights, which has made Fancourt famous It involved the purchase of adjoining farmland and the construction of a Gary Player-designed golf course

As the project progressed, further monies were drawn down from Masterbond until a final amount of R89m was applied against the scheme Pieterse is emphatic that every bond registered was supported by valuations obtained by Masterbond management

A R10m dividend declared by Fancourt Holdings was, according to Fancourt's auditor James Leask, of auditor Fisher Hoffman Stride, used to facilitate the intended entry of UK-based hotel management group Orient Express as partner with Masterbond and Pieterse

The fixed assets of Fancourt Holdings were revalued and, because the revaluation was in excess of the nominal value of Fancourt Holdings' assets, it was possible for the directors to declare a dividend for the excess amount. This was never paid to the shareholders — Masterbond and Pieterse — as the directors made it a condition that the dividend would not be distributed until adequate funds and profits were available. Instead, it is understood the purpose was to create loan accounts which could be on-sold to a new company, Golf Corp, along with the shareholdings in Fancourt Holdings in a manner which would be tax effective.

A revaluation of this kind usually gives rise to nondistributable reserves, Leask says, however, that there are many examples in case law to support the distribution of nondistributable reserves in certain prescribed circumstances



Geap's Patel tells the *FM* his company's original offer, split between R25m to Masterbond and R15m to Group Five, should not be interpreted to mean all this would have been available as cash "The sum offered to Group Five was on the basis that it would be paid over time and subject to the satisfactory completion of a number of matters," says Patel.

"If the Masterbond curators are willing to accept the same terms and conditions as would have applied in respect of Group Five, and if they will provide this company with appropriate indemnities, they can have the full R40m which we have offered "

The effect of that is to transfer responsibility for settling Group Five's builder's liens to the curators Galombik says he's satisfied, on the basis of opinion received from senior counsel, that Group Five's rights in law are tenuous Understandably, Group Five chairman Peter Clogg says he's taking legal advice next week

David Gleason

FM 26/2/93 | FM 26/2/93 | FM 26/2/93 FOX

South East Asian markets are strong compared with the European market which is barely active The asbestosis issue has totally undermined the North American market and Canadian producers are moving into the Far Eastern markets, which implies increasing price competition in these regions

Since early 1992 the share price has surged from about 170c to 340c On a p e of 1,9 and an incredible earnings yield of 51%, the rating reflects the volatility of the share which relies on a short-cycle commodity and the rand.dollar rate The share reached the dizzy heights of over R8 in 1989, but is not expected to reach these levels again until the demand for low-cost housing improves Prospects for 1993 are expected to reflect the downturn in asbestos prices *Louise Randell*

JSE INSPECTORATE

In the inner sanctuary

The JSE's inspectorate department, boosted last year by the appointment of CA Rob Barrow as surveillance director, is beginning to make itself felt among members of the JSE's main committee, the institution's ruling body FM 26/2/93

The *FM* has learnt that Barrow has uncovered *prima facie* evidence that some brokers recently dealt either in unlisted securities or transgressed the rule relating to the need to disclose bear sales These activities surround the recent deal in terms of which Powertech took control of companies in the Pickard group, principally Picapli

Part of the arrangement with minorities were entitlements to Powertech shares, the Powertech scrip had not been listed and was trading at a differential to the ratios agreed in the takeover transaction And the deal was subject to ratification by shareholders

It's possible, though very unlikely, shareholders would have vetoed it As they had not done so when the alleged deals were transacted through the JSE, one or several of its rules may have been breached

The main committee has agreed its general purposes subcommittee should consider the evidence assembled by Barrow and his team The alleged miscreants are said to include several members of the JSE's ruling body — much to their anger and discomfort

If so, it supports the theory that the JSE's efforts to regulate itself thoroughly and without favour are bearing fruit

Meanwhile, executive president Roy Andersen confirms that Greg Blank, sentenced to prison for his role in the Old Mutual scam, is to appear before the disciplinary committee in the next three weeks Other JSE members are expected to be invited to attend hearings about their own activities

Andersen says Cyril Jaffe, senior partner of one of SA's largest firms of attorneys, will soon take up a one-year appointment with the JSE Jaffe's primary function will be to help the JSE in preparing charges which might arise from the conspiracy to defraud the Old Mutual. He will also be closely involved in updating the rules of the JSE Guarantee Fund and in revising the JSE's rules and regulations, particularly those relating to gilts trading in view of the forthcoming opening of the Bond Market Exchange.

An important project for Jaffe will be the review of the JSE's listing requirements to ensure Johannesburg complies with the latest international trends A similar exercise by the London Stock Exchange will serve as a model Jaffe will also handle ad hoc legal matters for the JSE in consultation with its attorneys *David Gleason*

GENCOR FM 26/2/93 (232)

Who's going up?

Gencor watching is fast becoming almost as exciting as reviewing musical chairs at Anglo As always, the question is who is doing what to whom? Gencor's recent round leaves as many questions unanswered as it offers solutions

However, the appointments of former Trans-Natal MD Mike Salamon and Impala MD Mike McMahon to the Gencor board give some indication of what's in the wind New brooms appears to be the message from chairman Brian Gilbertson, who completes his restructuring with the main board appointment of Engen MD Rob Angel

A senior Gencor source says Salamon and McMahon are widely regarded in the group as the kind of instant success material which has to be encouraged and rewarded if it is to be retained Salamon, who is also appointed new CE of Samancor, is seen by analysts to have completed a particularly remarkable job in managing coal producer Trans-Natal over a trying period

Samancor, of course, is regarded as a key position in Gencor Not only is it a significant contributor to profits, but its heavy involvement in the massive Columbus stainless steel project, one of SA's most important private schemes in recent years, makes it a vital cog in the house's expansion programme

These appointments lead inevitably to speculation about the future role of Genmin Until now, these companies have reported through Genmin With their CEs all on the main Gencor board, reporting through a lower level makes little sense Of course, if unbundling becomes a prime requirement, the removal of Genmin is seen as inevitable, though that might depend on some legislative changes and an effort by the fiscus to make corporate restructurings cheaper

The two Smiths take up residence in Gencor's New Business division, though Bernard Smith remains chairman of Engen One observer says Gilbertson's intention is to give a much sharper focus to Gencor's pursuit of new business opportunities The divisions have gone off in different directions, all intent on producing their own versions of the new business direction which the house should follow Clearly, that won't happen in future

Another analyst disputes the common view that Hans Smith, former CE of Samancor, has been sidelined "He has done all the right things at a time of falling commodity prices That's when it's most difficult When prices recover, Samancor will benefit from the cost-cutting exercises implemented by Smith It's no wonder Gencor wants to use him in finding new opportunities "

One thing is certain from the rearrangement in the passages of corporate power at Gencor Gilbertson has placed his own, distinctive, hands around the mining giant *David Gleason*

PALABORA MINING

Facing quandaries

FM 26/2/93

Palabora, SA's sole listed copper producer and the envy of many international base metal producers, turned in mediocre financial results for its 1992 financial year EPS declined nearly 19% from the previous year, which speaks eloquently of the problems faced by this important mining operation

Pre-tax profit was R392m, a fall of 14% or R66m Not even a huge increase of R16m in foreign exchange gains could offset the effects of a lower world copper price, combined with a fall in production of new refined copper Financial director Barry Aitken says the foreign exchange windfall results from profits arising on forward contracts and some gains on foreign loans

Interest payable nearly doubled to R13,4m and long-term borrowings increased to R76m at year-end, compared with 1991's R15m However, most of that relates to increased capital expenditure Palabora's net borrowing position is still less than a tenth of capital employed, an indication of the profound strength of the balance sheet

The increase in the capital spending programme highlights the nature of Palabora's quandaries, short and long term Over 1992, smelting operations were affected by changing mineralogy and an ageing smelter This plant is being upgraded, but construction and commissioning activities affected smelting operations to the extent that refined copper output fell 12% to 104 246 t

That problem will be out of the way soon, the same can't be said of the difficulties relating to the ore reserves and the quantities remaining which can be mined by existing open cast methods The finite nature of these is emphasised by the feasibility study now in progress at an estimated cost of R35m, to determine whether underground mining operations will be viable

On present estimates, the open cast operations cannot last beyond the turn of the century That makes Palabora's continuance heavily dependent on the economics of underground mining The company says results of the study will be available in 1994

JSE INSPECTORATE 232

In the inner sanctuary

The JSE's inspectorate department, boosted last year by the appointment of CA Rob Barrow as surveillance director, is beginning to make itself felt among members of the JSE's main committee, the institution's ruling body FM 26/2/93

The *FM* has learnt that Barrow has uncovered *prima facie* evidence that some brokers recently dealt either in unlisted securities or transgressed the rule relating to the need to disclose bear sales These activities surround the recent deal in terms of which Powertech took control of companies in the Pickard group, principally Picaph

Part of the arrangement with minorities were entitlements to Powertech shares, the Powertech scrip had not been listed and was trading at a differential to the ratios agreed in the takeover transaction And the deal was subject to ratification by shareholders

It's possible, though very unlikely, shareholders would have vetoed it As they had not done so when the alleged deals were transacted through the JSE, one or several of its rules may have been breached

The main committee has agreed its general purposes subcommittee should consider the evidence assembled by Barrow and his team The alleged miscreants are said to include several members of the JSE's ruling body — much to their anger and discomfort

If so, it supports the theory that the JSE's efforts to regulate itself thoroughly and without favour are bearing fruit

Meanwhile, executive president Roy Andersen confirms that Greg Blank, sentenced to prison for his role in the Old Mutual scam, is to appear before the disciplinary committee in the next three weeks Other JSE members are expected to be invited to attend hearings about their own activities.

Andersen says Cyril Jaffe, senior partner of one of SA's largest firms of attorneys, will soon take up a one-year appointment with the JSE Jaffe's primary function will be to help the JSE in preparing charges which might arise from the conspiracy to defraud

FM 26/2/93 232

the Old Mutual He will also be closely involved in updating the rules of the JSE Guarantee Fund and in revising the JSE's rules and regulations, particularly those relating to gilts trading in view of the forthcoming opening of the Bond Market Exchange

An important project for Jaffe will be the review of the JSE's listing requirements to ensure Johannesburg complies with the latest international trends A similar exercise by the London Stock Exchange will serve as a model Jaffe will also handle ad hoc legal matters for the JSE in consultation with its attorneys

David Gleason

FM 26/2/93

settlements more formal between March-July. From July, trade reporting is to be tested and introduced on the Unexcor computer system. That will be followed by a licensed exchange in April next year. "That's when I expect we will have a fully guaranteed market which will assure all users of delivery, settlement and the quality of scrip."

Not before time. The capital market deals with about R300bn scrip each month. That's an extraordinary sum in a market which has not yet regulated itself to the satisfaction of its members or the FSB, and lacks the necessary protections for all investors.

David Gleason

BMA FM 26/2/93.

Investor beware

232

Three-and-a-half years of mighty labour to produce a market operating under a temporary dispensation isn't really the style of the financial services industry. But that's what has happened with Bond Market Association (BMA) endeavours to bring forth its Bond Market Exchange.

The BMA is also operating without a guarantee fund to protect users. Unlike the JSE, for example, whose guarantee fund stands at around R80m and from which R2m was paid recently to investors caught up in a web of defaulting brokers, the BMA is unlikely to be able to offer any institutional protection until April next year.

However, JSE executive president Roy Andersen says the JSE guarantee fund will continue to cover investors who trade in bonds through JSE brokers.

The BMA was established after the Jacobs Committee recommended the creation of a single bond market, combining the JSE secondary market and the market operated informally by institutions.

Legislation to control the BMA's operations is encompassed in the 1989 Financial Markets Control Act. But the BMA has operated under temporary dispensations granted by the Financial Services Board (FSB) since it was formed.

A further dispensation granted this week will enable it to operate without confirmed and accepted rules and regulations, and without a guarantee fund. FSB CEO Piet Badenhorst says: "Various discussions have been held on an ongoing basis with the BMA over a considerable period. I'm afraid I can't comment any further."

BMA CE Graham Lund says it has proved difficult to reconcile the vested interests of different groups. "Last December, the BMA's executive committee decided to proceed with phased implementation."

First on the list is to make clearing and

It's enough to make one weep

Supreme swept ignorant away

STAR 27/2/93 232

LEIGH HASSALL found a sorry trail of misplaced trust among investors, some of whom never even knew what a debenture was, while others thought their money was in a bank.

TEARS of heartache, sighs of remorse and angry words permeated yesterday's Johannesburg meeting of aggrieved debenture holders of the Supreme Group.

Pensioners who had invested their life savings, a divorcee who lost her entire settlement, and a retired domestic worker who lost the monies saved for her house The stories of hardship were enough to make any listener weep

The confusion of most of the debenture holders who attended the meeting was strongly evident. Indeed, at the outset of the meeting the chairman even had to explain what a debenture was.

That some investors were unaware that their funds were even invested in the Supreme Group is astounding A few were even under the impression that their money was safely in their bank!

Yesterday's Supreme meeting was the third of similar meetings held recently in Durban and Cape Town so that debenture holders could vote on whether to pursue certain securities held on loans made to listed companies, Protea Furnishers and Supreme Manufacturing, or to "save" these companies and accept shares in lieu of the outstanding loans

Effectively, holders were offered the choice of receiving less than 7c for every rand through pursuance of the securities option or about 22c through the share conversion route.

It didn't help matters that many investors claimed not to have received the written notice detailing the plan, or that many investors were groping after the first few minutes of the meeting.

Investors took a little solace from the fact that the directors of the two "top" companies in the Supreme group are to face an inquiry into their conduct in terms of section 417 of the Companies Act some time in April.

That depends, of course, on whether the directors are still in the country At least one is believed to have skipped to greener pastures.

The details of the case are disturbing During the meeting one of the liquidators acknowledged that there was an element of criminality involved in issuing worthless certificates.

It appears that some of the issued debenture certificates were "secured" by certain assets, with the name of the asset being recorded on the face of the certificate Stated asset or none, this security is not legally enforceable in any event.

Investor outrage was heightened when it was learnt that the chairman of the liquidated companies, Edward Ronbeck, also stood to lose some money from his group's demise Ronbeck's investment, apparently in the region of R54 000, is paltry when compared with the R276 million at stake by the debenture holders.

One debenture holder asked how the Supreme saga could occur so soon after the Masterbond loss. More importantly, how could investors be duped twice?

Perhaps the problem is that investors are desperate to find an inflation-beating instrument.

A severe lack of objective financial advice does not help the situation either

Yesterday's meeting was postponed to March 19 at the same venue because the meeting did not have a quorum. All the proxies who voted in favour will be carried over to the next meeting.

Two debenture holders voted against the proposal and one abstained.

New group to deal with medium-size businesses

S/Times (Cape Metro) (232) 28/2/93

By JERERY WOODS

A NEW mergers and acquisitions group was launched in Cape Town this week by the Seeff Organisation to concentrate on business sales and mergers in the R1-million to R20-million price bracket.

The new group — which has brought together a team of young, highly qualified, mergers and acquisitions specialists with local and international experience — has funds in excess of R100 million for development finance and an extensive network of potential buyers and sellers.

"Our market is the family or medium-sized business that is too big to be advised by the local bank manager, but too small for a merchant bank to take seriously," says the new group's managing director, Rory Stear, 33

Interestingly, fees will be success related

"Our success means a success for our client," Stear says "It's much fairer that way"

Neither will charges be made for the initial look and appraisal of a business where the chance of a deal exists

Apart from dealing with sales and acquisitions, the group will also deal with finding investors for businesses looking for minority or majority partners, raising development finance and business planning such as capital restructuring

Although based in the Cape, the group' plans to do deals nationawide

"We are already busy on some intriguing deals and we believe there are plenty more good businesses out there our team can assist," said Stear

■ FRED ROFFEY will no longer edit the Cape Metro business page as he is concentrating on production of his own magazines. He will continue to help with Cape Metro special features and can be contacted at: ☎ 461-2258.

Top-ten is on hold

ST Times (Buss) 28/2/93.

THE JSE has put its proposal for a top-ten shares index on hold pending a decision from Safex as to whether a futures contract will be written on it

(232)

Safex chief executive Stuart Rees canvassed the potential acceptance of such an index among Safex's members, but the results are inconclusive

On a volume-weighted basis, 35% of those asked showed a positive response, 16% negative and from the rest there was no word Mr Rees is seeking further replies Safex already has a very liquid contract on the JSE all-share index One reservation to the introduction of a second JSE-based futuress contract is that it might split the liquidity and cause both to fail